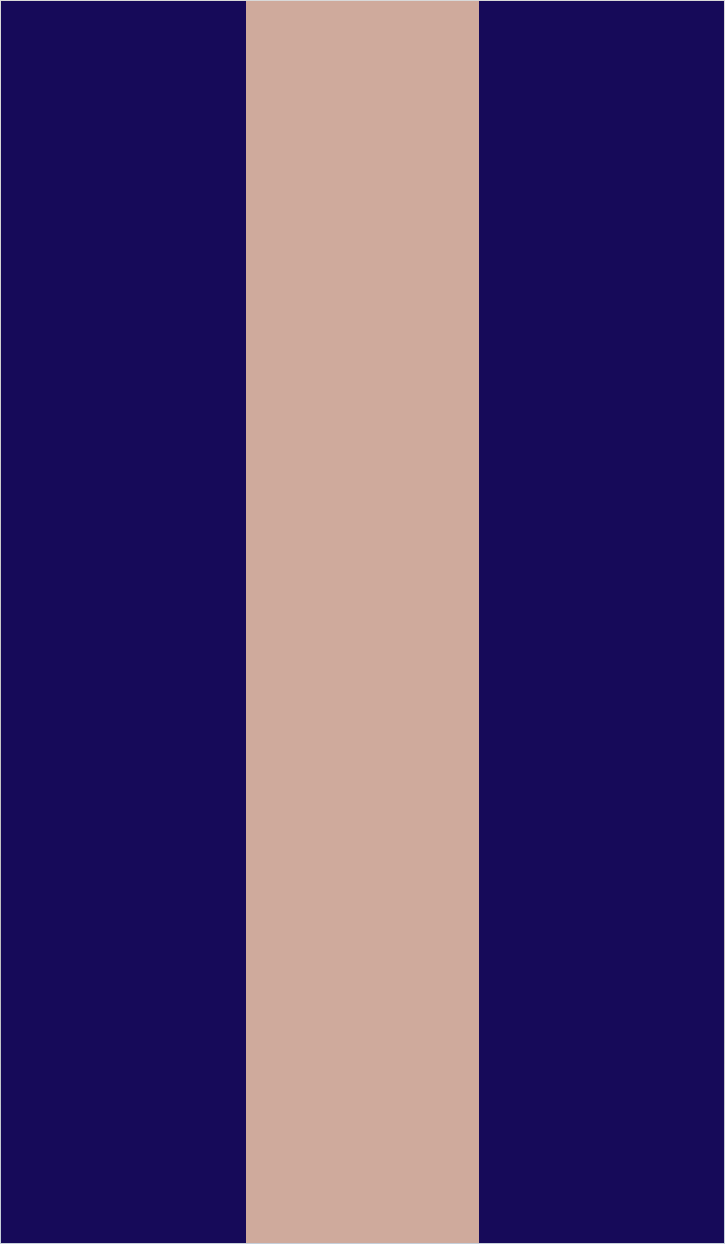




S&S Tax Snippets

Special Ed on 57th
GST Council Meeting



Registration related changes

Streamlining the GST registration process

- Circulars and FAQs to be issued specifying the documents and information required for GST registration to simplify the filing and processing of applications.
- Amendment to FORM GST REG-01 to introduce drop-down for prescribed documents/information, providing clarity to applicants and tax officers regarding the information to be furnished.
- Improved GST portal interface to provide clear navigation, drop-down lists, tooltips and contextual guidance to assist correct filing of registration applications.
- These changes are intended to reduce application rejections and queries arising from incomplete or incorrect information and expedite processing.
- Following the 56th GST Council meeting's recommendations, **automatic registration without officer intervention** is being granted by the portal under Rule 14A of the CGST Rules, 2017, where the applicant does not intend to pass on ITC exceeding ₹2.5 lakh per month.

Rationalisation of procedure for amendment of GST registration

- **Amendments to all registration particulars**, except for Principal Place of Business (PPOB), are proposed to be accepted **automatically on the GST portal**.
- For taxpayers registered under Rule 14A (automatic registration), amendments to all registration particulars, including PPOB, are proposed to be accepted automatically.
- These changes are intended for easier real-time updating of registration particulars without requiring interaction with tax officers.

Rationalisation of GST registration cancellation

Automatic cancellation on application by the taxpayer

- **Phase-1:** Applications in FORM GST REG-16 are proposed to be accepted automatically, once all pending returns have been filed and all dues paid, either if the taxpayer has not passed on ITC exceeding ₹2.5 lakh in any month since registration, or the taxpayer has exceeded this threshold, but has filed final return in FORM GSTR-10 within the prescribed time.
- **Phase-2:** All **cancellation applications** are proposed to be **accepted automatically** once pending returns are filed and dues are paid. FORM GST REG-16 will be amended to permit the details of FORM GSTR-10 to be furnished within the cancellation application itself.

Suo motu cancellation by tax officers

- Rule 21 of the CGST Rules, 2017, will be amended to omit certain grounds for cancellation of registration by tax officers.
- Rules 21A and 22 are proposed to be amended and Rule 23A is proposed to be inserted to provide for system-based cancellation and revocation of registration where defaults relating to non-filing of returns or non-furnishing of bank account details are remedied within the prescribed period.

Simplified registration for small sellers on e-commerce platforms

- Rule 14B is proposed to be inserted to provide a simplified registration mechanism for small suppliers of goods through Electronic Commerce Operators (ECOs), intended for suppliers undertaking supplies in States/UTs where they have no physical presence.
- This would apply in cases where suppliers intend to pass on ITC of not more than 2.5 lakh per month, excluding stock transfers between distinct persons, by declaring the warehouse of an ECO in that State/UT as their Principal Place of Business.
- This is intended to enable small sellers to expand into other States through e-commerce platforms without establishing a place of business in each State.

57th GST COUNCIL MEETING UPDATES

Return related reforms

Reconciliation of outward supplies and tax liability

- Forms GSTR-1, GSTR-1A and the Invoice Furnishing Facility (IFF) are proposed to be enhanced to facilitate reconciliation of outward supply details with the tax liability reported in Form GSTR-3B.
- A new Rule 61(1A) is proposed to provide a **mechanism for correcting tax liability** reported in Form GSTR-3B to align it with the outward supply details furnished in Forms GSTR-1, GSTR-1A and IFF.

Input tax credit reconciliation and management

- Rule 60(6A) is proposed to provide for recipient actions, including accepting, rejecting or keeping an inward supply document pending, for the purpose of generating Form GSTR-2B, subject to prescribed conditions. The mechanism also addresses the period for which a credit note may be kept pending.
- A new Rule 61(1B) is proposed to provide a **mechanism for correcting ITC** reported in Form GSTR-3B to align it with the ITC reflected in Form GSTR-2B.
- A circular is proposed to clarify the reporting of ITC and reversals in Form GSTR-3B, taking into account the IMS, the Electronic Credit Reversal and Reclaim Statement, and the electronic statement of RCM tax paid and ITC claimed.

Electronic statements for RCM and ITC reversals/reclaims

- A new Rule 86D is proposed to **introduce an electronic statement for reporting tax paid under the reverse charge mechanism (RCM)** and the corresponding input tax credit (ITC) claimed.
- Rule 86C is proposed to introduce an electronic statement for reporting ITC reversed and subsequently reclaimed in Form GSTR-3B.

Invoice-level reporting of payments

- Form GST DRC-03 is proposed to be amended to require the declaration of details of the underlying invoice against which a payment is made.

Implementation of the revised return-correction framework

- A proposed return-correction mechanism is expected to be implemented from the return period commencing April 2027, subject to consultation and finalisation of the revised framework.

Refund related reforms

Faster, system based automated processing of refunds

- Amendment to Section 54 of the CGST Act to enable **system-based processing and sanction of refund** in cases of excess balance in cash ledger, zero-rated supplies and inverted duty structure in two phases.
 - a) In Phase 1, refund of excess balance in cash ledger is granted automatically by the system, acknowledgment/deficiency to be issued within 10 days by the system failing which it is deemed that acknowledgment is issued and in cases of refund claims with respect to zero-rated supplies and inverted duty structure, 90% of the amount is sanctioned provisionally without intervention of the officer.
 - b) In Phase 2, system-based acknowledgment to be issued upon verification of the refund application and full refund will be sanctioned automatically in cases of refund on account of zero-rated supplies after adjusting the dues if any.

57th GST COUNCIL MEETING UPDATES

Amendments for expediting & streamlining refund process

- Form GST **RFD-01 application** to be amended to make it **system-readable** and dispense with requirement of uploading scanned documents in cases of refund on account of zero-rated supplies and inverted duty structure.
- The restriction for maximum amount of turnover of zero-rated supply of goods to be removed as prescribed under Rule 89(4)(c) of the CGST Rules.
- Threshold of Rs. 1000/- specified under Section 54(14) of the CGST Act to be applicable in respect of total refund of amount under CGST, SGST/UTGST and IGST taken together.

Interest payable on refund of pre-deposit paid for filing Appeals

- Amendment to Section 115 of the CGST Act to provide for rate of interest applicable for refund of pre-deposit amount and issuance of circular to clarify issues relating to rate of interest on refund.

Refund of accumulated ITC on account of capital goods & input services

- Amendment to Section 54(3)(ii) of the CGST Act to provide for refund of accumulated ITC on account of capital goods (to be spread over 60 months and in respect of ITC availed on or after 01.04.2027) in cases of **zero-rated supplies** and refund of ITC on account of input services (in respect of ITC availed on or after 01.11.2026) and capital goods (to be spread over 60 months and in respect of ITC availed on or after 01.04.2027) in cases of refund of **inverted duty structure**.

Dispute Resolution

Proposed measures for more efficient GST proceedings

- A minimum **threshold of ₹10,000** is proposed for the **issuance of show cause notices**, with the measure also extending to pending notices and appeals.
- In non-fraud cases, the penalty is proposed to be reduced to 5% of the tax amount where the tax and applicable interest are paid within 30 days under Section 73 or within 60 days under Section 74A, as applicable, from the date of the adjudication order.
- A minimum penalty of ₹10,000 prescribed in non-fraud cases is proposed to be removed.
- A **general penalty** under Section 125 of the CGST Act, 2017 is proposed to be **reduced to ₹10,000** from ₹25,000.
- A maximum **pre-deposit required** for filing an appeal involving only a **penalty**, without any tax demand, is proposed to be **capped at ₹40 crore**, comprising ₹20 crore each under the CGST and SGST/UTGST components.
- Where the taxpayer voluntarily pays the full tax, interest and penalty within the prescribed period, the penalty amount is proposed to be treated as a charge, in accordance with the proposed framework.
- Comprehensive guidelines are proposed to standardise the issuance of notices, adjudication proceedings and appellate processes, with a view to improving consistency and reducing disputes.
- A **validation provision** is proposed in relation to **notices covering multiple financial years**, addressing the validity of such notices under the specified circumstances..

ITC-related recommendations

Rationalisation of blocked ITC under Section 17(5) of the CGST Act

The GST Council recommended amending Section 17(5) of the CGST Act, 2017, to remove restrictions on the availment of ITC in respect of the following:

- Outdoor catering.
- Health and life insurance.
- Telecommunication towers.
- Pipelines laid outside factory premises.
- Free samples.
- Goods destroyed or written off on expiry of shelf life, as required by law.

This would reduce the cascading of taxes and ensure a smoother flow of ITC across the supply chain.

57th GST COUNCIL MEETING UPDATES

Opportunity of hearing before blocking ITC under Rule 86A

- The GST Council recommended amending Rule 86A of the CGST Rules, 2017, to provide a mechanism enabling taxpayers to file an **objection against the blocking of any amount in the electronic credit ledger**, and avail personal hearing before the objection is decided.

Clarifications on ISD, demo vehicles and Section 17(4)

- The GST Council recommended issuing circulars to clarify various issues relating to the Input Service Distributor (ISD) mechanism for distribution of input service credit, issues relating to the availment of ITC by banking companies and financial institutions, including NBFCs, that opt for the mechanism under Section 17(4) of the CGST Act, 2017, and to clarify issues on the admissibility of ITC in respect of demonstration vehicles.

Exports/Zero-rated supplies

Reforms relating to exports/zero rating of supplies of goods & services

- The Council recommended for **omission of sub-clause (v) of Section 2(6) of the IGST Act** to remove the condition of supplier and recipient of services not being establishments of a distinct person, for a supply to qualify as export of services.
- Issuance of a circular was recommended to clarify the issues related to receipt of payment in foreign exchange or Indian rupees as permissible, for the export of goods and services.
- The GST Council recommended **omission of Section 13(3)(a) of the IGST Act** thereby removing the requirement to determine the place of supply for services in cases where the goods are made physically available by the recipient of services to the supplier. Instead, these transactions will fall under the default provision of Section 13(2) of the IGST Act, establishing the place of supply based on the location of recipient.
- An explanation was proposed to Section 16(1) of the IGST Act to provide that in cases the supplies were made to the overseas buyers (Bill to) and delivered to an SEZ/FTWZ (Ship to) with the payment being received in convertible foreign exchange or in Indian Rupees, such supplies shall be deemed to be supply of goods made to an SEZ/FTWZ.

Arrest and Prosecution

Rationalization of provisions relating to arrest and prosecution

- Section 69** of the CGST Act, 2017 is proposed to be **omitted**, thereby removing the statutory power to arrest under the GST Act.
- The monetary threshold for prosecution is proposed to be increased from ₹1 crore to ₹5 crore.
- Section 132 of the CGST Act, 2017, which prescribes offences punishable with imprisonment and/or fine, is proposed to be amended by omitting clause (i) of Section 132(1), deleting the words “evades tax” from clause (e), and deleting the words “or in any other manner deals with” from clause (h), thereby narrowing the scope of the offences that may attract prosecution.
- Section 132(1)(c) of the CGST Act, 2017, which deals with wrongful availment of ITC using invoices or bills issued without an underlying supply, is proposed to be narrowed to cover fraudulent availment of ITC without receipt of goods or services, or without an invoice or bill
- The punishment prescribed for various offences under Section 132 of the CGST Act, 2017 is proposed to be rationalised.

Reforms relating to E-way Bill

Rationalization of provisions relating to E-way Bill

- Amendment to Section 68 of the CGST Act to the effect that a **conveyance carrying goods can only be intercepted with authorization of an officer not below the rank of Joint Commissioner**. However, goods can be seized, irrespective of the jurisdiction when no e-way bill is generated or the conveyance is not carrying any document to show the origin or destination of the goods.

57th GST COUNCIL MEETING UPDATES

- Amendment to Section 129 of the CGST Act to provide that inspection and action for detention or seizure can be taken only when either the supplier or recipient is located or registered in the State where interception is made.
- **Confiscation of goods/conveyances** contemplated under Section 130 of the CGST Act is **not applicable for goods/conveyances in transit**.

GST rate changes for Goods

Changes/clarifications in relation to GST rates on Goods

- Sublimation paper shall be classified under Heading 4809 and the past cases may be regularised on “as is where is” basis.
- It is clarified that the notification entries for toys in the GST Rate Schedules cover all categories falling under Heading 9503 of the Customs Tariff Act, 1975 (such as dolls, puzzles, and other toys), and are not restricted solely to tricycles, scooters, and pedal cars.
- It is clarified that seaweed extract-based bio-stimulants registered under Schedule VI of the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985 are classifiable as fertilisers under Heading 3101. Additionally, tax liabilities for past periods are to be regularised on an “as is where is” basis.
- Under the GST margin scheme for second-hand vehicle suppliers, ITC is allowed on operational expenses like spares, repairs, rent, and marketing, and is restricted solely on the tax paid to acquire the pre-owned vehicles.
- Purchases of plastic waste, e-waste, tyre scrap, and used cooking oil from unregistered suppliers shall fall under Reverse Charge Mechanism. The supplier shall take registration when they cross the threshold limit, and the recipient must pay tax even if the supplier is below the registration threshold. Further, 2% TDS has been introduced on B2B sales for supplies between registered businesses for specified waste.
- GST on **re-treaded tractor tyres** has been brought down to **5%** to align with the rate applicable to new tractor tyres.
- The GST Council has recommended exemption for past non-levy of Compensation Cess on two- and four-wheelers sold by CSDs for the period 01.07.2017 to 30.09.2022 and aerated drinks sold by CSDs and Unit Run Canteens for the period 01.07.2017 to 31.03.2022.

GST rate changes for Services

Changes/clarifications in relation to GST rates on services

- Amendment to Section 129 of the CGST Act to provide that inspection and action for detention or seizure can be taken only when either the supplier or recipient is located or registered in the State where interception is made. There can be no interception in transit states.
- Confiscation of goods/conveyances contemplated under Section 130 of the CGST Act is not applicable for goods/conveyances in transit.
- To provide an option to pay GST at 5%, with restricted ITC, on passenger transportation and rental services of motor vehicles supplied with an operator, where an electric vehicle is used and the cost of battery charging is included in the consideration.
- **Non-courier/postal delivery services** supplied **through E-Commerce Operators (ECOs)** will now be brought under **Section 9(5)** of the CGST Act at 5% GST (without ITC). Additionally, the existing GTA exemption for sales to unregistered persons has been withdrawn for services in relation to goods ordered or supplied via ECOs.
- To clarify the GST treatment of amounts such as registration charges, road tax, insurance and FASTag charges incurred by a lessor and subsequently recovered from the lessee in connection with the leasing of motor vehicles.
- The Council also recommended **amendment to Schedule-II** of CGST Act, 2017 to provide **that transfer of title in IPRs** (both temporary or permanent), **will be treated as supply of services** to ease compliance and to facilitate smooth cross border transactions involving IPR.
- Amendment to Section 9(5) of the CGST Act, 2017, to clarify liability of the ECO to pay tax for the notified services, irrespective of the business models being followed by him.

57th GST COUNCIL MEETING UPDATES

- Permit limited ITC in the same line of business for specified services, including restaurant and outdoor catering services, hotel accommodation up to ₹7,500 per unit per day, and gym or fitness services, in a manner similar to the existing treatment for specified passenger transport, tour operator and motor-vehicle renting services.
- Exempt passenger transportation by helicopter on a seat-sharing basis from or to airports or helipads located in the north-eastern states, Sikkim and Bagdogra in West Bengal.
- Exempt agricultural support services of curing coffee, provided by coffee curers to cultivators.
- Exempt services provided by the Seamen's Provident Fund Organisation (SPFO) to persons governed by the Seamen's Provident Fund Act, 1966.
- Introduce a simplified **self-certification mechanism** under which the **head of the institution** or organisation undertaking **research and development services**, certifies that the activity is genuinely in the nature of R&D and not consultancy, for determining eligibility under Entry 44A of Notification No. 12/2017–Central Tax (Rate).
- Exempt the import of services by an Indian establishment of a foreign shipping company from its related person or another establishment outside India, where the services are provided without consideration. GST treatment of import of services by Indian establishment of foreign shipping line will be regularized on an “as is where is” basis, this means that the tax position already adopted by the taxpayer for the past period, will be accepted and no refund of such amount will be allowed.
- Exempt services involving the grant of exclusive right, license and authority by the Government, to a concessionaire to demand, collect and appropriate toll fees for highway projects under the TOT model.
- Prescribe a special procedure for valuation and the time of payment of GST on operation and maintenance (O&M) services supplied by concessionaires to the concessioning authority under the TOT model.
- Clarify that the notional amount treated as “interest” in a bank's books for notional transfers of funds between branches by the head office under its Fund Transfer Pricing mechanism is covered by the definition of “interest” in Notification No. 12/2017–Central Tax (Rate).

Annual Return Quarterly Payment (ARQP)

Optional scheme for Annual Return Quarterly Payment (ARQP)

- Proposed in-principle approval for an optional Annual Return Quarterly Payment (ARQP) scheme for taxpayers having an aggregate turnover equal to or less than Rs. 5 Crore in the preceding financial year and engaged exclusively in supplies to unregistered persons B2C supplies

THANK YOU

For further queries/information please get in touch
with us



Level 3,
No. 4/2, Millers Road,
Bangalore – 560052
admin@sdlaw.co.in | +91 80437 79955