S&S Tax Snippets

43rd Ed.



Regulatory Updates

GST Updates:

Circulars:

Guidelines for handling applications for GST registration

In order to streamline the process of GST registration, the Board has issued following guidelines for the applicants filing application for GST registration:

The application for GST registration is required to be filed in Form GST REG-01 online on GST portal. (person liable to deduct TDS and collect TCS - Form GST REG-07, Non resident taxable person - Form GST REG-09 and person supplying OIDAR and online gaming services - Form GST REG-10.)

- In Part A of the form, details of PAN, legal name, State/Union Territory, district, email address and mobile number are required to be furnished. Further, in Part B details of business constitution, reason for registration, promoters/partners, authorised signatories, principal and additional places of business, nature of business, details of bank account and HSN/SAC are required to be furnished.
- In case of own premises documents such as Latest property tax receipt, municipal khata, property identification document, electricity bill or water bill, as permitted by the guidelines. In case of rented/leased premises, a valid registered agreement where registration is legally required; otherwise, the agreement along with prescribed ownership proof of the lessor is required to be submitted. In cases where the agreement is not available, an undertaking along with evidence of possession such as electricity or water bill in tenant's name is required to be submitted.
- In case of co-working spaces, Membership agreement specifying the period and allocated suite/cabin/desk, together with the prescribed ownership or lease documents of the provider is required to be submitted. Further, in case of SEZ unit/developer, a valid letter of approval/letter of permission issued by the development commissioner is required.
- The guidelines also set out the timelines for processing the registration application.

Circular No. 257/03/2026-GST dated 26.10.2026

Clarification on issues related to demand, adjudication and appeal proceedings under the CGST Act

In order to ensure consistency and uniformity in adjudication and appellate proceedings, detailed clarification has been issued. It is clarified that Form GST DRC-01A may be issued wherever feasible to enable voluntary compliance and reducing the necessity of issuing the SCN. Further, the SCN must have adequate particulars such as facts, tax periods, statutory provisions, evidence, allegations and quantified demand, preferably financial-year-wise. In case of SCN under Section 74 of the CGST Act, the said notice should clearly disclose the basis for invoking the said provisions on ground of fraud, wilful-misstatement, or suppression of facts. Additionally, the notices are required to be issued within the time limits prescribed and is required to be served through any of the modes specified under Section 169 of the CGST Act. It is also clarified that in adherence to the principles of natural justice, opportunity of hearing is required to be provided to the Noticee and requests for adjournments should be considered judiciously.

Further, with respect to the adjudication order, it is clarified that an adjudication order has to be accompanied with the summary required to be uploaded on the portal in Form GST DRC-07. Such adjudication orders must address the taxpayer's reply, evidence, hearing submissions and relevant judicial precedents, explaining why arguments are

accepted or rejected. The adjudication Order should also specify the demand confirmed or dropped, issue-wise and tax-period-wise, with the applicable tax components, interest, penalty and adjustments. Further, adjudicating authority is required to record specific findings before imposing the penalty. Additionally, the demand confirmed in the Order cannot exceed the amount specified in the SCN or be based on grounds not set out in the SCN in terms of Section 75(7) of the CGST Act.

With regard to rectification, it is clarified that the authority can rectify errors apparent on the face of the record in any decision, order, notice, certificate, or document, either suo motu or upon such error being brought to its notice by an officer upon filing an application within 3 months. Further, appeals against the adjudication orders is required to be filed within 3 months from the date of communication of the Order and the Authority can condone the delay up to 1 month. The aspect of limitation is required to be examined as a separate preliminary issue and an appeal filed beyond the said condonable period ought not be adjudicated on merits. Additionally, it is also clarified that Additional grounds and evidence may be admitted only in accordance with the applicable statutory and procedural conditions, with reasons recorded where required.

Circular No. 258/04/2026-GST dated 26.10.2026

CBIC clarifies pre-deposit requirements and refund procedure for GST appeals

The Central Board of Indirect Taxes and Customs (CBIC), has issued clarifications on the pre-deposit requirements under Sections 107(6) and 112(8) of the Central Goods and Services Tax Act, 2017. The Circular clarifies that the “admitted amount” refers to the portion of tax, interest, fine, fee and penalty arising from the impugned order that the taxpayer accepts as payable and does not intend to contest, which must be paid in full. The prescribed pre-deposit of 10% is to be calculated on the remaining disputed tax liability. For appeals before the Appellate Tribunal, the pre-deposit is to be calculated with reference to the disputed tax liability as confirmed by the Appellate Authority.

The Circular further clarifies that a favourable appellate order need not expressly direct the refund of pre-deposit, and the taxpayer may claim refund by filing FORM GST RFD-01 under the category “On account of order”. Such refund cannot be denied merely because the Department intends to or has filed a further appeal, unless the favourable orderhas been stayed by the Appellate Tribunal or a Court. Where pre-deposits have been paid at both appellate levels, the date of payment for interest computation is to be determined separately for each deposit. In cases of remand, the pre-deposit is refundable within the prescribed time; however, in cases of partial remand, the amount attributable to the demand upheld in favour of the Revenue must first be recovered or adjusted, along with applicable interest, before the balance is refunded.

Circular No. 259/05/2026-GST dated 26.10.2026

CBIC clarifies GST compliance and input tax credit treatment under the Input Service Distributor mechanism

CBIC has clarified that separate ISD registrations may be obtained for different business verticals or places of business within the same State or Union Territory, where the respective registrants receive input service invoices for distribution to distinct persons. It further clarifies that the recipients of distributed credit are responsible for satisfying the conditions for availment of input tax credit under Sections 16 and 17 of the CGST Act, while the ISD is responsible for distributing credit in accordance with Section 20. Where credit is distributed in contravention of Section 20 of the CGST Act, the ISD may be liable to penalty, and excess credit distributed is recoverable from the recipients under Section 21 of the CGST Act.

The Circular further clarifies that input tax credit is required to be distributed in the month in which

the ISD ascertains the credit to be *prima facie* eligible for availment, with eligible and ineligible credit distributed separately. Any reversals required under Sections 17(1), 17(2) or 17(4), read with the relevant rules, are to be undertaken by the recipients of credit. In respect of credit transferred to an ISD under Rule 54(1A) by a regular registrant having the same PAN and State code, the Circular clarifies that the transaction is merely a credit-transfer mechanism and does not constitute an outward supply or input tax credit of the transferring registrant. Accordingly, the value of such transactions is excluded from the computation of "turnover in a State" and "adjusted total turnover", and the transferred credit does not qualify as "Net ITC" for refund computation under Rules 89(4) and 89(5).

Circular No. 260/06/2026-GST dated 26.10.2026.

CBIC clarifies issues relating to Section 17(4) The CBIC has clarified the applicability of Section 17(4) of the CGST Act, 2017, which governs availment of input tax credit (ITC) by banking companies, financial institutions and NBFCs.

It has been clarified that the option under Section 17(4) is unavailable to registrations not engaged in accepting deposits or extending loans or advances, for example registrations engaged exclusively in bullion trading. Where a registration engaged in supply of services of extending loans and accepting deposits along with other services, opts for Section 17(4), all other registrations of the same entity engaged in the same activities must also follow the 50% ITC mechanism under Section 17(4) of the Act.

It is further clarified that the relaxation under the second proviso to Section 17(4), concerning supplies received from another registered person having the same PAN, is available only where the supplier registration has also opted for Section 17(4).

The Circular further clarifies the procedure for reporting ITC availment and reversal in GSTR-3B, both where the Invoice Management System (IMS) is used and where it is not. Ineligible credit must be permanently reversed, while credit temporarily ineligible due to non-fulfilment of Section 16 conditions may be reclaimed upon fulfilment of the prescribed conditions, subject to the statutory time limit.

The Circular advises field formations to not take an adverse view of different reporting methodologies adopted in past periods, provided the ITC availed is consistent with the principles clarified in the Circular.

Circular No. 261/07/2026-GST dt. 26.10.2026

ITC admissibility to authorized agents appointed by manufacturers for sale of motor vehicles, pursuant to Circular No. 231/25/2024-GST dated 10.09.2024

The CBIC, vide Circular No. 262/08/2026-GST dated 26.10.2026, withdrew The clarification provided vide Para 4.6 of Circular No. 231/25/2024-GST that in case where an authorized dealer merely acts as an agent or service provider to the vehicle manufacturer, i.e. the "dealer-agency model", ITC in respect of a demo vehicle purchased by such authorized dealer for providing facility of vehicle test drive would be blocked in terms of sub-clause (A) of clause (a) of section 17(5) of the CGST Act, 2017, as such an agent is not making the supply of motor vehicles on his own account and is merely providing marketing or facilitation services to the vehicle manufacturer. It was subsequently clarified that ITC on the demo vehicles is not blocked under clause (a) of section 17(5) of the CGST Act, to the dealer in the dealer-agency model.The use of the phrase "such motor vehicles" rather than "said motor vehicle" in section 17(5)(a)(A) of the CGST Act, 2017, indicates that ITC is permitted not only on the specific vehicle sold, but also on vehicles used for further supply of similar motor vehicles. Since the demo vehicles in both types of business models, i.e., dealer-agency model and traditional dealership-based model, serve the same purpose of

furthering the supply of similar vehicles, ITC would be allowed on such demo vehicles in both type of business models

Circular No. 262/08/2026-GST dt. 26.10.2026

Clarification in respect of receipt of payment for export of goods or services

Receipt of foreign remittance in respect of export of services in Nostro and Special Non-Resident Rupee (SNRR) accounts: The CBIC clarified that wherever the payment for export of service made by the Indian exporters is received in foreign exchange or in repatriable rupee (INR) accounts, such as SNRR Account or INR Nostro account, or any other similar account for repatriation of foreign exchange, the same shall be considered to fulfill the conditions of Section 2(6)(iv) of the IGST Act. Further, it was clarified that payment to brokers through repatriable INR accounts (SNRR, NRE) may be

considered to be fulfilling the conditions of Section 2(6)(iv) of the IGST Act. However, in case of payments through NRO accounts, the same should be routed through repatriable INR accounts (SNRR, NRE) for it to be considered to satisfy the conditions stipulated under Section 2(6)(iv)of the IGST Act.

It was further clarified that set-offs are a valid mode of settlement as per FEMA regulations and wherever export receivables are set-off against import payables, then as long as such set-off is in accordance with the directions issued by the RBI, the said condition of Section 2(6)(iv) of IGST Act, shall be considered to be fulfilled.

Further, in cases where an Indian reinsurance broker receives commission through the net retention mechanism, the commission is retained from the funds before the net premium is remitted to the foreign reinsurer, instead of being received through a separate inward remittance. Since the obligation to realize and repatriate export proceeds is treated as fulfilled under FEMA regulations, the condition under Section 2(6)(iv) of the IGST Act is considered satisfied.

Realisation of export proceeds in case of export of goods: The time limit for realization of export proceeds for goods under Rule 96B of CGST Rules shall be as prescribed under RBI's FED Master Direction No. 16/2015-16 dated 01.01.2016, as amended from time to time.

Where export proceeds are not realized within the prescribed or extended period under FEMA, the refund amount paid is liable to be recovered, to the extent of non-realization, along with applicable interest, within 30 days from the expiry of said period or extended period, under Rule 96B. No recovery of refund shall be made under Rule 96B where the requirement of realization has been written off, wholly or partly, by the Authorised Dealer (AD) Bank.

Circular No. 263/09/2026-GST dt. 26.10.2026

Clarification in respect of the omission of Rule 96 (10) of the Central Goods and Services Tax Rules

Rule 96(10), effective from 23 October 2017, sought to prevent exporters from claiming a double benefit where they procured inputs under specified exemption or concessional notifications and also claimed IGST refunds on exports. In view of difficulties faced by exporters, the GST Council recommended removal of the restriction. Rule 96(10) was omitted prospectively with effect from 8 October 2024 through Notification No. 20/2024-Central Tax. The issue arose whether the omission could apply retrospectively from 23 October 2017, particularly to pending proceedings.

Based on the Supreme Court ruling in ***Goodluck India Limited v. UOI***, CBIC has clarified that the omission of Rule 96(10) is effective retrospectively from 23 October 2017. Field formations have been advised to deal with pending proceedings concerning Rule 96(10) in accordance with the Supreme Court judgment. The same treatment shall apply, mutatis mutandis, to the omission of Rules 89(4A) and 89(4B) of the CGST Rules.

clarification resolves the uncertainty arising from the 8 October 2024 notification and the subsequent judicial interpretation.

Pending proceedings: Proceedings relying on Rules 96(10), 89(4A) or 89(4B) must be examined in light of the retrospective effect of their omission and exporters may rely on the circular in relevant pending disputes concerning refund restrictions under the omitted provisions.

Circular No. 264/10/2026-GST dated 26.10.2026

CBIC issues clarifications on sublimation paper, toys, margin scheme, sea-weed extract based bio-stimulants and other matters

The CBIC has issued clarifications on several GST-related issues following the 57th GST Council meeting.

Sublimation Paper: It is clarified that sublimation paper is classifiable under heading 4809 and attracts an 18% GST rate. To resolve past disputes regarding its classification and applicable GST rate, the past period has been regularised on an "as is where is" basis.

Toys: The scope of toy entries in Notification No. 09/2025-C.T.R. (S. No. 497 and S. No. 616) is not restricted only to wheeled toys like tricycles, scooters, and pedal cars. The term "etc." encompasses all other categories of toys under heading 9503, such as dolls, reduced-size recreational models, and puzzles of all kinds.

Margin Scheme: The restriction on availing Input Tax Credit (ITC) for the concessional GST and Compensation Cess rate on old and used motor vehicles applies solely to the tax paid on the procured second-hand vehicles. Suppliers under this scheme are permitted to avail ITC on other inputs and input services, such as spares, repair and maintenance, technology services, rent, and advertising.

Sea-weed Extract Based Bio-stimulants: Sea-weed extract based bio-stimulants that are registered under Schedule VI to the Fertiliser Control Order, 1985, are classifiable as fertilisers under heading 3101. Past disputes concerning their classification have been regularised on an "as is where is" basis.

Circular No. 265/11/2026-GST dt. 28.10.2026

CBIC issues clarifications on R&D exemption, expenses incurred in leasing, notional interest in FTP transactions, co-lending activities and other matters

Research and Development: For claiming exemption under Entry 44A of Notification No. 12/2017-Central Tax (Rate), which exempts R&D services funded by grants, a certificate from the head of the eligible institution confirming that the activity constitutes R&D and not consultancy may suffice.

Foreign Shipping Companies: GST on import of services without consideration by an Indian establishment of a foreign shipping company from a related person or overseas establishment has been exempted from 01.11.2026. Liability for the period from 01.07.2017 to 31.10.2026 has been regularised on an “as is where is” basis.

Motor Vehicle Leasing: Registration charges, road tax, insurance premiums, FASTag charges and other ancillary expenses recovered from the lessee form part of the composite supply of leasing and attract the rate applicable to the leasing service.

TRAI: It is clarified that TRAI is not “Government” under Section 2(53) of the CGST Act as it is juridical entity distinct from the Government, and is a autonomous regulatory body.

Banking and NBFCs: Notional interest recorded under the Fund Transfer Pricing mechanism is covered by the GST exemption for interest. Lending services provided by NBFCs to banks, as per the characterization recognized by the RBI, under co-lending arrangements are taxable, with valuation determined by the contractual agreement between the parties.

Circular No. 266/12/2026-GST dt. 28.10.2026

Notifications:

Central Government appoints 1 November 2026 as the effective date for implementation of Sections 153 to 155 of the Finance Act, 2026

The Central Government, vide Notification No. 03/2026-Central Tax dated 26 October 2026, has appointed 1 November 2026 as the date on which Sections 153 to 155 of the Finance Act, 2026 (4 of 2026) shall come into force. These sections amend Sections 15, 34 and 54 of the CGST Act, 2017, respectively, in relation to post-supply discounts, issuance of credit notes and refund provisions. The notification has been issued in exercise of the powers conferred under Section 1(2)(b) of the Finance Act, 2026.

Notification No. 03/2026-Central Tax dated 26.10.2026

CBIC introduces changes to GST Rules pursuant to recommendations of the 57th GST Council Meeting

The CBIC has amended the CGST Rules, 2017, introducing changes to GST forms and procedures relating to demand proceedings, registration cancellation, provisional attachment, restriction of ITC, etc. Key amendments include:

- Fields in Forms GST DRC-01 and DRC-01A for officers to specify the nature of proceedings.
- Insertion of Rule 14B to enable eligible suppliers of goods through e-commerce operators to obtain GST registration in States/Union Territories where they have no physical presence, by declaring the e-commerce operator's warehouse as their principal place of business.
- Amendments to registration-related forms to incorporate Rule 14B and related procedures, and amendments to cancellation of registration.
- Amendments to Form GST DRC-07 requiring details of the SCN in the order, and introduction of Form GST DRC-26 for orders blocking electronic credit ledger under Rule 86A.
- Changes to refund procedures, including a 10-day timeline for acknowledgement or communication of deficiencies, deemed acknowledgement where neither is issued within that period, and changes to the formula for refund of ITC accumulated due to inverted duty structure by expanding the definition of Net ITC to include eligible input services and capital goods attributable to the relevant period, and eligible input services has been explained to mean input services where ITC has been availed on or after 01.11.2026
- Several amendments are scheduled to take effect from 01.04.2027, while other provisions have separate effective dates.

Notification No. 05/2026-CT dt. 26.10.2026

Notification regarding liability of Concessionaire under a concession agreement

The Central Government, on the recommendations of the Council, notified the following class of registered person, namely: -

"(i) Concessionaire under a concession agreement, who supplies operation and maintenance services to the concessioning authority during the concession period, as the registered persons, who shall pay central tax on the supply of such operation and maintenance services on the amount charged or debited from the Escrow Account, maintained in accordance with the concession agreement, towards operation and maintenance expenses incurred by such registered persons, in a tax period in which such expenditure is so charged or debited.

Explanation:- For the purpose of this notification,-

(i) "Concession Agreement" means an agreement entered into between a concessionaire and the concessioning authority under the Toll-Operate-Transfer model, whereby the concessionaire is granted the exclusive rights to demand, collect and appropriate toll in respect of a road or highway and is required to operate and maintain such road or

highway during the concession period where the concessionaire is required to pay the concession fee upfront;

(ii) "Concessioning authority" means the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity which enters into the Concession Agreement."



Notification No. 10/2026-Central Tax (Rate) dated 27.10.2026

INSERTIONS:

Original Notification → Insertion Notification	Impact
09/2025-CT(Rate) dated 17.09.2025 09/2025-IT(R) dated 17.09.2025 → 02/2026-CT(R) dated 27.10.2026 02/2026-IT(R) dated 27.10.2026	Entry 272A Heading 4012 - Retreaded tractor tyres inserted and CGST of 2.5% (5% IGST) shall be levied on intra-State supplies of the said good.
10/2025-CT(R) dated 17.09.2025 10/2025-IT(R) dated 17.09.2025 → 03/2026-CT(R) dated 27.10.2026 03/2026-IT(R) dated 27.10.2026	Entry 87A - Psyllium seeds (Isobgul/Isobgol) inserted and the supply of the same shall be exempt.
4/2017-CT(R) dated 28.06.2017 4/2017-IT(R) dated 28.06.2017 → 04/2026-CT(R) dated 27.10.2026 04/2026-IT(R) dated 27.10.2026	Tax shall be paid on reverse charge basis by the recipient on the supply of following goods: • Entry 2A Heading 1518- Used cooking oil from any unregistered person to any unregistered person • Entry 3B Heading 3915- Waste and scrap of plastics from any unregistered person to any registered person • Entry 3C Heading 4004- Waste and scrap of tyres from any unregistered person to any registered person • Entry 9 Heading 8549- Electrical and electronics waste and scrap from any unregistered person to any registered person
12/2017-CT(R) dated 28.06.2017 09/2017-IT(R) dated 28.06.2017 → 07/2026-CT(R) dated 27.10.2026 07/2026-IT(R) dated 27.10.2026	Against Sl. No. 21A, after clause (f), an explanation has been inserted to state that: "Nothing contained in this entry shall apply to services provided by a goods transport agency in relation to goods, where such goods are supplied through an electronic commerce operator."
12/2017-CT(R) dated 28.06.2017 09/2017-IT(R) dated 28.06.2017 → 07/2026-CT(R) dated 27.10.2026 07/2026-IT(R) dated 27.10.2026	After Sl. No. 42, Sl. No. 42A bearing heading 9973 has been inserted which exempts services by way of grant of exclusive right of way or access, license and authority to demand, collect and appropriate toll fee by the Central Government, State Government, Union Territory, Local Authority, Governmental Authority or Government Entity.

SUBSTITUTIONS:

Original Notification → Amending Notification	Impact
09/2025-CT(R) dated 17.09.2025 09/2025-IT(R) dated 17.09.2025 → 02/2026-CT(R) dated 27.10.2026 02/2026-IT(R) dated 27.10.2026	In Schedule I – 2.5%, Sl. No. 237, Heading 3101 was amended to include sea-weed extract based bio-stimulants.
09/2025-CT(R) dated 17.09.2025 09/2025-IT(R) dated 17.09.2025 → 02/2026-CT(R) dated 27.10.2026 02/2026-IT(R) dated 27.10.2026	Schedule II – 9%, Sl. No. 138, Heading 4012 was amended to exclude retreaded tractor tyres.
13/2020-CT dated 21.03.2020 → 04/2026-CT dated 26.10.2026	E-invoicing was earlier mandated in respect of supply of goods or services made to registered persons and supplies made for exports. The amendment retains these categories and additionally includes supplies received from unregistered persons where the recipient is liable to pay tax under the reverse charge mechanism, as well as imports of services. Consequently, the scope of transactions covered under the e-invoicing notification is expanded to include these specified inward supplies, with effect from 01.01.2027
26/2018-CT(R) dated 31.12.2018 27/2018-IT(R) dated 31.12.2018 → 05/2026-CT(R) dated 27.10.2026 05/2026-IT(R) dated 27.10.2026	Explanation, for clause (c) was amended to say "Nominated Agency" means entities mentioned in Appendix 4B of Handbook of Procedures, as amended by DGFT
05/2017-CT dated 19.06.2017 → 06/2026-CT dated 27.10.2026	Amended the earlier framework by removing the GST registration exemption for persons making only reverse-charge supplies under Section 9(3) when dealing with designated waste and scrap items. The exemption is revoked for suppliers of used cooking oil, waste and scrap of plastics, waste and scrap of tyres and electrical and electronics waste and scrap.
11/2017-CT(R) dated 28.06.2017 08/2017-IT(R) dated 28.06.2017 → 06/2026-CT(R) dated 27.10.2026 06/2026-IT(R) dated 27.10.2026 [against serial number 7, in column (3) item (i) to (v), in column (5)]	Accommodation, Restaurant & Catering Services (Heading 9963 – Sl. No. 7) permits ITC for input services procured in the "same line of business" (for hotel accommodation service; restaurant service; supply of goods, being food or any other article for human consumption or any drink, whether in trains or at platforms, procured from Indian Railways/IRCTC or their licensees; outdoor catering service) under the 5% concessional rate (2.5% CGST)
11/2017-CT(R) dated 28.06.2017 08/2017-IT(R) dated 28.06.2017 → 06/2026-CT(R) dated 27.10.2026 06/2026-IT(R) dated 27.10.2026	Amendment has been made to entry 12 of Notification 11/2017 wherein the initial entry of local delivery services supplied through ECO has been substituted to delivery services excluding courier and postal services supplied through ECO where the person supplying such services is not liable for registration. Further, an entry (b) has been amended to specifically provide for delivery services in relation to goods, where such goods are supplied through ECO. The rate of tax has also been changed from 9% to 2.5% for the said service. Additionally, a condition has also been introduced restricting the availment of credit of the tax charged on goods and services used in supplying delivery service.

SUBSTITUTIONS (continued):

Original Notification → Amending Notification	Impact
50/2018-CT dated 13.09.2018 → 07/2026-CT dated 27.10.2026	Amended to include supply of used cooking oil, waste and scrap of plastics, waste and scrap of tyres and electrical and electronics waste and scrap.
12/2017-CT(R) dated 28.06.2017 09/2017-IT(R) dated 28.06.2017 → 07/2026-CT(R) dated 27.10.2026 07/2026-IT(R) dated 27.10.2026	Serial number 21A, in column (3), after clause (f) explanation amended to remove the exclusion of services provided by a GTA in relation to goods through an electronic commerce operator.
13/2017-CT(R) dated 28.06.2017 10/2017-IT(R) dated 28.06.2017 → 08/2026-CT(R) dated 27.10.2026 08/2026-IT(R) dated 27.10.2026	In case of RCM liability with respect to service of renting motor vehicles supplied by any person, other than a body corporate, to a body corporate, where the supplier does not issue an invoice charging tax at 6%, an amendment has been made to change the rate to 9%.
17/2017-CT(R) dated 28.06.2017 14/2017-IT(R) dated 28.06.2017 → 09/2026-CT(R) dated 27.10.2026 09/2026-IT(R) dated 27.10.2026	Notification issued under Section 9(5) of the CGST Act wherein with respect to all delivery services other than postal and courier services, supplied through e-commerce operator, the ECO is liable to collect and pay tax.

GSTN Advisory:

Scheduled maintenance of E-invoice Services

In view of the scheduled infrastructure upgrade, e-invoice related services such as e-invoice data retrieval and processing from IRPs, auto-population of e-invoice data in GSTR-1 and e-invoice JSON downloads through the portal and APIs would remain temporarily unavailable from 31.10.2026, 9:00am to 01.11.2026, 1:00pm.

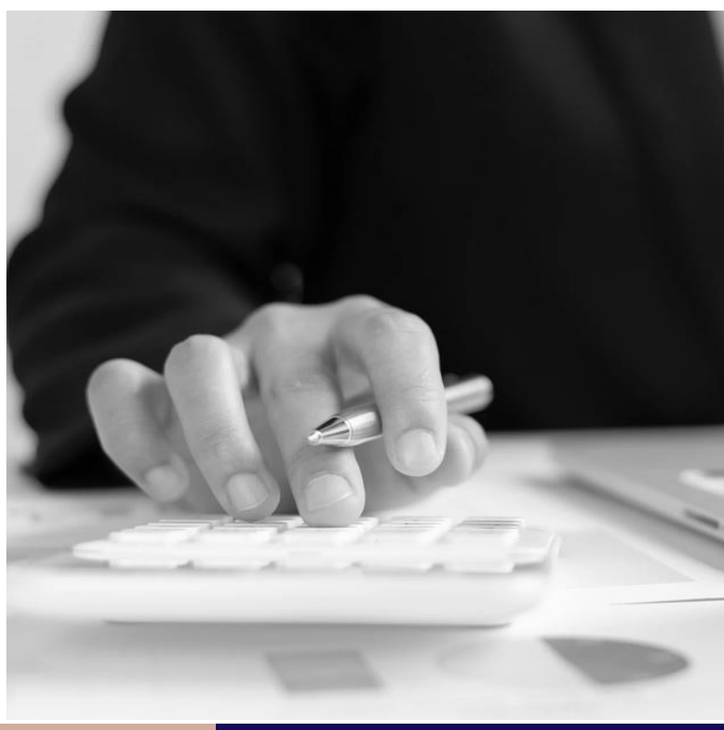
GSTN Advisory dated 28.10.2026

Customs:

Extension of RoDTEP Scheme till 31.12.2026

In exercise of powers conferred under Section 5 of the Foreign Trade (Development and Regulation) Act, the Central Government has extended the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme up to 31.12.2026 and the same is available for exports made by DTA units, Advance Authorization holders, Special Economic Zone units and Export Oriented Units. Further, it is also notified that the RoDTEP rates and value caps as applicable on 30.07.2026 shall remain

Notification No. 41/2026-27 dated 30.9.2026



Kerala High Court grants interim stay on proceedings pursuant to GST show cause notice involving demand of ₹74.47 crore

The Petitioner Bank filed a writ petition challenging the Show Cause Notice dated 20.08.2026 issued under Section 74 of the Central Goods and Services Tax Act, 2017, proposing a demand of ₹74,47,71,647 along with interest and penalty. The audit covered FY 2018–19 to FY 2023–24 and was initiated vide FORM GST ADT-01 dated 04.04.2025. It was submitted that the statutory period prescribed under Section 65(4) for completion of the audit had expired before the audit proceedings concerning FY 2020–21 was taken up separately in July 2026. It was further contended that the Show Cause Notice was issued on 20.08.2026, one day after the Petitioner's last reply to the audit enquiries, and before the final audit findings were communicated vide FORM GST ADT-02 dated 29.09.2026.

The Petitioner also challenged the invocation of Section 74 on the ground that the Show Cause Notice relied on the Petitioner's books and records, including the ITC Register, Sales Register, Trial Balance and Reverse Charge Mechanism Register, as well as the explanations furnished during the audit, without establishing fraud, wilful misstatement or suppression of facts with intent to evade tax. Reliance was also placed on the earlier proceedings initiated under Section 73 for FY 2020–21, which had culminated in an Order-in-Original dated 30.01.2025. Upon hearing the submissions, the Hon'ble High Court admitted the writ petition, issued notice and granted an interim stay of further proceedings pursuant to the impugned Show Cause Notice for a period of three months.

WP(C) No. 35438 of 2026, Kerala High Court

High Court stays consolidated Show Cause Notice disputing receipt of services from Head Office to Branch Office of a Bank

The Petitioner, a Banking Company, was issued a consolidated show cause notice covering multiple financial years. A large portion of the tax demand pertaining to cross-charge transactions. The Department alleged that the Tamil Nadu branch office had not actually received the services rendered by the Head Office and other branch offices.

It was argued on behalf of the Bank that the transactions in question accounted for only 18% of the Bank's cross-charge transactions across the country, and no proceedings had been initiated against the other registrations accounting for the remaining 82% of such transactions. It was further submitted that the services rendered by the Head Office were essential for the functioning of the branch office, and the receipt of such services could not be questioned without any evidence to the contrary.

It was also argued that the SCN consolidated demands pertaining to several financial years. In this regard, the Hon'ble Court was taken through various orders passed by the Hon'ble Madras High Court granting interim relief in similar matters, as well as the reference to a Larger Bench by the Hon'ble Bombay High Court.

Further, it was argued that the invocation of Section 74 of the CGST Act was without jurisdiction, as no facts had been established to indicate fraud, wilful misstatement, or suppression of facts warranting the invocation of the extended period and penal consequences under the provision.

In light of these submissions, the Hon'ble Court was pleased to stay the operation of the impugned SCN.

W.P. No. 40302/2026, Madras High Court

Courtroom Updates

High Court stays Show Cause Notices demanding ITC from Divisions of Bank for alleged improper availment and passing on of credit in violation of Section 17(4) of the CGST Act, 2017

The Petitioner, a Banking Company, had obtained separate GST registrations for its Head Office, which is engaged in core banking services, and its Digital Technology and Card Operation divisions. For the purposes of input tax credit ("ITC") reversal, the Head Office followed the special mechanism under Section 17(4) of the CGST Act, which permits banks and other financial institutions to reverse 50% of the eligible ITC, while the Digital Technology and Card Operation registrations followed the default mechanism under Section 17(2), which requires proportionate reversal based on exempt supplies. The Department issued SCNs alleging that a single entity cannot have different GST registrations following different mechanisms for ITC reversal.

It was argued that the Sections 17(2) and 17(4) operate qua registration and not qua entity. Reliance was placed on CBIC FAQs for the Banking Sector, which specifically clarify that different registrations of a bank may follow different ITC reversal mechanisms. The Hon'ble Court was also taken through the example in the FAQs concerning a bank obtaining a separate registration for its bullion business under Section 17(2) of the Act.

It was argued on behalf of the Bank that the second proviso to Section 17(4) provides that the requirement of 50% reversal does not apply to supplies made between entities having the same PAN. Relying on this proviso, the Bank's Head Office rightly availed 100% of the ITC on supplies received from the Digital Technology and Card Operation registrations.

Considering the submissions, the Hon'ble Court was pleased to grant stay.

W.P.(C) No. 33207 and 33208/2026, Kerala High Court

Supreme Court holds that classification of goods must be based on their form at the time of sale, and not their subsequent end use

The Supreme Court dismissed the Revenue's appeals concerning the classification of 'GRD Powder' and 'GRD Mix' under the Madhya Pradesh Commercial Tax Act, 1994. The Revenue contended that the products were classifiable as non-alcoholic drinks and beverages since their packaging instructed consumers to mix them with milk or water. The Court held that the taxable event is the sale of goods and that classification must be determined by the form in which the goods are supplied, rather than the form of their subsequent use by the consumer. Accordingly, products sold in powder form cannot be classified as beverages merely because they may later be mixed with a liquid to prepare a drink.

The Court further held that the expression 'beverages' in the relevant entry had to be interpreted in the context of the associated items, namely, syrups, cordials, distilled juices, ark and essences, which denote liquids or liquid preparations. Applying the rule of ejusdem generis, the Court declined to extend the entry to goods of a different physical form. It clarified that the common parlance and functional character tests cannot be used to import an end-use criterion where the statutory entry does not provide for one. Since 'GRD Powder' and 'GRD Mix' were sold as powder and biscuit, respectively, and did not fall within the specific entry for non-alcoholic drinks and beverages, their classification under the residuary entry was upheld.

Additional Commissioner, Commercial Tax & Ors. v. Cadila Health Care Ltd. & Anr., Civil Appeal Nos. 9788–9789 of 2013, Supreme Court of India

Punjab and Haryana High Court upholds validity of Section 16(2)(c) but bars mechanical denial of ITC due to supplier default

A batch of 424 writ petitions were filed before the Hon'ble Punjab and Haryana High Court challenging the denial or reversal of Input Tax Credit ("ITC") under Section 16(2)(c) of the CGST Act, 2017, on account of suppliers failing to deposit the corresponding tax with the Government, reporting nil or short tax liability, or having their GST registrations cancelled, including retrospectively. The petitioners contended that recipients could not be expected to ensure that suppliers deposited the tax collected from them. The Hon'ble High Court upheld the constitutional validity of Section 16(2)(c), read with Section 155 of the CGST Act, but held that the provision cannot be invoked mechanically to deny ITC merely because of a supplier's default. Before proceeding against a recipient, the proper officer must examine the genuineness of the transaction, the circumstances of the supplier's default and the statutory remedies available for recovery of the tax from the supplier, including under Section 76 of the CGST Act.

The Hon'ble High Court laid down 14 guidelines governing the invocation of Section 16(2)(c), requiring, inter alia, that show cause notices disclose the relevant supplier details, the nature of the tax default, the material relied upon and the basis for connecting the recipient with the alleged default or fraud. The Court clarified that retrospective cancellation of a supplier's registration, nil or short tax returns, or departmental alerts may trigger an inquiry but cannot, by themselves, justify denial of ITC. The recipient must be afforded a reasonable opportunity of hearing, and the adjudicating authority must pass a reasoned order after considering the evidence and the applicable statutory provisions. The Court directed those pending proceedings and matters in which orders had already been passed be reconsidered in accordance with the prescribed guidelines, with no fresh coercive recovery until such reconsideration. The judgment also indicated that it did not dispense with the statutory conditions for claiming ITC, where fraud, collusion, non-receipt of goods or services, or failure to establish ITC eligibility is proved, denial of credit may follow in accordance with law.

Shaurya Alloys Pvt. Ltd. v. State of Punjab and Another, CWP No. 34296 of 2024 (O&M) and connected matters, Punjab and Haryana High Court

Refund of interest paid under Rule 96A on subsequent realisation of export proceeds

The Petitioner exported services under LUT but failed to realise the export proceeds within the prescribed one-year period under Rule 96A of the CGST Rules. It paid tax along with interest. Upon subsequent realisation of the export proceeds, the tax was refunded, but the refund of interest was rejected. The Petitioner challenged the appellate order and Paragraph 4.6 of Circular No. 197/09/2023-GST dated 17.07.2023, contending that Section 2(6) of the IGST Act does not prescribe a time limit for realisation of export proceeds. Once the tax was refunded following subsequent realisation, the interest could not be retained. Section 54(1) of the CGST Act expressly provides for refund of tax, interest and other amounts paid and a circular cannot override the Act or the Rules.

The Department argued that failure to realise export proceeds within the prescribed period triggered interest liability, which subsequent realisation could not extinguish.

The Court held that neither Rule 96A nor the CGST Act authorised retention of interest after the underlying tax had been refunded. Hence, Paragraph 4.6 of the Circular was held to be invalid to that extent. The Court set aside the rejection of

the interest refund, and directed refund to be granted.

Ernst and Young LLP v. UOI, CWP No. 19850/2024, Punjab and Haryana High Court

Retrospective levy does not by itself establish fraud or suppression

The Petitioner was engaged in business of supply and installation of Solar power Generating System. The Petitioner since inception of GST, undertook such composite contracts and basis the terms and conditions of the contract collected GST and deposited the same. The department confirmed the demand of tax for the period 2018-19 with allegation of suppression on the alleged violation of payment of tax liability in the ratio of 70:30 i.e., 70% of goods and 30% services.

The Court observed that the rates of goods and services in 70:30 ratio was introduced for the first time vide Notification No. 24/2018 dt. 31.12.2018 with effect from 01.01.2019 in the explanation in the explanation incorporated in the said notification. Subsequently, by the circular dated 06.10.2021 the same is further retrospectively applied for the period from 01.07.2017 to 31.12.2017, in the same manner as been prescribed for the period on or after 01.01.2019 as per the explanation in the Notification no. 24/2018-Central Tax (Rate) dated 31.12.2018.

The Court held that the ingredients of Section 74 of the CGST Act would not get attracted to the tax liability which existed prior to the introduction of the Explanation specifying the payment of tax in ratio of 70:30. Further, it was also held that the retrospective application of the 70:30 tax ratio under the Explanation as clarified by the Circular dated 06.10.2021 does not ipso facto establish fraud, suppression, or a deliberate intention to evade tax in case the tax is not paid in such terms. Hence, quashed the Order confirming the demand.

Zodiac Energy Ltd v. State of Gujarat, SCA No. 3617/2026, Gujarat High Court.

Value of services supplied by head office to branch offices is treated as nil in the absence of issuance of tax invoices

The Petitioner was a federation of farmers' co-operative society engaged in marketing various diary products. The Petitioner Federation's head office (HO) was situated in Anand and had obtained GST registration as an Input Service Distributor. It also held common GST registration covering all its branches and depots in the State of Gujarat. The HO incurred various corporate expenses such as advertisement and publicity expenses, IT infrastructure expenses, IBM annual maintenance service expenses, SAP annual maintenance and audit charges, legal fees, litigation expenses and other similar expenses. The Federation incurred these expenses for services utilised by the Federation itself as well as by its branches situated at various locations. However, no invoices were raised by HO for the same.

The department issued a SCN on the allegation that the expenditure incurred and paid by the HO at Anand was liable to GST, inasmuch as the branch offices to which the HO provided such services were treated as distinct persons in terms of Section 25(4) of the CGST Act. The same was confirmed in an Order which was challenged in the present Writ Petition.

The Hon'ble Court relying on Circular No. 119/11/2023-GST dated 17.07.2023 and decision if the Delhi High Court in Metal one Corporation Pvt Ltd v. Union of India & others concluded that since the HO of the Petitioner has not issued tax invoices for the said common services to its branch offices, the value of such services is to be treated as nil in terms of Section 28 of the CGST Rules and consequently no tax liability arises.

Gujarat Co-operative milk marketing federation Ltd v. Union of India & others, SCA No. 7085/2025, Gujarat High Court

Refund of ITC under Rule 89(4) cannot be denied where export invoices were issued in the relevant period, but actual export occurred later

The Assessee filed a refund claim for unutilized Input Tax Credit (ITC) under Rule 89(4) of the CGST Rules in respect of goods exported without payment of tax under Letter of Undertaking (LUT) for the period October 2021 to December 2021. The refund sanctioned was challenged by the Revenue on the ground that the goods covered by four shipping bills were physically exported in January 2022, which is outside the relevant period, and therefore, the turnover of zero-rated supply of goods as well as the admissible refund had to be reduced accordingly.

The Hon'ble GSTAT observed that under Sections 12 of the CGST Act and 31 of the CGST Act, where a supply involves movement of goods, the supplier is mandatorily required to issue a tax invoice before or at the time of removal of goods, which determines the time of supply. In the case of zero-rated supplies under bond or LUT, the supply takes place upon removal for export and preparation of the invoice, even though physical departure from India occurs subsequently. The Hon'ble GSTAT held that the turnover of zero-rated supply under Rule 89(4) of the CGST Rules must be calculated based on the tax invoices issued during the relevant period. As long as the invoices were issued during the relevant period and actual export of goods is not in dispute, the refund of ITC cannot be denied merely because physical export occurred in a subsequent period. It was also observed that the alleged inadmissible ITC had no material impact as the refund admissible under the formula in sub-rule (4) of Rule 89 of the CGST Rules is substantially higher than the amount of refund claimed. Consequently, the Department's appeal was dismissed.

Shruti Bansal v. Solitaire Pharmacia Pvt. Ltd., Appeal No. APL/1/CHD/2026, GSTAT Chandigarh

No service tax on commission received for services rendered before the levy came into force

The Appellant received commission for transferring DFRC licences on behalf of an entity. The Department demanded service tax on the transaction under Business Auxiliary Service for the period from 09.07.2004 to 31.03.2005, along with interest and penalty.

The Appellant relied on Notification No. 13/2003-ST dated 20.06.2003 which exempted the services provided by a 'commission agent' from the service tax under Section 66(2) of the Finance Act, 1994. The Appellant argued that as per the second proviso under Rule 6(1)(ii) of the Service Tax Rules, 1994, no service tax is payable during the period when the service was rendered. Accordingly, the appellant submitted that the demand of service tax confirmed along with interest and penalty is legally not sustainable as the service was brought to tax only with the introduction of Notification No. 8/2004-ST dated 09.07.2004.

The Tribunal held that the relevant date for determining service tax liability was the date on which the service was rendered, not the date on which the consideration was received. Since debit notes established that the services were provided before 09.07.2004, when the levy had not come into force, the subsequent receipt of commission did not attract service tax.

Century Plyboards Ltd. v. Commissioner, Service Tax Appeal No. 75677/2019, CESTAT Kolkata

THANK YOU

For further queries/information please get in touch with us



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