# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## GST & INDIRECT TAXES COMMITTEE

# Webinar on Decoding the 57th GST Council Meeting: Key Recommendations

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# REGISTRATION

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# APPLICATION

Propose simplifying the registration process and unifying the requirements list.

CBIC vide **Notification No. 18/2025 C.T. dated 31.10.2025** introduced two new rules to expedited the registration approval process: **Rule 9A** (*automated electronic registration for applicants the system classes as low-risk*) and **Rule 14A** (*simplified registration for small taxpayers*).

- Registration within three working days.
- applicants assessed as low risk.
- applicants whose output tax liability on supplies made to registered persons is not expected to exceed Rs 2.5 lakh a month.

About 61 percent of all registration applications are approved through this automated route. The remaining 39 percent are routed to an officer for manual examination, typically because the applicant is not classed as low risk or the expected tax liability exceeds the threshold.

A. ***The GST Council has proposed redesigning the registration application form, GST REG-01, so that it guides the applicant step by step.***
B. ***The Council has also resolved to issue a comprehensive circular and FAQs on registration.***

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# APPLICATION

Procedure for small sellers on ECO platform

**The GST Council has proposed a new Rule 14B – simplified GST Registration mechanism for small seller of goods on the ECO.**

Under this rule, small suppliers of goods can declare the warehouse of an e-commerce operator (like Amazon, Flipkart, etc.) in another State as their principal place of business in that State.

This will allow small sellers to sell their goods in other States through e-commerce platforms without having to set up their own office or warehouse in every State.

They only need to have a physical place of business in one State (their home State). The registration in other States will be limited only to supplies made through the e-commerce platforms.

***Small Seller is one whose payout from B2B supplies is not more than Rs. 2.5 Lakhs per month, excluding stock transfers between distinct persons.***

Note: *Facilitate to Section 2(85) of the CGST Act, 2017*

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# AMENDMENT

The core/non-core split is being relaxed.

## Core Amendment V/s. Non-Core Amendment

The reform proposed to moves some items, such as change of address of an additional place of business and Legal name of the business (only where it does not change the PAN), to automatic acceptance.

In other words, except for amendment connected to **Principal Place of Business** all amendments will be automatic (*this restriction does not apply to taxpayer registered under section 14A*).

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# CANCELLATION

Automation of cancellation of GST registration

A. In the case of applications for cancellation of registration, the GST Council has proposed **system-driven process for acceptance of such applications**, in two phases.

B. Further, in cases of suo motu cancellation of registration (i.e., cancellation initiated by the proper officer), **Rules 21, 21A and 22** of the CGST Rules are **proposed to be amended**.

C. A new **Rule 23A** is proposed to be inserted to enable **system-based cancellation as well as automatic revocation** of registration. This will apply in **situations of non-compliance** — ***specifically non-filing of returns or non-furnishing of bank account details*** — and will allow automatic restoration of the registration once the taxpayer cures the default within the prescribed time period.

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# RETURNS

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# INVOICE MANGEMENT SYSTEM

Bringing under the legal umbrella

After giving businesses enough time to try and test the Invoice Management System (IMS) facility — formalise it by introducing a new Rule 60(6A).

This new facility will solve a major problem faced by businesses. It will allow the trail of deferred (pending) invoices to remain available for action in the future. In simple terms, buyers will now be able to accept, reject or keep invoices pending in a more organised way, and only the invoices accepted by the buyer will flow into their return and Input Tax Credit.

However, in my strong view, the real success of the IMS system will depend on making e-invoicing mandatory for all suppliers. Only then will the system become fully reliable and effective.

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# AMENDMENT

Streamlining the return process

**Rules 88C and 88D** currently keep a watch on the differences between the tax paid and the Input Tax Credit. However, it has been observed that in the majority of cases, these differences arise only due to simple data entry mistakes.

To solve this problem, the GST Council has proposed the **introduction of Rule 61(1A)**. This new rule will allow the taxpayer (supplier) to amend transactions **relating to earlier periods**. It will **also permit correction of a buyer's GST registration number** if it was entered wrongly.

Amendment in FORM GST DRC-03, to declare the details of the underlying invoice for which payment has been made.

Similarly, Rule 61(1B) is proposed to enable the recipient (buyer) to carry out the corresponding action on their side.

**The proposed changes will also be clarified through a detailed circular**.

Further, the revised mechanism will be placed in the public domain for time-bound consultation, so that stakeholders can give their feedback. These changes will come into effect from **1st April 2027**.

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ARQP

Relaxation to the small tax payers carrying out B2C supplies only.

## In-Principle Nod to Optional ARQP Scheme for Small B2C Taxpayers

This scheme is designed for small taxpayers whose aggregate turnover in the preceding financial year is Rs. 5 crore or less, and who exclusively make supplies to unregistered persons (i.e., pure B2C suppliers).

Under the proposed scheme, eligible taxpayers would be allowed to file returns annually while making tax payments on a quarterly basis, thereby reducing compliance burden.

**QRMP Scheme (Quarterly Return Monthly Payment)** allows registered taxpayers with aggregate turnover up to Rs. 5 crore in the preceding financial year to file GSTR-1 and GSTR-3B on a quarterly basis.
Tax liability, however, must still be paid every month through a challan (Form GST PMT-06).

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# NEW LEDGERS

Incorporating into the legal framework

In addition, the Council has proposed Rules 86C and 86D to give legal recognition (legal identity) to two important electronic statements:

- **Electronic Credit Reversal and Reclaim Statement**
- **Electronic Statement of tax paid under RCM and ITC claimed**

These changes will help reduce unnecessary notices and make the correction of genuine mistakes much easier for taxpayers.

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# LATE FEE

Relaxation to the small tax payers

Late Fees has been waived if the taxpayer with an annual turnover up to Rs. 5 cr. in preceding financial year, had filed their returns as per section 39(1) of the CGST Act 2017 by the end of the month in which it was due.

Note: However interest is payable as per Rule 88B of CGST Rules, 2017.

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# SELF INVOICE

Provision for preparation of QRC & IRN

Extending the applicability of e-invoicing to domestic supplies received from unregistered persons (where tax is payable under the reverse charge mechanism), as well as to the import of services, for all taxpayers having an aggregate annual turnover of Rs. 5 crore or more.

This means that such taxpayers will be required to generate e-invoices (including self-invoices under reverse charge) not only for their outward supplies but also for:

- Inward supplies of goods or services received from unregistered suppliers on which they are liable to pay tax under reverse charge, and
- Import of services.

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# TDS & RCM

RCM on Specified Waste & Scrap

+ 2% TDS on B2B Supplies

It is proposed to bring the following categories of waste and scrap under the Reverse Charge Mechanism (RCM):

- **Waste and scrap of plastics, electrical and electronic waste and scrap, waste and scrap of tyres, and used cooking oil**. If any of the above items are supplied by an unregistered person to a registered person, the liability to pay GST will shift to the recipient (i.e., the registered buyer) under the Reverse Charge Mechanism.
- The unregistered supplier will be required to obtain GST registration as soon as their turnover crosses the prescribed threshold limit. Even if the supplier remains below the threshold and is not registered, the registered recipient will still be liable to pay tax under RCM on such purchases. Furthermore, a **Tax Deducted at Source (TDS) at the rate of 2%** has been introduced on supplies of the same specified waste and scrap when made by a registered person to another registered person (B2B transactions).

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# REFUNDS

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# AUTOMATION

Reduce Blockage in Working Capital

Introduce a fully system-driven mechanism for processing and sanctioning refund claims related to excess balances in the electronic cash ledger, zero-rated supplies, and inverted duty structure.

**The implementation will take place in two distinct phases.**

**Phase 1**

- Refund claims for the entire excess balance lying in the electronic cash ledger will be automatically sanctioned by the system, with no involvement of tax officers.

- **The time limit for issuing an acknowledgement or deficiency memo will be reduced from 15 days to 10 days.** If the proper officer fails to issue either within this revised period, the system will treat the application as deemed acknowledged.

- In the case of refund claims arising from zero-rated supplies or inverted duty structure, **90% of the claimed amount will be sanctioned on a provisional basis automatically by the system**. This will be done solely on the basis of the system's risk identification and evaluation, without any officer intervention.

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# AUTOMATION

Reduce Blockage in Working Capital

**Phase 2**

- The system will generate an automated acknowledgement after verifying the refund application, again without any officer involvement.
- Once an application has been acknowledged in this manner, the system will automatically sanction the full refund amount (after adjusting any pending dues) for claims relating to zero-rated supplies. This full sanction will also be driven by the system's risk assessment.

**Additional streamlining measures:**

To further accelerate and simplify the overall refund process, the Council has recommended amendments to the CGST Act and Rules that, among other things, will:

- **Modify FORM GST RFD-01 so that all required details are captured in a machine-readable format.**
- **Eliminate the need to upload scanned supporting documents in the case of refund claims for zero-rated supplies and inverted duty structure.**

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# INTEREST ON PRE-DEPOSIT

ensure transparency and improve cash flows for taxpayers

To bring greater clarity and certainty regarding the interest payable on the refund of pre-deposit amounts paid while filing appeals, the Council recommended the following measures:

1. An amendment to Section 115 of the CGST Act, 2017, converting it into a self-contained (standalone) provision that specifically governs the rate of interest applicable on the refund of such pre-deposit amounts; and
2. The issuance of a circular to clarify all related issues concerning the applicable rate of interest on the refund of pre-deposit.

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## NET ITC

Will include capital goods and Input services

**Amendments to clause (ii) of the proviso to Section 54(3) of the CGST Act, 2017, along with corresponding changes in the CGST Rules, 2017.**

The GST Council has recommended these amendments aim to allow refund of accumulated Input Tax Credit (ITC) on capital goods in cases of zero-rated supplies, and on both input services and capital goods in cases of inverted duty structure.

Specifically:

- Refund of accumulated ITC on **Input services** under the inverted duty structure will be permitted only in respect of ITC availed on or after **1 November 2026**.
- Refund of ITC on **capital goods** (applicable to both zero-rated supplies and inverted duty structure) will be allowed on a staggered basis over a period of **60 months**, and will be available only for ITC availed on capital goods on or after **1 April 2027**.

These measures are expected to ease working capital constraints for taxpayers by unlocking blocked ITC on input services and capital goods, thereby improving liquidity and reducing the financial burden arising from inverted duty structures and zero-rated supplies.

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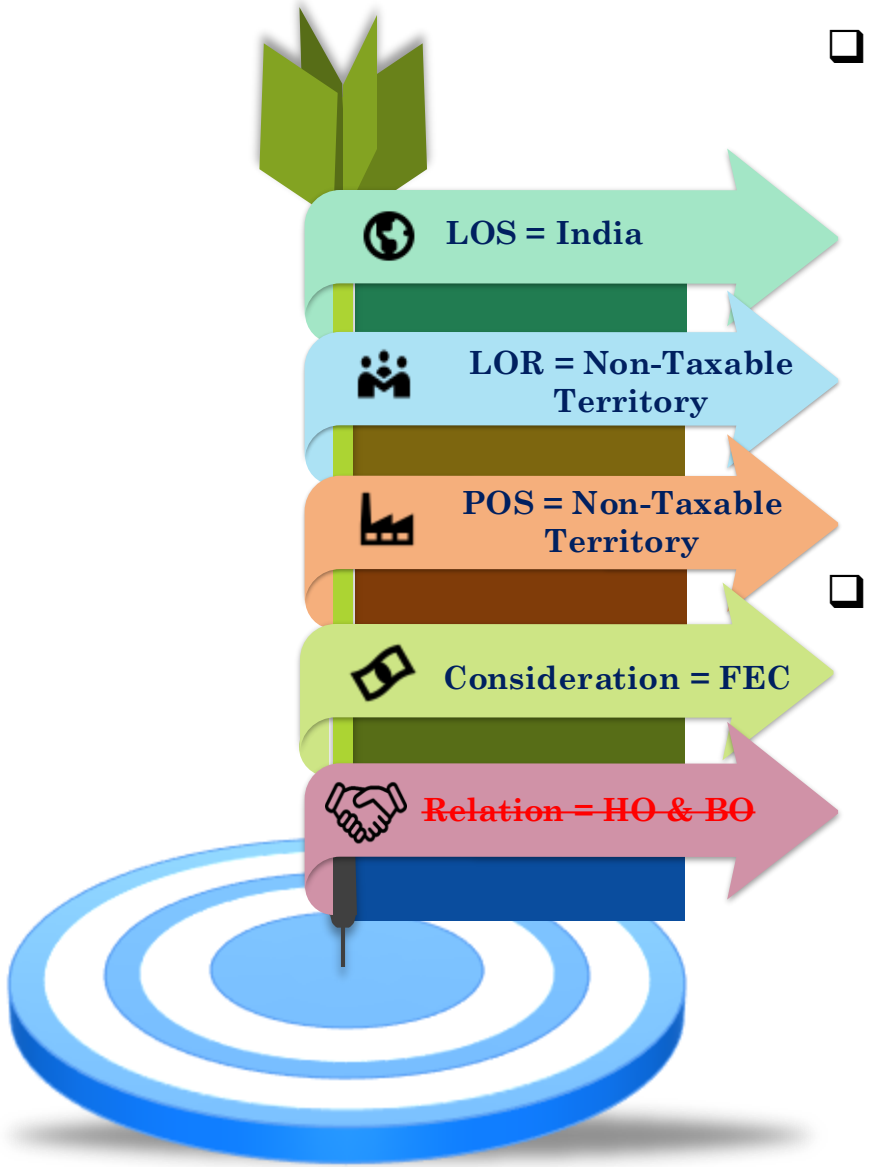
# EXPORT OF SERVICES

Amendment to the definition in Sec. 2 (6) of IGST Act, 2017






- This amendment removes the existing condition that the supplier and the recipient of services must not be establishments of a distinct person (as defined under Explanation 1 to Section 8 of the IGST Act, 2017) in order for a supply of services to qualify as an "export of services."
- As a result, services provided by Indian entities to or through their own foreign offices or branches will now be eligible to be treated as exports of services. This will enable Indian service providers to claim refunds of input taxes on such supplies more easily, thereby encouraging and promoting the export of services from India.

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# PLACE OF SUPPLY

Transaction qualifies as Export

- It is proposed to omit clause (a) of Section 13(3) of the IGST Act, 2017. As a result, the place of supply for services in cases where the recipient of services makes goods physically available to the supplier will no longer be governed by the special provision under Section 13(3)(a). Instead, it will be determined under the default rule of Section 13(2) of the IGST Act, 2017 — i.e., the location of the recipient of such services.

- This change will enable Indian service providers rendering such services to foreign recipients to treat the supplies as exports (subject to fulfilment of other conditions) and thereby access the associated export-related benefits under the GST law.

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# PLACE OF SUPPLY

## Transaction qualifies as Export

- **It is proposed to insert an Explanation to Section 16(1) of the IGST Act, 2017** clarifying that where goods are supplied to an overseas buyer, but physical delivery of such goods is effected to the said buyer within a Special Economic Zone (SEZ) or Free Trade and Warehousing Zone (FTWZ), and the consideration for the supply is received in convertible foreign exchange (or in Indian Rupees, wherever permitted by the Reserve Bank of India), then such a transaction shall be deemed to be **a supply of goods to an SEZ/FTWZ unit**.

- This clarification will remove ambiguity and provide legal certainty regarding the availability of zero-rating benefits under the IGST Act to Indian manufacturers who supply goods to overseas buyers by delivering them in an SEZ or FTWZ for the purpose of warehousing or further processing.

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# Thank You

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