

57TH GST COUNCIL MEETING

SUMMARY OF SOME IMPORTANT RECOMMENDATIONS

1. Decriminalization & Enforcement Reforms

- *Removal of Arrest Powers:* complete withdrawal of arrest powers under GST by omitting Section 69 of the CGST Act.
- *Higher Prosecution Threshold:* The monetary threshold for initiating prosecution has been raised from INR 1 crore to INR 5 crores.
- *Penalty Rationalization:*
 - The general penalty (where no specific penalty is prescribed) is reduced from **INR 25,000 to INR 10,000**.
 - Reduced penalty of 5% in non-fraud cases, where tax along with interest is discharged within 30 days (under section 73) or 60 days (under section 74A) of the adjudication order.
 - Removal of condition of minimum penalty of Rs. 10,000/-, in non-fraud cases.

2. Input Tax Credit (ITC) & Refund Overhauls

- *Rationalization of Blocked ITC (Section 17(5)):* Restrictions on claiming ITC have been removed for key business inputs, including outdoor catering, health and life insurance for employees, telecommunication towers, pipelines laid outside factory premises, free samples, and expired/destroyed goods or written off on expiry of shelf life as required by law.
- *Inverted Duty Structure & Capital Goods Refunds:* To provide for refund of accumulated ITC on account of capital goods in case of refund pertaining to zero-rate supplies, and of accumulated ITC on account of input services and capital goods in case of refund pertaining to inverted duty structure.
 - Refund of accumulated ITC on input services for inverted duty structure will apply to credit availed on or after **November 1, 2026**.
 - Refund of ITC on capital goods (spread over 60 months) will apply to credit availed on or after **April 1, 2027**.

- *Faster Refund Sanctions:*
 - Time limit to acknowledge refund claims reduced from 15 to **10 days** (deemed acknowledged if no memo is issued).
 - *90% of eligible refunds* to be sanctioned automatically within 3 working days following risk assessment.
 - *Rationalization of refund calculation:* Removal of the restriction limiting the turnover of zero-rated supply of goods to 1.5 times the value of like goods supplied domestically, through the proposed amendment to Rule 89(4)(C).
 - *Refund of excess cash ledger balance:* The full eligible refund of excess balance in the electronic cash ledger is proposed to be sanctioned automatically by the system, without officer intervention.

3. Compliance & Relief for MSMEs / Small Sellers

- *Optional Quarterly Payment & Annual Return Scheme:* Council has approved in principle for businesses with a turnover of up to INR 5 crores dealing exclusively in B2C supplies, allowing them to file returns annually while paying quarterly.
- *E-Commerce Warehouse Facility:* Small sellers operating via e-commerce platforms can use the operator's warehouse as their principal place of business in other states under specific conditions, eliminating the requirement for separate physical premises.
- *Show-Cause Notice Threshold:* A minimum threshold of INR 10,000 introduced for issuing show-cause notices. Thus, no notices will be issued if the tax amount involved is less than Rs. 10,000/-.
- *Waiver of late fee* on filing of GSTR-1 and GSTR-3B if delayed return filed in same month in which it is due, for the tax with turnover upto INR 5 crore in preceding FY

4. Logistics and Transit Reforms

- *Streamlined Transit Checks:* Physical inspection of goods in transit is now restricted exclusively to cases backed by specific intelligence and prior authorization from an officer not below the rank of **Joint Commissioner**.
- Inspections are limited strictly to originating and destination states to prevent repeated stops along transit corridors. That means there will be no interception in the transit States.

- However, where no e-way bill has been generated, or the conveyance is not carrying any document to show the origin or destination of the goods, as the case may be, the goods can be inspected, detained or seized, irrespective of the jurisdiction.
- Provision of confiscation of goods/conveyances under section 130 of CGST Act not applicable in respect of goods/conveyances in transit.

5. Streamlining registration process, Amendments and Cancellation

- *Clear Guidelines & Documentation:* The Council recommended issuing a comprehensive circular and FAQs specifying exact documents and information required for GST registration to reduce ambiguity, queries, and rejections.
- *Automatic Acceptance for Most Fields:* To allow automatic acceptance on the portal for changes to all registration particulars, *except* those relating to the Principal Place of Business (PPOB) for standard registrations.
- *Full Auto-Approval for Low-Risk Taxpayers:* For taxpayers registered under Rule 14A (automatic route/low-risk applicants who do not pass on ITC exceeding ₹2.5 lakh per month), all amendments—including changes to the Principal Place of Business (PPOB)—will be automatically approved on the portal without requiring officer intervention.
- *Phased Auto-Acceptance of Cancellation Applications (FORM GST REG-16):*
 - **Phase 1:** Applications will be auto-accepted once pending returns are filed and dues are paid, provided the ITC passed on never exceeded ₹2.5 lakh in any month, or if it did, FORM GSTR-10 (Final Return) was filed on time.
 - **Phase 2:** All cancellation applications will be automatically accepted by the system once all pending returns are filed and all outstanding dues are paid. Further, REG-16 will be modified to capture GSTR-10 details directly within the application form.

6. Key reforms relating to Exports & Zero-Rating of Supplies

- *Removal of Distinct Establishment condition for export of services* by omitting sub-clause (v) of clause (6) of section 2 of the IGST Act, 2017. This removes the condition that the supplier and recipient of services must not be establishments of a distinct person. It allows Indian service providers supplying services to or through their overseas offices, branches, or distinct entities abroad to qualify seamlessly as an "**export of services**", unlocking crucial refund benefits.

- *Place of supply rationalization for goods made physically available* by omitting clause (a) of section 13(3) of the IGST Act, 2017. For services where goods are made physically available by the foreign recipient to the supplier, the place of supply will now be determined by the default provision, i.e. **the location of the recipient**.
- *Deemed SEZ/FTWZ Supplies for Overseas Sales* by inserting Explanation to section 16(1) of the IGST Act, 2017. Goods sold to an overseas buyer but physically delivered to that buyer within a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) in India will be legally deemed as zero-rated supplies to an SEZ/FTWZ, provided payment is received in convertible foreign exchange or RBI-permitted Indian Rupees (INR).
- A circular is proposed to clarify the permitted modes of receipt of consideration in foreign currency or Indian rupees for exports of goods and services.

7. Specified waste and scrap: Proposed RCM on supplies of specified plastic, electrical and electronic, tyre waste and scrap, and used cooking oil by unregistered suppliers to registered recipients. A 2% TDS mechanism is also proposed for specified registered-to-registered supplies.