

GST UPDATE | CBIC GST POLICY WING | CIRCULARS DATED 26 OCTOBER 2026

CBIC Circulars No. 257 to 264/2026-GST

Clarifications giving effect to the 57th GST Council recommendations

- Background, ongoing issues, what each circular clarifies and the impact on taxpayers and tax professionals
- Registration, adjudication and appeals, pre-deposit, ISD, section 17(4), demo vehicles, export remittances and rule 96(10)

Prepared by A2Z Taxcorp LLP | Tax and Law Practitioners

Analysis based on CBIC circulars dated 26.10.2026 and the PIB release of 08.10.2026



57th GST Council Meeting, New Delhi, 8 October 2026

Chaired by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman; the Council recommended clarificatory circulars on these eight subjects

Circular	Subject	What it settles
257/03/2026	Guidelines for handling applications for GST registration	Applicant-side guidance for FORM GST REG-01 with FAQs, document checklist and ready formats; officers may query only on three grounds
258/04/2026	Guidelines on demand, adjudication and appeal proceedings	Common standards for SCNs, fraud allegations, personal hearings, speaking orders, rectification and first appeals
259/05/2026	Pre-deposit under sections 107(6) and 112(8)	Admitted amount vs tax in dispute defined; Tribunal pre-deposit on AA-confirmed demand; refund not to be withheld merely because Department may appeal
260/06/2026	Issues pertaining to Input Service Distributor	Separate ISD per registrant allowed; recipients bear s. 16/17 conditions and reversals; distribute in month of eligibility ascertainment; rule 54(1A) is only a transfer mechanism
261/07/2026	Section 17(4) – banks, financial institutions and NBFCs	50% option only for registrants engaged in deposits / loans; once one opts all such registrants must; second proviso only for opted-to-opted same-PAN supplies; GSTR-3B procedure prescribed
262/08/2026	ITC on demo vehicles – authorised agents of manufacturers	Para 4.6 of Circular 231/25/2024 withdrawn; ITC on demo vehicles not blocked under s. 17(5)(a) for dealers in the dealer-agency model
263/09/2026	Receipt of payment for export of goods or services	SNRR / INR Nostro / NRE receipts, RBI-compliant set-offs and reinsurance net retention satisfy s. 2(6)(iv) IGST; rule 96B time limit follows RBI Master Direction 16
264/10/2026	Omission of rule 96(10) – retrospective effect	Omission effective from 23.10.2017 following Supreme Court in Goodluck India; pending proceedings to be dealt with accordingly; same for rules 89(4A) and 89(4B)

Source from: [Press Information Bureau, Recommendations of the 57th Meeting of the GST Council, 8 October 2026 \(Release ID 2320934\)](#)

GST Registration: genuine applicants faced rejections and repeated queries while fake registrations kept the Department cautious

Background

- Every applicant expects quick, hassle-free registration, yet grievances piled up over **rejections and delays** caused by queries, clarifications and additional documents sought on FORM GST REG-01
- CBIC's own analysis: most delays trace to **missing, incorrect, inconsistent or illegible documents** – identity of the applicant, proof of principal place of business (PPoB), constitution and authorised signatory
- At the same time, **fake registrations** obtained on others' identities to pass on ineligible ITC forced tighter scrutiny (rule 8(4A) Aadhaar / biometric, rule 9, rule 25 physical verification)
- Officer-side guidance already existed – **Instruction No. 03/2025-GST (17.04.2025)**; after the 56th Council, **rule 14A** (from 01.11.2025) grants automatic registration in 3 working days where ITC passed on is up to ₹2.5 lakh a month

Ongoing issues and litigation

- **Unwarranted queries:** residential address of promoter not in the same city/State, Udyam certificate demanded, objection that the activity "cannot be carried on" from the premises, electricity bill classified domestic vs commercial, bill amount scrutinised
- **PPoB proof disputes:** premises owned by parents/spouse declared as "own", unregistered rent deeds, co-working desks, inherited property with no document in applicant's name, shared meters
- Each State / zone applied its own checklist; applicants were not told in advance what document fits which type of premises – most registration disputes begin with a REG-03 query or a REG-05 rejection
- **57th GST Council (08.10.2026), para 1.1:** issue a comprehensive circular with FAQs on documents and information; add drop-downs in REG-01; portal to give tool-tips and contextual guidance; consolidated PPoB document list to be published

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-257-03-2026.pdf>

Registration guidelines for applicants: what to fill in FORM GST REG-01 so that no query is raised

Why the circular

- Delays and rejections mostly arise from missing, incorrect, inconsistent or illegible documents – especially identity, place of business, constitution and authorised signatory
- Officer-side guidelines already issued vide Instruction 03/2025 (17.04.2025); this circular guides **applicants** and is backed by **Annexure I (FAQs), II (checklist), III (PPoB documents) and IV–VI (formats)**
- Forms: REG-01 (normal, ISD, casual), REG-07 (TDS/TCS), REG-09 (non-resident), REG-10 (OIDAR / online money gaming), REG-13 (UN bodies)

Part A and business details

- Legal name must match PAN** (and MCA incorporation certificate for companies); proprietor's name for proprietorships; e-mail and mobile preferably PAN-linked
- Select correct **constitution**; upload partnership deed, registration certificate / proof of constitution, or Karta document as applicable
- SEZ unit / developer: tick "Yes", give LoA / LoP number, date, validity and approving authority, and upload the approval
- Clearly opt for **composition, casual taxable person or rule 14A** and pick the correct reason for registration

Promoters, signatories, bank

- Full details of proprietor / all partners / Karta / MD and whole-time directors / managing committee / trustees; **DIN mandatory** for directors and designated partners
- Photographs**: individual, recent, colour, full front face – not a group photo and not cropped from PAN / Aadhaar / passport; wrong photo invites query or rejection
- Up to **10 authorised signatories** with photos and an authorisation letter; GST practitioner's enrolment ID if an authorised representative is named
- Bank account** not mandatory at filing, but must be furnished within 30 days of registration or before GSTR-1/IFF (rule 10A); account must be in applicant's name and PAN

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-257-03-2026.pdf>

Principal place of business: exact address plus one prescribed document for the nature of premises

Address and jurisdiction

- Give the **complete, specific address** – building / flat / shop / plot no., khasra, street, locality, village / city, taluka, district, PIN and landmark; latitude-longitude via portal map
- Open addresses (only khasra / road / colony / village) lead to queries or a negative physical verification report; address must **match the uploaded proof**
- Select correct State and Centre jurisdiction from PIN-based drop-down and the nature of business at the premises
- Telecom towers and bank ATMs (unmanned) need not be declared as PPoB / APoB; same documents apply for additional places and amendments

Owned, rented or leased

- **Owned:** any one of latest property tax receipt, municipal khata, property identification document, latest electricity bill or water bill in applicant's name
- Premises in name of parents / spouse / sibling / partner / director is **not "own"** – choose consent, rented or shared
- **Deceased ancestor:** affidavit (Annexure IV, ₹100 stamp paper) + death certificate + one ownership document
- **Rented / leased:** registered agreement where registration is mandated; otherwise agreement + one ownership document of the lessor; utility bill in tenant's name with agreement also accepted
- **No agreement:** undertaking (Annexure V) + latest electricity / water bill in tenant's name

Consent, co-working, SEZ

- **Consent basis:** consent letter on plain paper (Annexure VI) signed by the owner, stating relationship and the premises, plus one ownership document of the consenter; all co-owners must consent
- **Co-working:** membership agreement with period and specific suite / cabin / desk; plus owner's document if provider owns the premises, or the registered lease between provider and owner if rented
- **SEZ:** valid Letter of Approval / Permission from the Development Commissioner
- State-specific fields (e.g. electricity consumer number in Maharashtra, Rajasthan, Odisha, Andhra Pradesh, Assam, MP) are mandatory where applicable
- All uploads must be **clear, complete and legible**

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-257-03-2026.pdf>

Processing: strict timelines, queries only through REG-03 and only on three permitted grounds

Timelines (rule 9)

- **7 working days** where Aadhaar is authenticated and no physical verification
- **30 days** with physical verification (rule 25) where Aadhaar not opted / failed, risk-flagged by the system, or officer deems it fit with approval
- **3 working days** automatic grant under **rule 14A** (ITC pass-on up to ₹2.5 lakh per month) and under **rule 9A** (system-identified low-risk applicants)
- Biometric Aadhaar / document verification at a Facilitation Centre (GSK) to be completed within 15 days of TRN
- **Deemed approval** if no action within the prescribed period; registration is fully online and faceless

Queries: what officers may ask

- REG-03 within 7 working days only where: (i) a document is incomplete or illegible; (ii) address does not match the proof or proof is not valid; (iii) address is incomplete or vague
- **Not to be sought:** residential address in the same city / State, Udyam certificate, objections that the activity cannot be carried on from the premises
- No subjective assessment – domestic vs commercial electricity, bill amount, residential premises being "unfit" for business
- Utility bill / tax receipt checked only for name and address; rent deed only for validity, both names and exact address
- Reply in **REG-04 within 7 working days**; decision (REG-06 approval or REG-05 reasoned rejection) within 7 working days of reply

Verification and remedies

- Physical verification report with GPS-enabled photographs uploaded in **FORM GST REG-30 at least 5 days before** the 30-day deadline; record efforts made if premises not found; reassign wrong-jurisdiction ARNs immediately
- Applicants with an earlier suspended / cancelled registration on the same PAN must have filed all due returns including **GSTR-10** with no pending liability
- Exit from rule 14A: file **REG-32** with REG-01 documents; normal process applies
- Aggrieved by delay or unwarranted queries? Complain to the jurisdictional **Chief Commissioner / Commissioner of State Tax** on the dedicated e-mail
- Watch the portal – all communications are electronic

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-257-03-2026.pdf>

Annexures: 51 FAQs, constitution-wise checklist and ready formats for affidavit, undertaking and consent

FAQ highlights (Annexure I)

- Thresholds: ₹40 lakh goods only, ₹20 lakh services / mixed; special category States ₹20 lakh / ₹10 lakh; ice cream, pan masala and tobacco (Ch. 24) suppliers must register regardless
- Mandatory registration irrespective of turnover: inter-State suppliers, casual and non-resident persons, RCM payers, s. 9(5) operators, TDS deductors, agents, ISD, e-commerce sellers and operators, OIDAR
- **PO Box or courier address not acceptable;** photos of premises are not proof; Udyam certificate is neither required nor proof
- Up to **10 bank accounts;** separate GSTIN mandatory for an SEZ unit; multiple branches in one building may be one PPoB with APoBs, each with its own proof
- Jointly owned property: no NOC from co-owners; furnish a document showing both owners' names
- Rejected? File a fresh application after curing the deficiencies

Checklist (Annexure II)

- **Proprietorship:** PAN, photo, bank details, PPoB proof
- **Partnership / LLP:** firm PAN, deed or incorporation certificate, photos of partners, authorisation form, bank, PPoB proof
- **HUF:** PAN, Karta photo, bank, PPoB proof
- **Company:** PAN, incorporation certificate, photo of MD and directors, authorisation form, bank, PPoB proof; Indian authorised signatory for foreign companies
- **Society / Trust / AOP:** PAN, registration certificate, photos of committee or trustees, authorisation, bank, PPoB proof
- **Government department / PSU / local authority:** PAN, constitution proof, DDO appointment or CEO details, authorisation, PPoB proof

Formats (Annexures III–VI)

- **Annexure III** – consolidated list of PPoB documents for owned, inherited, rented, no-agreement, consent, co-working and SEZ premises
- **Annexure IV** – Affidavit for inherited property on non-judicial stamp paper of minimum ₹100 before a Magistrate or Notary: legal heir, lawful possession, responsibility for utilities and tax liabilities
- **Annexure V** – Undertaking where no rent agreement exists: owner's name, possession since, responsibility for utilities and GST compliance
- **Annexure VI** – Consent letter: owner's details and PAN, relationship with applicant, entire premises or a clearly demarcated portion (e.g. cabin no., sq. ft.), no objection to use as PPoB / APoB

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-257-03-2026.pdf>

Impact of Circular 257: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- Predictability: a **single published list** of documents by nature of premises (Annexure III) and by constitution (Annexure II) – nothing beyond it can be demanded
- Queries confined to **three grounds** (illegible document, address mismatch / invalid proof, vague address) and only through **REG-03**; no subjective view on premises, electricity type or bill amount
- Clear clocks: **7 working days** (Aadhaar authenticated), **30 days** (physical verification), **3 working days** (rule 14A / rule 9A); **deemed approval** if the officer misses the deadline
- Ready formats for **affidavit (inherited), undertaking (no rent deed) and consent letter** remove the most common rejection grounds
- A formal **grievance channel** – dedicated e-mail of the jurisdictional Chief Commissioner / Commissioner of State Tax – for delays or unwarranted queries

Action points for tax professionals

- Run the **Annexure II / III checklist** before filing; match legal name to PAN / MCA certificate; use PAN-linked e-mail and mobile
- Capture the **complete address with PIN and latitude-longitude**; ensure the address on the proof is identical to the form; declare the correct nature of premises (own / rent / consent / shared / co-working)
- Prepare **Annexure IV–VI formats** in advance where applicable; obtain consent of **all co-owners**; for co-working, secure the operator's registered lease
- Opt for **Aadhaar authentication** and complete biometric / document verification at the GSK within **15 days of TRN**
- Reply to **REG-03 within 7 working days** in REG-04; cite paras 5.4.1 and 6 of the circular against unwarranted queries; escalate to the Chief Commissioner's e-mail; track deemed approval
- Clients exiting rule 14A: file **REG-32** with full REG-01 documents after at least one return

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-257-03-2026.pdf>

Adjudication: vague notices, mechanical fraud allegations and non-speaking orders were feeding avoidable litigation

Background

- Adjudication and appeal are **quasi-judicial** functions – the officer must independently apply his mind, record findings on every material issue and pass a reasoned order respecting natural justice
- Representations reached the Board that SCNs merely reproduce statutory provisions, orders are **vague, non-speaking or ignore the reply**, leading to remands and reversals in appeal
- Section 74A (FY 2024-25 onwards) merged fraud and non-fraud timelines into a single 42-month window, but the **distinction in penalty and the burden to prove intent** remain
- 57th GST Council, para 7.1**: comprehensive guidelines on quality and timeliness of notices and orders, invoking fraud / wilful misstatement / suppression only on merits, and adherence to natural justice including personal hearings

Ongoing issues and litigation

- Supreme Court, G.R. Infra Projects Ltd. v. State of MP (19.08.2026)**: mechanical use of the words "fraud, wilful misstatement or suppression" without listing the material does not sustain the extended period; defects in the SCN cannot be cured later
- Sriba Nirman Co. (AP HC, affirmed by SC)**: suppression must be deliberate with intent to evade; an incorrect statement is not a wilful misstatement unless knowingly false
- Armour Security (India) Ltd. (SC, 2025)**: no parallel proceedings by Centre and State on the same subject matter (s. 6)
- High Courts (e.g. **Mehadia & Sons**, Bombay HC Nagpur) quashed single SCNs covering multiple financial years – the Council separately proposes a validation clause
- Orders passed without hearing set aside routinely; rectification under s. 161 used as a back-door review; last-minute SCNs leaving no time to reply

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-258-04-2026.pdf>

Show cause notices: a uniform structure, electronic DRC-01 summary and no parallel proceedings

Before and at issuance

- **Pre-SCN intimation** in Part A of FORM GST DRC-01A (rule 142(1A)) to be issued wherever feasible – gives the taxpayer a chance to clarify and reduces the need for an SCN
- SCN is the foundational document; summary **must be issued electronically in DRC-01 / DRC-02** along with the notice or statement (rules 100 and 142)
- Issue notices **well before the limitation date** under ss. 73(10), 74(10), 74A(7); avoid last-minute issuance
- Serve only through modes in **section 169** – hand delivery, speed post / courier with acknowledgement, registered e-mail, common portal

Six parts of a well-drafted SCN

- **Brief profile:** name, GSTIN, trade name, status, PPOB, jurisdiction, tax periods, origin (audit, scrutiny, enforcement); each noticee separately – *Nice Enterprises (Telangana HC)*: reproducing provisions without facts violates natural justice
- **Factual background and evidence:** objective, using "it appears that", never "determined" – SCN is not a verdict
- **Legal framework:** link each act or omission to the specific provision; no bundling of unrelated sections; role of each noticee delineated
- **Statement of charges:** all grounds must be in the SCN itself – deficiencies cannot be cured later (*G.R. Infra Projects, SC, 19.08.2026*)
- **Quantification:** basis stated, FY-wise where multiple years; "why interest as applicable should not be demanded"
- **Concluding para:** adjudicating authority, reply deadline, consequences

Sections 73, 74 and 74A; section 6

- Where one SCN proposes demand under both ss. 73 and 74, state the reasons for bifurcating fraud and non-fraud demand with **separate quantification**
- **Section 74A** (FY 2024-25 onwards) – single 42-month timeline from the annual return due date; still delineate grounds and quantification separately for evasion and non-evasion facts
- **No parallel proceedings:** s. 6 bars CGST officers from acting on a subject matter already taken up under SGST / UTGST and vice versa – guidelines in para 97 of *Armour Security (India) Ltd. (SC, 2025)* to be followed; Centre-State coordination essential

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-258-04-2026.pdf>

Fraud, wilful misstatement or suppression can be invoked only with evidence of intent to evade tax

What the SCN must show

- The notice itself must set out the **specific allegations, material facts and circumstances** for invoking s. 74(1) / s. 74A(5)(ii)
- Mechanical reproduction of the words "fraud, wilful misstatement or suppression" without the material that led to the inference **will not suffice** – *G.R. Infra Projects Ltd. v. State of MP, (2026) 45 Centax 331 (SC)*
- Explanation 2 to s. 74A: suppression = non-declaration of facts required in a return / statement / document, or failure to furnish information specifically called for in writing

Intent is the test

- Suppression or misstatement must be **deliberate and aimed at evading tax**; a mere omission to furnish correct information is not suppression unless intentional
- Where facts are known to both sides, an omission is not suppression; an incorrect statement is not a wilful misstatement unless **knowingly false** – *Sriba Nirman Co. (AP HC), affirmed by SC*
- Section 74 / 74A(5)(ii) **cannot be invoked merely for non-payment of GST**, nor in scrutiny cases only because a discrepancy was noticed
- Invoke only where investigation discloses material evidence of such conduct, clearly set out in the SCN

Follow-on notices and adjudication

- A **second SCN on the same facts for a later period invoking fraud is generally not valid** unless new, independent grounds exist (e.g. unreported clearances)
- Subsequent statements should ordinarily be issued under **s. 73 or s. 74A(5)(i)** after a first notice under s. 74 / 74A(5)(ii)
- At adjudication, the authority must test whether the extended period is **legally tenable and factually supported**; if not, record clear findings and confine the demand to s. 73 / s. 74A(5)(i)
- Reasons for rejecting the noticee's submissions on invocation must be articulated in the order

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-258-04-2026.pdf>

Personal hearing and the speaking order: hear fully, decide every issue, quantify precisely

Personal hearing (s. 75(4), 75(5))

- Hearing mandatory on written request or where an adverse decision is contemplated – *Maneka Gandhi*: fairness is implicit in Article 21
- Not more than **3 adjournments – maximum 4 hearing opportunities**; reasons for declining adjournment recorded in writing
- Allow authorised representatives (s. 116); **virtual hearing** to be encouraged; vakalatnama kept on record
- Maintain detailed record of each hearing (date, time, attendees) and incorporate it in the order
- Order to be communicated **preferably within one month** of the hearing; if the officer is transferred, a **fresh hearing** by the successor – outgoing officer should try to pass the order before leaving

Drafting the order

- A **speaking order** – guidelines of *Saheli Leasing (SC)*: germane facts only, clear ratio, chronology, few but leading judgments, no rhetoric, pronounce within three months
- Intro: issuing authority, provisions, **appellate rights, forum and pre-deposit**; facts, SCN particulars, periods, demand, noticees
- Examine evidence critically against each allegation; record findings on each defence in **DRC-06** / hearing – accepted, partly accepted or rejected with reasons; avoid "reply has been considered"
- Section 75(7)**: no demand beyond the SCN amount or on new grounds – fresh issues need a fresh SCN
- Verify citations and current status of case laws; discuss the noticee's judgments. **AI tools** may assist only with human oversight and independent verification – responsibility stays with the officer

Quantification and closure

- Recompute tax **issue-wise and FY-wise**, separately for CGST, SGST, IGST, UTGST, in a **table** showing tax, interest, penalty and payments / pre-deposits made
- Quantify interest up to the order date where possible, stating it runs till actual payment (s. 75(9) – payable even if not mentioned)
- Show original vs confirmed demand where dropped; appropriate amounts already paid; state balance payable or refundable
- Penalty only after reasoned findings on the default, respecting the discipline of **s. 126**; conclude with a clear summary of confirmed / dropped amounts and provisions invoked
- Upload summary in **DRC-07**; avoid last-minute orders; monthly disposal targets monitored by senior officers

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-258-04-2026.pdf>

Rectification is confined to patent errors; first appeals get a time-bound, reasoned framework

Rectification (s. 161)

- Only **errors apparent on the face of the record** – ex facie, incapable of argument; not errors of law or re-appreciation of facts (*Arun Dev Upadhyaya, SC*)
- Application within **3 months**, order within **6 months** of the document (no time limit for purely clerical / arithmetical slips)
- Rectification only by the **issuing authority itself** – the non-obstante clause does not extend it to senior officers under s. 5(2)
- Not a substitute for appeal or review; disposed through **DRC-08** and communicated to the reviewing authority

First appeal (s. 107): admission stage

- Preliminary scrutiny under **rule 108** – appellant particulars, impugned order, limitation, form, pre-deposit, grounds, documents, jurisdiction; **merits not to be rejected at registration**
- Limitation as a separate preliminary issue**: 3 months + 1 month condonable (s. 107(4)); time-barred appeals not to be decided on merits even if prima facie strong; reasons recorded
- Withdrawal under **rule 109C (APL-01/03W)**; after APL-02 acknowledgement, needs approval and is to be decided within 7 days
- Hearing dates communicated via the GST portal; proceedings recorded on the BO portal and made a **substantive part of the appellate order**

Deciding the appeal

- Additional grounds (s. 107(10))**: allow a new legal ground on the existing demand; a new factual issue needing fresh investigation ordinarily not entertained; reasons recorded
- Additional evidence (rule 112)**: only in specified circumstances; give the adjudicating authority a chance to rebut; hearing before rejecting; appeal is not a fresh investigation
- Decide within **one year** of filing (s. 107(13)); disposal monitored by senior officers
- Cross-appeals** by taxpayer and Department disposed by a single composite order; summary in **APL-04** stating the final confirmed demand
- Paras 10, 11 and 13 (hearing, speaking order, fraud invocation) apply mutatis mutandis to appellate authorities. **These guidelines are illustrative and must not be cited in SCNs or orders**

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-258-04-2026.pdf>

Impact of Circular 258: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- A **checklist to test every SCN**: profile, facts and evidence, legal framework, statement of charges, quantification, concluding para; DRC-01 / DRC-02 summary must be issued electronically
- Fraud cannot be alleged merely for non-payment or a scrutiny discrepancy; **intent to evade must be evidenced in the SCN**; otherwise demand falls to s. 73 / s. 74A(5)(i) with lower penalty
- **Maximum four hearing opportunities**, virtual hearing encouraged, fresh hearing if the officer changes; order within about a month of hearing
- **Section 75(7)** reinforced: no demand beyond the SCN or on new grounds; issue-wise, FY-wise, tax-wise quantification in a table; penalty only with reasoned findings (s. 126)
- Appeals: limitation decided first, merits not rejected at admission, decision within one year, cross-appeals in one composite order
- Caveat: **para 17** – guidelines are illustrative and officers must not cite them in SCNs or orders; taxpayers can still rely on them in appeals and writs as the Board's own standard

Action points for tax professionals

- Test each SCN against paras 4.1–4.6; where fraud is alleged, demand the **specific material** relied upon; raise G.R. Infra and Sriba Nirman at the reply stage, not only in appeal
- Use the **pre-SCN intimation (DRC-01A)** window to settle or narrow issues
- File a complete **DRC-06** – the order must now record findings on each submission; attach case law with current status
- Plan adjournments: only three; keep vakalatnama / authority letter on record; seek virtual hearing
- Check **s. 75(7)** and the computation table in every order; insist interest is quantified to the order date
- **Rectification**: file within 3 months via the issuing authority only (DRC-08); do not use it for debatable issues
- **First appeal**: file within 3 + 1 months; additional grounds / evidence only with reasons; where Department also appeals, seek a composite order

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-258-04-2026.pdf>

Pre-deposit: inconsistent practice on how much to pay, on what base, and when the money comes back

Background

- **Section 107(6):** appeal to the Appellate Authority requires full payment of the admitted amount plus **10% of the remaining tax in dispute**; **section 112(8):** a further 10% before the Appellate Tribunal, in addition to the first-stage deposit
- The Finance Act, 2025 added a 10% pre-deposit for **penalty-only orders** (from 01.10.2025) with no ceiling; the 57th Council has separately recommended a cap of **₹40 crore** (₹20 crore CGST + ₹20 crore SGST/UTGST)
- **Section 115** provides interest on refund of pre-deposit; the Council recommended making it a **standalone provision** on rate and a circular on interest issues (para 6.3)
- With the **GST Appellate Tribunal** now disposing cases, refund of pre-deposits is being handled inconsistently across field formations

Ongoing issues and litigation

- No uniform view on what is the **"admitted amount"** and what is **"tax in dispute"** – some officers insisted on 10% of the total demand including interest and penalty
- Where the Appellate Authority **modified** the demand, doubt whether the Tribunal pre-deposit is 10% of the original or of the modified disputed amount
- Refunds **denied or delayed** because the order did not expressly direct refund of pre-deposit, or because the Department "intends to appeal"
- Confusion on the **date from which interest runs** where deposits were made at two appellate levels, and on refunds where the matter is **remanded** in full or part
- 57th GST Council: circular to remove ambiguities arising from varied interpretations on pre-deposit (para 16)

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-259-05-2026.pdf>

Pre-deposit: the taxpayer decides what is admitted and what is in dispute at the time of filing

Issue 1 – Admitted amount and tax in dispute

- Section 107(6): full payment of the **admitted** tax, interest, fine, fee and penalty + **10% of the tax in dispute** for appeal before the Appellate Authority; s. 112(8) requires the same before the Tribunal, in addition to the earlier amount
- **Admitted amount** = the part of the impugned order the taxpayer acknowledges as payable and does not intend to challenge; must be paid in full before filing
- **Tax in dispute** = the contested portion for which the appeal is filed; the 10% pre-deposit is computed only on this disputed **tax** component
- The choice is made by the taxpayer at filing and captured in **Table 14 of APL-01** and **Table 20 of APL-05**

Issue 2 – Quantum before the Tribunal

- Where the Appellate Authority has **modified** the liability, the 10% for appeal before the Appellate Tribunal is computed with reference to the **liability confirmed by the Appellate Authority** that the appellant continues to dispute
- This is in addition to the amount already paid for admission of the first appeal

Issue 3 – Refund need not be spelt out

- When pre-deposit under s. 107(6) or s. 112(8) becomes refundable consequent to an appellate order, the order **need not explicitly state** that the pre-deposit is to be refunded
- On receipt of the order, the refund claim is filed under **S. No. 7 of FORM GST RFD-01** – "on account of order"

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-259-05-2026.pdf>

A favourable order means refund of pre-deposit – even if the Department plans to appeal further

Issue 4 – Department contemplating appeal

- Whenever the Appellate Authority or Tribunal decides in favour of the appellant and a refund application is filed, the appellant is **entitled** to refund of the pre-deposit
- If the Department contemplates an appeal against the favourable order, refund is **still payable unless the order is stayed** by the Tribunal or a Court
- Refund **cannot be denied merely because** the Department intends to file, or has filed, an appeal

Issue 5 – Date of payment for interest

- Pre-deposit is paid separately at the Appellate Authority stage (s. 107(6)) and the Tribunal stage (s. 112(8))
- Section 115 provides interest from the **date of payment** of the amount refundable
- Where pre-deposit was made at both levels, the date of payment for interest computation is determined **separately for each level**, by reference to the actual date of each payment

Issue 6 – Remand by the Tribunal

- **Full remand** to the original adjudicating authority: appellant is eligible for refund of the pre-deposit, to be granted within the prescribed time limit
- **Partial remand** where part of the demand is upheld: refund released only after the amount corresponding to the confirmed demand, with applicable interest, is **recovered or adjusted** against the pre-deposit; the balance is then refunded

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-259-05-2026.pdf>

Impact of Circular 259: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- Pre-deposit is computed **only on the disputed tax**, not on interest, fine, fee or penalty; the taxpayer decides what is admitted when filing (Table 14 of APL-01 / Table 20 of APL-05)
- Before the Tribunal, 10% is on the **liability confirmed by the Appellate Authority** that remains disputed – a smaller base where the first appeal succeeded in part
- A favourable order **automatically entitles** the taxpayer to refund; the order need not say so; Department's intention or filing of appeal is **no ground to withhold** unless a stay is obtained
- Interest under s. 115** runs from the actual date of each payment, separately for each level
- Full remand: refund within the prescribed time; partial remand: refund of the balance after adjusting the confirmed demand with interest

Action points for tax professionals

- Decide the **admitted / disputed split deliberately** – it is captured in APL-01 / APL-05 and fixes both the pre-deposit and the scope of appeal
- Pay the admitted amount in full **before** filing; keep challan-wise records of pre-deposit (amount, date, forum, order status)
- On an Appellate Authority order, recompute the Tribunal pre-deposit on the **confirmed disputed tax**, in addition to the earlier deposit
- File **RFD-01 under S. No. 7 ("on account of order")** immediately on a favourable order; cite this circular where refund is resisted on the ground of a proposed departmental appeal
- Claim **interest from each payment date**; verify the rate once the amended s. 115 and the promised interest circular are notified
- In partial remands, reconcile the adjustment against confirmed demand before accepting the balance refund

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-259-05-2026.pdf>

ISD: mandatory since 1 April 2025, but multi-location entities were still unsure who does what

Background

- Finance Act, 2024 amended **s. 2(61) and s. 20**, making the ISD route **mandatory from 01.04.2025** for distributing credit on common input services (including RCM) received on behalf of distinct persons; rule 39 prescribes the manner
- Earlier **Circular 199/11/2023** settled cross-charge vs ISD and valuation of internally generated services, but left operational questions open
- Rule 54(1A)** lets a regular registration with the same PAN and State as the ISD issue an invoice / debit / credit note to transfer credit – mainly for tax paid under reverse charge – to the ISD for onward distribution
- 57th GST Council, para 16(1)**: circular on issues relating to the ISD mechanism for distribution of input service credit

Ongoing issues and litigation

- Whether an entity with **separate registrations for business verticals** in one State needs one ISD or may have several
- Who must satisfy **s. 16 / s. 17 conditions** – the ISD that receives the invoice or the recipient GSTIN that uses the credit – and who faces recovery and penalty on excess distribution
- Disputes that credit was **not distributed in the month it appeared in GSTR-6A**, even where eligibility was still being verified
- Whether the ISD itself must make **rule 42 / 43 (or rule 38)** reversals before distributing
- Whether rule 54(1A) invoices inflate the transferor's **"turnover in State"** (distorting the distribution ratio and the refund cap) and count as **Net ITC** for refunds under rule 89(4)/(5); whether the transferor must reverse

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-260-06-2026.pdf>

ISD: one registration per distinct person that receives common invoices; recipients own the ITC conditions

Issue 1 – Separate ISD registrations

- ISD (s. 2(61)) is an office that receives input service invoices, including RCM invoices, on behalf of distinct persons and distributes the credit under s. 20
- Separate registrations for business verticals / places of business within a State (s. 25(2), 25(4)) are **distinct persons**; there is **no bar on more than one ISD registration** in a State / UT
- Each registrant** that receives common input-service invoices on behalf of distinct persons **must obtain ISD registration**
- Credit is distributed only to the distinct person to whom it is attributable (rule 39(1))

Issue 2 – Who complies with section 16?

- The ISD must distribute credit to the distinct persons for whom it received the invoices, in the manner laid down in **s. 20**
- It is the **recipients of credit** who must satisfy the conditions of **ss. 16 and 17** and the rules for eligibility
- Distribution in contravention of s. 20: **ISD liable to penalty under s. 122(1)(ix)** – ₹10,000 or the credit distributed irregularly, whichever is higher
- Excess credit distributed is **recovered from the recipients** with interest under **s. 21**, applying ss. 73 / 74 / 74A

Why it matters

- Clarifies the dividing line: ISD is a distribution conduit, recipients bear eligibility and reversal obligations
- Multi-registration groups in one State can run separate ISDs per vertical without challenge
- Penal exposure is split – distribution error at ISD level, recovery of excess credit at recipient level

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-260-06-2026.pdf>

Distribute in the month the ISD ascertains prima facie eligibility; reversals sit with the recipients

Issue 3 – "Available for distribution in a month"

- Rule 39(1)(a): credit available for distribution in a month must be distributed in the **same month** and reported in **FORM GSTR-6** (prepared from GSTR-6A, rule 65)
- The ISD does not avail credit itself, but as the central procurer it is **best placed to judge eligibility**; rule 39(1)(g) requires eligible and ineligible (s. 17(5) or otherwise) credit to be distributed **separately**
- Credit is "available" only once the ISD **ascertains it to be prima facie eligible**; the ISD distributes in the **month of such ascertainment**, splitting eligible and ineligible credit, and includes the details in GSTR-6

Issue 4 – Reversals under s. 17(1), 17(2), 17(4)

- ISD must distribute the **entire credit available** to the recipients to whom it is attributable
- The **recipients of credit** make the reversals – under s. 17(1) / 17(2) read with **rules 42 and 43**, or under s. 17(4) read with **rule 38** – not the ISD

Practical take-aways

- Build an eligibility review step before distribution; timing follows ascertainment, not merely the GSTR-6A reflection month
- Keep eligible and ineligible distribution clearly tagged on ISD invoices
- Recipient GSTINs must run rule 42 / 43 (or rule 38) computations on distributed credit as part of their own GSTR-3B

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-260-06-2026.pdf>

Rule 54(1A) is only a credit-transfer mechanism: not turnover, not Net ITC and no reversal at the transferor

Issue 5 – Turnover in State

- Rule 54(1A) lets a regular registrant with the **same PAN and State** as the ISD issue an invoice / credit note / debit note to transfer credit on input services attributable to other distinct persons – designed mainly for **RCM tax paid** by the regular registration
- Such a document is **not an outward supply**; the amount does **not form "turnover in State / UT"** (s. 2(112)) even though it is declared in GSTR-1 to transmit it to the ISD
- Hence it is excluded from the turnover ratio for ISD distribution (s. 20 / rule 39) and from **"adjusted total turnover"** for the refund cap under s. 54(3) / rule 89

Issue 6 – Net ITC for refunds

- Credit transferred under rule 54(1A) is **not ITC on an inward supply** of the transferor – it is merely passed through to the ISD
- It therefore does **not qualify as "Net ITC"** when computing refund under **rule 89(4)** (zero-rated supplies) or **rule 89(5)** (inverted duty structure)

Issue 7 – Reversal at the transferor

- The same-PAN, same-State registrant is **not required to reverse** under s. 17(1), 17(2) or 17(4) on credit it transfers under rule 54(1A)
- It must transfer the **entire credit** arising from its RCM payment to the ISD for onward distribution
- Reversals are made by the **recipients of credit** – which may include the transferor itself when it receives a share back from the ISD

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-260-06-2026.pdf>

Impact of Circular 260: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- Groups may run **one ISD per distinct registrant** that receives common invoices; distribution only to the distinct person to whom the credit is attributable
- ISD = conduit**: recipients comply with ss. 16 / 17 and make rule 42 / 43 / 38 reversals; ISD faces s. 122(1)(ix) penalty for wrong distribution; excess credit recovered from recipients under s. 21
- Timing relief: credit is "available" only when **prima facie eligibility is ascertained** – distribute in that month, split eligible / ineligible, report in GSTR-6
- Rule 54(1A) amounts are **not turnover** of the transferor (s. 2(112)) and **not Net ITC** for refund formulae – refund computations and distribution ratios become cleaner
- Transferor under rule 54(1A) makes **no reversal** and transfers the entire credit; reversals shift to recipients (including the transferor when it receives a share back)

Action points for tax professionals

- Map all GSTINs under the PAN; decide **ISD registrations per vertical / place of business** where common invoices are received
- Insert an **eligibility review step** before GSTR-6; document the month of ascertainment to defend timing
- Tag ISD invoices as **eligible / ineligible** (rule 39(1)(g)); ensure recipient GSTINs run rule 42 / 43 or rule 38 on distributed credit in GSTR-3B
- For rule 54(1A) transfers: exclude from **turnover in State** and **adjusted total turnover**, and from **Net ITC** in RFD-01; revisit past refund computations and distribution ratios
- Review exposure: **s. 122(1)(ix)** penalty at ISD level; s. 21 recovery at recipient level – align internal controls accordingly

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-260-06-2026.pdf>

Section 17(4): the 50% option was applied entity-wide and reported in GSTR-3B in many different ways

Background

- **Section 17(4)** read with **rule 38**: a banking company or financial institution, including an NBFC, supplying services by way of accepting deposits or extending loans / advances may avail **50% of eligible ITC** on inputs, input services and capital goods each month instead of proportionate apportionment under s. 17(2); the rest lapses
- The option, once exercised, cannot be withdrawn during the financial year; the **second proviso** relaxes the 50% restriction for tax paid on supplies from another registration of the same PAN
- **Circular 170/02/2022** laid down GSTR-3B reporting of availment and reversal; **IMS** (from October 2024) lets taxpayers accept, reject or keep invoices pending
- **57th GST Council, para 16(2)**: circular on availment of ITC by banks, FIs and NBFCs opting for s. 17(4)

Ongoing issues and litigation

- Officers treated the option as **entity-wide** – every GSTIN of the bank / NBFC, including units that never accept deposits or lend (e.g. **bullion trading**), was pushed into the 50% restriction, losing half the credit otherwise available under s. 17(1)/(2)
- Scope of the **second proviso**: does it cover supplies from a same-PAN registration that has not itself opted for s. 17(4)?
- **Reporting divergence** in GSTR-3B – where to show the 50% lapse, how to treat ineligible credit, temporary reversals and reclaims, and how IMS pending/accept actions fit in
- Litigation on ITC of banks and NBFCs, including **rule 42** reversals and **s. 16(3)** depreciation issues (e.g. South Indian Bank, Kerala HC 2026) – commentators flagged "unnecessary litigation"

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-261-07-2026.pdf>

The 50% option under section 17(4) applies only to registrants engaged in deposits, loans and advances

Background

- Section 17(4) lets a banking company or financial institution, including an NBFC, that supplies services by way of accepting deposits or extending loans and advances, avail **50% of eligible ITC** on inputs, input services and capital goods instead of proportionate apportionment under s. 17(2)
- Varying practices were noticed on apportionment towards taxable and zero-rated supplies; Board clarifies under s. 168(1)

Issue 1 – Which registrations may or must opt

- A distinct person of the bank / FI / NBFC **not engaged** in deposit, loan or advance services (e.g. exclusively bullion trading) **neither has the option nor is required** to comply with s. 17(4)
- A distinct person **engaged** in such services (even if it also renders other services) **has the option**
- Once **one** such registrant opts, **all** registrants of that entity engaged in deposit / loan / advance services must **necessarily** follow s. 17(4)

Issue 2 – Second proviso to s. 17(4)

- The second proviso relaxes the 50% restriction for tax paid on supplies received from another registered person having the **same PAN**
- Read in context, the relaxation is available **only** for supplies received from a same-PAN registrant who has **also opted** to comply with s. 17(4)
- Supplies from a same-PAN registration that has not opted do not get the proviso benefit

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-261-07-2026.pdf>

GSTR-3B reporting under section 17(4): reverse blocked credit first, then avail 50% of the balance

Issue 3A – Where IMS was not used

- Start from ITC auto-populated from **GSTR-2B** (excluding RCM) plus ITC claimed on RCM supplies, and ascertain eligibility under s. 16
- Step 1: credit on inputs / input services used for **non-business purposes** and credit covered by **s. 17(5)** – permanently reversed in **Table 4(B)(1)**
- Step 2: credit covered by the **second proviso to s. 17(4)** – availed in full
- Step 3: **50% of the remaining** ITC availed; the other 50% permanently reversed in **Table 4(B)(1)** of the same period
- ITC not yet eligible (s. 16 conditions pending) – temporarily reversed in **Table 4(B)(2)**; reclaimed later in **Table 4(A)(5)** within s. 16(4), run through the same 50% procedure, and shown in **Table 4(D)(1)**

Issue 3B – With IMS (after rule amendments, or where IMS used earlier)

- Invoices on which ITC is **not presently eligible** must be kept **pending on IMS** – they then do not flow to GSTR-2B or auto-populate GSTR-3B
- Accepted / deemed-accepted documents flow to GSTR-2B and GSTR-3B
- On the sum of auto-populated ITC (non-RCM) and RCM ITC claimed, apply the **same three-step procedure** as in Part A
- Reference: Circular 170/02/2022 (06.07.2022) on GSTR-3B reporting; IMS live from October 2024

Past periods protected

- Taxpayers may have followed different reporting methodologies in earlier periods
- Field formations are advised **not to take an adverse view** of a different past methodology **as long as the ITC availed under s. 17(4) is in congruence** with the principles above
- Trade notices to be issued; difficulties to be reported to the Board

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-261-07-2026.pdf>

Impact of Circular 261: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- Registrations **not engaged** in deposit / lending services keep **full ITC** under s. 17(1)/(2) – neither the option nor the obligation under s. 17(4) applies to them
- **Group discipline:** once one deposit / lending registrant opts, all such registrants of the entity must follow s. 17(4)
- Second proviso benefit limited to **opted-to-opted** same-PAN supplies
- A prescribed **three-step GSTR-3B method:** reverse blocked / non-business credit in Table 4(B)(1); avail proviso credit; avail 50% of the balance and reverse the rest in 4(B)(1); temporary reversals in 4(B)(2), reclaims in 4(A)(5) and 4(D)(1)
- **Past periods protected:** no adverse view on a different methodology if the ITC availed is congruent with these principles

Action points for tax professionals

- List every GSTIN under the PAN and classify as **deposit / lending** or **other**; quantify credit wrongly lapsed on non-lending units and evaluate refund / reclaim within s. 16(4)
- Confirm which registrations have **opted** and ensure all lending registrants are aligned
- Map intra-PAN supplies: proviso only where the **supplier registration has also opted**
- Rebuild **GSTR-3B working papers** to the circular's steps; use **IMS "pending"** for invoices not yet eligible; reclaim in 4(A)(5) within s. 16(4) and disclose in 4(D)(1)
- Document that past availment matches the principles to invoke the **no-adverse-view** protection in audits

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-261-07-2026.pdf>

Demo vehicles: one business model got ITC, the other did not, for vehicles serving the same purpose

Background

- **Section 17(5)(a)** blocks ITC on motor vehicles for transport of up to 13 persons unless used for (A) further supply of such vehicles, (B) passenger transport or (C) driving training
- **Circular 231/25/2024-GST (10.09.2024)** clarified that demo vehicles of a dealer selling on its own account are used for "further supply" and ITC is **not blocked**, even if capitalised
- But **para 4.6** of the same circular said that where the dealer merely acts as **agent / service provider** of the manufacturer (dealer-agency model: OEM sells directly to the customer), the demo vehicle is not used for further supply and ITC is **blocked**
- **57th GST Council, para 16(4)**: circular on admissibility of ITC on demonstration vehicles in certain situations

Ongoing issues and litigation

- Industry representations: in both models demo vehicles are bought on tax invoice, **capitalised**, held for a mandatory period and sold at WDV with GST – no practical difference, yet ITC denied to one model
- A string of **AAR / court rulings**, favourable and adverse, left dealers without certainty; SCNs issued on the basis of para 4.6
- Open questions noted by commentators: date of effect, fate of **past denials**, tracking of common inputs
- Field formations read "such motor vehicles" in s. 17(5)(a)(A) narrowly as the specific vehicle sold

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-262-08-2026.pdf>

ITC on demo vehicles is now allowed to dealers under the dealer-agency model; para 4.6 of Circular 231/2024 withdrawn

The earlier position

- Circular 231/25/2024 (10.09.2024) clarified ITC on demo vehicles; **para 4.6** said that where the authorised dealer merely acts as an **agent / service provider** to the manufacturer, the demo vehicle is not used for "further supply" and ITC is **blocked under s. 17(5)(a)**
- Section 17(5)(a) blocks ITC on motor vehicles for carrying up to 13 persons except when used for (A) further supply of such vehicles, (B) passenger transport or (C) driving training
- Trade sought parity between the two sale models

Two business models compared

- **Dealer-agency model:** dealer buys only demo vehicles from the OEM; the OEM sells new vehicles directly to customers
- **Traditional dealership:** dealer buys a fleet and designates some as demo vehicles
- In both models demo vehicles serve the **same purpose** – a test-drive before purchase; are bought on tax invoice, capitalised in the dealer's books, held for a mandatory period, then sold at WDV with tax paid; treated alike under the Central Motor Vehicle Rules, 1989
- Denying ITC to one model is **discriminatory** with no practical difference in treatment

The clarification

- Section 17(5)(a)(A) uses "**such motor vehicles**", not "said motor vehicle" – ITC extends to vehicles used for further supply of **similar** vehicles, not only the specific unit sold
- Demo vehicles in both models further the supply of similar vehicles, so ITC is admissible in both
- **Para 4.6 of Circular 231/25/2024 is withdrawn;** ITC on demo vehicles is **not blocked** under s. 17(5)(a) for the dealer in the dealer-agency model
- Trade notices to be issued; difficulties to be reported to the Board

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-262-08-2026.pdf>

Impact of Circular 262: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- **Parity restored:** dealers under the dealer-agency model may now avail ITC on demo vehicles – para 4.6 withdrawn
- CBIC's reading that "**such motor vehicles**" covers vehicles used to further supply of **similar** vehicles strengthens ITC claims on demo fleets generally
- Pending SCNs / orders founded on para 4.6 lose their basis; the clarification is interpretative and therefore supports past periods as well, though the circular does not expressly address past denials
- Subsequent sale of the demo vehicle remains taxable at the transaction value; s. 16(3) (no depreciation on the tax component) continues to apply

Action points for tax professionals

- Identify agency-model dealer clients with **denied or reversed ITC**; respond to SCNs citing Circular 262 and the withdrawal of para 4.6
- Evaluate **re-availment** of credit for earlier periods – test against the **s. 16(4)** time limit and reclaim rules; preserve the argument that a clarificatory circular applies from inception
- Maintain evidence of **demo / test-drive use**, mandatory holding period, RTO treatment under the Central Motor Vehicle Rules and GST paid on disposal
- Ensure the vehicle is capitalised **net of GST** where ITC is availed (s. 16(3))
- Watch for trade notices and any portal / audit guidance on common inputs used across demo and saleable stock

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-262-08-2026.pdf>

Export payments: zero-rating was questioned whenever consideration did not arrive as a plain forex remittance

Background

- **Section 2(6)(iv) IGST Act:** for a service to be an export, payment must be received in **convertible foreign exchange or in INR wherever permitted by RBI**
- **Circular 202/14/2023 (27.10.2023)** accepted INR received through **Special Rupee Vostro Accounts** of correspondent banks; **FEMA 14R/2023** permits settlement in INR or foreign currency through INR Nostro, SRVA, SNRR etc.
- **Rule 96B CGST Rules:** where export sale proceeds for goods are not realised within the FEMA period (or extension), the refund is recoverable with interest within 30 days, unless RBI writes off the requirement
- **57th GST Council, para 10(2):** circular on issues relating to receipt of payment in foreign exchange or INR as permissible, for export of goods and services; new **FEM (Export and Import of Goods and Services) Regulations, 2026** effective 01.10.2026

Ongoing issues and litigation

- Refund claims and zero-rating questioned where proceeds came through **SNRR or INR Nostro** accounts, which Circular 202 did not expressly name
- **Stock brokers** serving FPIs / NRIs / OCIs are paid in INR from SNRR / NRE / NRO accounts – treated by some officers as not satisfying s. 2(6)(iv)
- **Netting / set-off** of export receivables against import payables – a valid FEMA settlement – was questioned as "no receipt"
- **Reinsurance brokers** retain commission from premium before remitting the net abroad (net retention) – no separate inward remittance exists
- Rule 96B recoveries triggered mechanically after 9 months without regard to **RBI extensions or AD-bank write-offs**; commentators also flagged third-party payments and short receipts (bank charges) as unresolved

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-263-09-2026.pdf>

Export proceeds in SNRR, Nostro or NRE accounts, set-offs and net retention all satisfy section 2(6)(iv) of the IGST Act

Payment in INR through permitted accounts

- Circular 202/14/2023 already accepted INR receipts via **Special Rupee Vostro Accounts**; FEMA 14R/2023 permits receipt in INR or foreign currency for exports (other than Nepal, Bhutan, ACU members)
- Clarified: payment received in convertible foreign exchange **or** in repatriable INR accounts such as **SNRR, INR Nostro or any similar repatriation account** fulfils **s. 2(6)(iv)** for export of services
- **Stock brokers** paid in INR by overseas clients (FPIs, NRIs, OCIs) through **SNRR / NRE** accounts qualify; payments from **NRO** accounts must be routed through repatriable accounts (SNRR / NRE) per RBI guidelines

Set-off and net retention

- **Set-off** of export receivables against import payables is a valid FEMA settlement; currently permitted goods-against-goods and services-against-services with conditions, which fall away under the **FEM (Export and Import of Goods and Services) Regulations, 2026 from 01.10.2026**
- Wherever set-off is in accordance with RBI directions, s. 2(6)(iv) stands fulfilled
- **Reinsurance brokers:** commission settled by **net retention** before remitting the net premium abroad – FEMA treats the realisation obligation as extinguished, so the condition is satisfied without a separate inward remittance

Rule 96B – export of goods

- Rule 96B: where export sale proceeds are not realised within the FEMA period (or extension), refund is recoverable with interest within 30 days; no recovery where RBI has written off the requirement
- Clarified: the time limit and amount to be realised are governed by **RBI's FED Master Direction No. 16/2015-16 (01.01.2016, last amended 05.06.2026)** as amended from time to time
- Where realisation is **written off, wholly or partly, by the AD Bank**, no recovery of refund under rule 96B

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-263-09-2026.pdf>

Impact of Circular 263: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- Export status and **IGST / ITC refunds secured** where proceeds are received in convertible forex **or** in repatriable INR accounts – SNRR, INR Nostro or similar
- **Brokers:** payment through SNRR / NRE qualifies; NRO receipts qualify if routed through repatriable accounts per RBI
- **Set-offs** in accordance with RBI directions satisfy the payment condition; conditions ease further under the 2026 FEMA regulations
- **Reinsurance brokers'** net-retention settlements are treated as receipt
- **Rule 96B:** the time limit and amount follow RBI's **FED Master Direction 16/2015-16** (as amended, last 05.06.2026); a write-off by the **AD Bank** is enough to stop recovery

Action points for tax professionals

- Map every export receipt channel; obtain **FIRC / e-BRC or bank advice** that identifies the account type (SNRR, Nostro, SRVA, NRE)
- For NRO-sourced client payments, arrange **re-routing through SNRR / NRE** before claiming export status
- Document **set-off arrangements** (contracts, AD-bank approvals, RBI directions relied upon) and reconcile receivable / payable netting in refund workings
- Reinsurance brokers: keep **net-retention statements** showing commission retained and net premium remitted
- Track realisation deadlines and **extensions / write-offs by the AD bank**; respond to rule 96B notices with the RBI Master Direction timeline
- Items not covered (third-party payers, short receipt due to bank charges or withholding) still need case-by-case documentation

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-263-09-2026.pdf>

Rule 96(10): a 2024 omission without a saving clause left years of exporter demands in limbo

Background

- **Rule 96(10)** (w.e.f. 23.10.2017) barred IGST refund on exports where inputs were procured under specified benefits – EOU (Notfn 78/2017-Cus), Advance Authorisation / EPCG (79/2017-Cus), deemed exports (48/2017-CT) and merchant exports (40/2017-CTR, 41/2017-ITR) – to prevent a double benefit
- Exporters who paid IGST on exports and claimed refund faced **recovery demands with interest**, often years later; the related restrictions in **rules 89(4A) and 89(4B)** operated alongside
- On the **54th Council's** recommendation (09.09.2024), rule 96(10) was **omitted prospectively from 08.10.2024** by Notification 20/2024-Central Tax – with **no saving clause** for pending proceedings
- **57th GST Council, para 16(5)**: omission of rule 96(10) to be effective from 23.10.2017 in accordance with the Supreme Court decision

Ongoing issues and litigation

- High Courts split the field: **Addwrap Packaging (Gujarat HC)** and **Techno Waxchem (Calcutta HC, 22.05.2026)** held that proceedings founded on an omitted rule without a saving clause cannot continue; Revenue appealed
- **Supreme Court, Goodluck India Ltd. v. UOI, SLP (C) 24550/2025, 06.08.2026** (Pardiwala and Vinod Chandran JJ): omission applies to **all pending proceedings**; s. 6 General Clauses Act does not save omitted rules (*Kolhapur Canesugar Works*, Constitution Bench); Council's earlier prospective recommendation was only advisory; connected matters include Aculife Healthcare and Mahickra Chemicals
- Field officers continued to ask whether SCNs, orders and appeals under rule 96(10) could still be pursued, and whether amounts already paid or reversed could be refunded

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-264-10-2026.pdf>

Omission of rule 96(10) applies retrospectively from 23.10.2017 – pending proceedings to follow the Supreme Court

Background

- Rule 96(10) (w.e.f. 23.10.2017) barred IGST refund on exports where inputs were procured under specified concessional / exemption notifications, to prevent a double benefit
- On the 54th Council's recommendation (09.09.2024), it was **omitted prospectively w.e.f. 08.10.2024** vide Notification 20/2024-Central Tax
- Courts then ruled the omission applied retrospectively, raising doubts among officers and taxpayers

Supreme Court – Goodluck India Ltd.

- Judgment dated **06.08.2026** in SLP (C) No. 24550 of 2025, *M/s Goodluck India Ltd. v. Union of India* and connected matters
- Held: with **no saving or sunset clause**, the omission of rule 96(10) applies to **all proceedings pending** on the date of omission
- Relied on the Constitution Bench in *Kolhapur Canesugar Works Ltd. (2000) 2 SCC 536*: s. 6 of the General Clauses Act does not apply to omission of a rule; pending proceedings survive only if expressly preserved

CBIC clarification

- Omission of rule 96(10) is **effective retrospectively from 23.10.2017**
- Field formations to dispose of pending rule 96(10) proceedings in line with the Supreme Court judgment
- Same treatment applies **mutatis mutandis** to the omission of **rules 89(4A) and 89(4B)**
- Trade notices to be issued; difficulties to be reported to the Board

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-264-10-2026.pdf>

Impact of Circular 264: what changes for taxpayers and what tax professionals should do now

Impact on taxpayers

- Rule 96(10) is treated as omitted **from inception (23.10.2017)**: pending SCNs, adjudications, appeals and recovery proceedings lose their legal basis and are to be disposed per the Supreme Court
- Same treatment **mutatis mutandis** for **rules 89(4A) and 89(4B)** – LUT-route refund restrictions for the same classes of exporters
- Exporters who **paid or reversed** refunds may seek them back; expect the Department to raise **limitation under s. 54** – the circular is silent on this and on interest
- Commentators note a circular cannot itself omit a rule retrospectively; a notification amending the CGST Rules may follow – until then the circular binds field formations under s. 168(1)

Action points for tax professionals

- Seek **disposal (not adjournment)** of pending rule 96(10) / 89(4A) / 89(4B) proceedings citing Circular 264 and *Goodluck India*; move for withdrawal of departmental appeals
- Compile a register of **amounts paid, reversed or adjusted** with dates; file refund claims with a reasoned position on limitation (relevant date / order-based claims) and interest under s. 56
- Where refunds were rejected or recovered under appellate orders, evaluate rectification, appeal or writ routes to reopen
- Reconcile IGST-paid and LUT exports since 2017 for EOU / AA / EPCG / deemed-export clients to identify blocked refunds
- Watch for the amending notification and trade notices to confirm the procedural route for closed matters

Source from: <https://a2ztaxcorp.net/wp-content/uploads/2026/10/Circular-No-264-10-2026.pdf>

THANK YOU!

Our Address:

A2Z TAXCORP LLP

Tax and Law Practitioners

Flat No. 34B, Ground Floor, Pocket – 1, Mayur Vihar
Phase-1, Delhi – 110091 (India)

Tel: +91 11 42427056

Web: www.a2ztaxcorp.com , www.a2ztaxcorp.net

Email: info@a2ztaxcorp.com

CONNECT WITH US:



DISCLAIMER: The views expressed are strictly of the author and A2Z Taxcorp LLP. The contents of this compliance calendar are solely for informational purpose. It does not constitute professional advice or recommendation of firm. Neither the author nor firm and its affiliates accepts any liabilities for any loss or damage of any kind arising out of any information in this compliance calendar nor for any actions taken in reliance thereon.