

Note on outcomes of 57th Meeting of the GST Council

New Delhi, 8th October 2026

One year of the two-rate structure

- Taxable supply is up from Rs 40.19 lakh crore a month to Rs 50.58 lakh crore, a rise of 25.8 percent. Taxable supply grew by more than 25 percent in FY 2025-26, against 13 percent in FY 2024-25.
- Supplies to consumers reported in the system are up from Rs 5.98 lakh crore a month to Rs 7.58 lakh crore, a rise of 26.7 percent. That is 31 percent faster than taxable supply as a whole, which points to better reporting.
- Gross tax liability is up from Rs 5.85 lakh crore a month to Rs 6.64 lakh crore, a rise of 13.6 percent.
- The effective rate of tax on domestic supply is down from 14.55 percent to 13.13 percent, a fall of about 1.5 percentage points.
- GST revenue has grown 11 percent in FY 2026-27 over the previous year. For June to August 2026 the growth is 14.7 percent over the same months last year.
- The rates came down and the base grew.

Why process reforms now

- The rate structure is settled, so the Council has turned to how the tax works day to day. A business deals with registration, returns and refunds far more often than it deals with a rate.
- The system now matches what a seller reports against what a buyer claims, invoice by invoice. Network analysis identifies fake credit near the point where it is created.
- Three National Coordination Meetings of Central and State officers were held over the past year, besides several meetings of a small group of officers. Every proposal went to the States before it came to the Council.

Process Reforms

Registration

- Registration is presently being granted by the system within three working days, with no officer involved, for applicants assessed as low risk and for those whose output tax on supplies to registered persons will not exceed Rs 2.5 lakh a month.
- 61 percent of registrations already come through this automated route. The remaining 39 percent go to an officer.

- The application form will guide the applicant, show him only the fields that apply to him and map each document to the purpose it serves.
- Between November 2025 and September 2026, 16.73 lakh applications were filed to amend a registration. Of these, 10.95 lakh or 65.45 percent were changes of trade name, of a director or partner, or of the address of an additional place of business. These will be accepted automatically.

Returns

- About 95,000 system generated notices are issued in a year on differences between returns. Recovery against them is about 0.08 percent of the amount involved. They are almost entirely a data entry problem.
- A seller who reduces something he has already reported will now do it in his sales statement, so the change reaches the buyer who has claimed credit on it.
- Corrections will be allowed for earlier periods, and a buyer registration number keyed in wrongly can be corrected.
- Credit will be settled through the Invoice Management System. What the buyer accepts is what enters his return.

Refunds

- The time limit for acknowledgement of a refund claim comes down from fifteen days to ten. If neither an acknowledgement nor a deficiency memo is issued in ten days, the claim is treated as acknowledged.
- The system, and not the officer, will sanction 90 percent of the claim on a risk assessment, and the order will issue within three working days of acknowledgement instead of the present seven.
- Refund of an excess balance in the cash ledger becomes fully automatic, with no officer involvement at all.
- Of all refund claims, 65 percent are on exports or on an inverted rate structure, and 55 percent of those are already rated low risk. A further 19 percent are balances lying in the cash ledger, which is money already with Government.
- The claim form will carry its own details, with shipping particulars drawn from customs and payment particulars from the banking system.

Litigation

- One common standard will govern how a notice is issued and served, how a pre notice intimation is given, when fraud may be alleged, how a hearing is conducted and how an order is written.
- Below a monetary threshold of Rs.10,000, no notice will be issued at all.

Input Tax Credit related

Credit for the honest buyer

- A Committee of Officers will be constituted to examine the issue of protecting a genuine buyer who holds a proper invoice, has received the goods and has paid his supplier in full.
- The Committee of Officers will complete its study within 3 months and an agenda will be placed before the next Council meeting.

Credit on ordinary business spending

- Credit will now be available on health and life insurance taken for employees.
- It will be available on telecommunication towers and on pipelines laid outside a factory, both of which are large items for those sectors.
- It will be available on free samples, and on stock written off on expiry of shelf life where a law requires the goods to be destroyed.

No double taxation

- A service bought and sold again in the same line of business will carry tax once rather than twice. Hotel accommodation up to Rs 7,500 a night booked through an agent, restaurant and catering services and passenger transport are the common instances.
- Credit was denied on these because the rate is 5 percent without credit. The chain will now run through.

Refund of tax on services and on machinery

- Where a business is left with unused credit because its inputs are taxed higher than its output, commonly known as inverted rate structure, refund was confined to goods. Tax paid on input services is now brought in and will be available for credit availed on or after 1 November 2026.
- Tax paid on plant and machinery was excluded from refund altogether, for exporters as well as for businesses with an inverted rate structure. That exclusion goes.
- Refund on plant and machinery will be worked out at one sixtieth of the credit for each month, matching the working life of the asset, and will be available for credit availed on or after 1 April 2027.
- In plain terms, a manufacturer who puts up a new line will recover the tax on that investment instead of leaving it idle in the credit pool. Sectors like Pharma and FMCG will see better working capital management after this change.

Ease of Living and Doing Business

Closing a business

- Closure will be automated in stages, beginning with the smaller taxpayers. Around 90 percent of taxpayers seeking cancellation have never passed on credit above Rs 2.5 lakh in any month, so the revenue risk is low.
- The final return will form part of the closure application instead of being a separate step afterwards.
- Where the system has suspended or cancelled a registration for a missing return or missing bank details, it will restore the registration once the taxpayer makes that good.

Filing for the smallest taxpayers

- An optional scheme has been approved in principle under which a taxpayer with turnover up to Rs 5 crore who supplies only to consumers files a return once a year and pays tax quarterly.
- On average 16.85 lakh taxpayers out of 1.05 crore active tax payers, report only such supplies. Of them 16.66 lakh, or 99 percent, are below Rs 5 crore, and together they account for less than 1 percent of the tax liability reported under GST.
- The detailed framework and the amendments needed will come to the Council at its next meeting.

Goods in transit

- A vehicle may be stopped only on specific intelligence, and the decision to stop must be authorised in advance by an officer not below the rank of Joint Commissioner.
- Only the State the goods started from (source state) and the destination state may inspect the goods moving in a conveyance. States along the route will not be able to stop the conveyance.
- A consignment crossing five States was open to being checked in each of them. It will now be checked at origin and destination points only.
- The document is still required and is still matched in the system. What changes is that a physical check follows information rather than precedes it.

Arrest, Prosecution, and General penalty

- The power of arrest is being removed from GST.
- The threshold for prosecution goes up from Rs 1 crore to Rs 5 crore. The minimum punishment stands removed and the punishment- whether fine or imprisonment or both, is left to judicial discretion in every case.
- The general penalty, which applies where no specific penalty is provided, comes down from Rs 25,000 to Rs 10,000.
- A taxpayer who files late, makes a mistake or falls behind on payment faces recovery, interest and a proportionate penalty, and nothing beyond that.

Why is this possible now?

- The system matches seller and buyer invoice by invoice and identifies fake credit where it arises. That capability did not exist when the law was framed.
- Enforcement can now rest on detection rather than on deterrence.

Exports of Services

Billing through a branch abroad

- An Indian firm that serves a foreign client through its own branch abroad will get export benefit. The condition in the law that stood in the way is being removed, even though foreign exchange is received in the normal course.
- Analytics firms, design studios, engineering consultancies and the offices global companies run from India all come within this.

Work done in India on a client's goods

- Work done in India on goods belonging to a foreign client, such as testing, repair, certification, research or processing, will count as an export of service even though the goods do not leave the country.
- For contract manufacturing and processing, India is placed on the same tax footing as competing locations.

Payment and refunds

- When an export payment counts as received will follow the Reserve Bank rules, so one standard applies instead of two.
- Taken with the refund changes, an exporter of services recovers the tax on what he spends, and recovers it quickly, since his costs sit largely in services and equipment.

Electronic Commerce

Reach for the smallest seller

- A seller needs a place of business in every State he sells into. A small seller cannot set one up, so he stays within his home State while larger sellers sell across the country.
- He will now be able to declare the warehouse of an electronic commerce operator in another State as his principal place of business there, with that operator's consent, which is to be given automatically by the system.
- He must have a physical presence in at least one State, which stays his home State. One registration per PAN in a State, and the registration is limited to supplies made through platforms.

- More than 90 percent of sellers supplying through platforms pass on credit below Rs 2.5 lakh a month, so the facility can be opened to them without revenue risk. A seller who crosses that moves to ordinary registration.

One rule for every platform

- Platforms built on different commercial models have been reading the same provision differently, so the same delivery to the same customer has carried tax differently depending on how the platform arranges its contracts.
- The tax on a booking will turn on the service that is actually delivered. The same delivery will bear the same tax, whichever way it is routed.

Rates

- No rates have been changed at this meeting.
- Rate matters will be taken up once a year, at one meeting set aside exclusively for the purpose.
- Rates have not been reviewed at this meeting. What has been taken up are the inconsistencies and ambiguities that remain after last year's exercise. These proposals fill those gaps, so that a business receives treatment consistent with the principles on which GST 2.0 was built.