GOVERNMENT OF TELANGANA

COMMERCIAL TAXES DEPARTMENT

Office of
The Chief Commissioner of State Tax
Telangana, Hyderabad.

CCST Ref. No. A(1)/101/2026 **Date: 10.11.2026**

CIRCULAR No. 11/2026

Sub: IGST – Discharge of IGST liabilities through FORM GST DRC-03 (deposits under Rule 96B, demands, audit / scrutiny / voluntary payments, interest and penalty) – Place of supply not declared as Telangana (State code 36), instead "Other Territory" (97) and other State / UT codes are declared– Examination of each payment with reference to the place of supply provisions of the IGST Act, 2017 – Re-deposit with the correct place of supply and refund of the erroneous deposit under Section 54 – Instructions – Issued.

Ref: 1. Sections 7 to 13 and Section 17 of the IGST Act, 2017.
2. Minutes of the 55th meeting of the GST Council held on 21.12.2024 at Jaisalmer (para 8.12).
3. Section 54(1) read with Explanation 2(h) to Section 54 of the CGST / TGST Act, 2017 and Rule 89(2)(k) of the CGST / TGST Rules, 2017.

* * *

1. Background

1.1 When a taxpayer pays IGST through FORM GST DRC-03, the place of supply declared in the form decides which Government within India receives the amount on IGST settlement (Section 17 of the IGST Act). If the correct place of supply is Telangana but the place of supply other than Telangana is declared, the State loses its rightful share permanently, even though the taxpayer has paid in full.

1.2 Verifications have revealed that certain exporters made deposits under Rule 96B with place of supply "Other Territory" (State code 97) instead of Telangana (State code 36). These amounts were settled to the Centre as Union territory revenue.

1.3 The problem is not confined to "Other Territory" or to Rule 96B. IGST paid through DRC-03 against demands, audit and scrutiny observations, wrong availment of IGST credit, reverse charge on import of services, recovery of refunds, and interest and penalty, is also at risk where the taxpayer declares another State / UT, "Other Territory" or the place of the counter-party instead of the place of supply determined under the IGST Act.

1.4 This circular therefore lays down the procedure to examine those DRC-03 of taxpayers registered in Telangana for making IGST payments, where the place of supply was not declared as Telangana. The effort is to determine the correct place of supply, and to ensure that these errors of oversight are avoided.

2. Legal position

2.1 Place of supply in DRC-03 must follow the IGST Act. The place of supply to be declared is the place of supply of the transaction or liability to which the payment relates, as determined under Sections 10 to 13 of the IGST Act. It is not the choice of the taxpayer, and it is not necessarily the State of the counter-party.

2.2 Liabilities not linked to an outward supply. Several IGST liabilities discharged through DRC-03 do not arise from an outward inter-State supply at all, such as deposit under Rule 96B, recovery of an erroneous IGST refund, reversal of IGST credit wrongly availed or utilised, and IGST payable under reverse charge on import of services by a Telangana recipient [Section 13(2)]. In all these cases the credit or liability belongs to the Telangana registration, and the place of supply to be declared is Telangana (36).

2.3 "Other Territory" is a place within India. Under Section 2(81) read with Section 2(114)(f) of the CGST Act, it means territory in India not comprised in any State or specified Union territory, such as the continental shelf and the Exclusive Economic Zone (EEZ). It can never denote a foreign country. Para 8.12 of the minutes of the 55th GST Council meeting records that this category "is often misused" and directs the States to verify such payments and take corrective action.

2.4 The correction is revenue-neutral for the taxpayer. Declaring the correct place of supply changes neither the taxpayer's liability nor the total IGST collected.

2.5 Remedy available to the taxpayer. A DRC-03 payment made with an incorrect place of supply is an erroneous payment. The taxpayer may re-deposit the amount with the correct place of supply and claim refund of the earlier deposit under Section 54(1), under the category "Excess payment of tax", within two years from the date of the earlier payment [Explanation 2(h) to Section 54].

2.6 A ready reckoner of the place of supply to be declared for the common categories of IGST liabilities paid through DRC-03 is at Annexure-I.

3. Instructions to the field authorities

3.1 Identification and verification through our Dashboard module. A module has been launched for this purpose, which lists the FORM GST DRC-03 payments of IGST (tax, interest and penalty) made by taxpayers registered in Telangana where the place of supply declared is other than Telangana (36), including "Other Territory" (97) and the codes of other States / UTs. All such DRC 03 payments with IGST amount more than Rs.1 lakh for December 2024 and January 2025 and DRC 03 payments with IGST amount more than Rs.10 lakhs for the period from February 2025 to October 2026 are populated in the module. All Joint Commissioners (ST) of Divisions shall ensure that every such payment in their jurisdiction is examined through the module as per para 3.2, and that the verification is completed on or before 14.11.2026.

3.2 Examination of each payment. For each payment, the proper officer shall:

(a) identify the source and nature of the liability from the DRC-03 (cause of payment, reference number, section) and the related records – Rule 96B intimation, ASMT-10, ADT-02, DRC-01A, DRC-01 / DRC-07, refund order, or voluntary payment with reasons;

(b) determine the correct place of supply under Sections 10 to 13 of the IGST Act, using Annexure-I; and

(c) record the finding in the module developed for this purpose as (i) correct POS is Telangana – correction required, (ii) correct POS is the State / UT declared – no action required. (iii) Partially incorrect, amount that is incorrect

3.4 Letter to the taxpayer. For category (i) at para 3.2 (c), the jurisdictional authority shall issue a letter to the taxpayer on the lines of the model at Annexure-II, with the challan-wise (CRN) details and the reasons why the correct place of supply is Telangana, requesting the taxpayer to:

(a) re-deposit the amounts through FORM GST DRC-03 with place of supply Telangana (State code 36);

(b) declare the correct place of supply in every future DRC-03, as per Annexure-I; and

(c) furnish a compliance report, with copies of the fresh DRC-03 challans, within 15 days.

3.5 Filing of refund application. Taxpayers shall be guided that refund of the earlier (erroneous) deposit is to be claimed in FORM GST RFD-01 as follows:

(a) Ground of refund: "Excess payment of tax";

(b) In Statement 7 [Rule 89(2)(k)], the ARN and date of the DRC-03 in which the incorrect place of supply was declared must be entered against the amount claimed;

(c) The application must be filed within two years from the date of the erroneous DRC-03 payment.

3.6 Caution while re-depositing: It shall be borne in mind that the IGST liability if discharged by utilising SGST credit will result in negative settlement to the State.

3.7 Processing of refund claims. Before sanctioning refund of the earlier deposit, the proper officer shall verify that:

(a) the earlier DRC-03 was in fact made with a place of supply other than Telangana, and the correct place of supply is Telangana as per para 3.2;

(b) a fresh DRC-03 for the corresponding amount has been made with place of supply Telangana and in the manner stated in para 3.6; and

(c) the refund claimed does not exceed the amount so re-deposited, and the claim is within two years of the earlier payment.

3.8 Demands raised by the Department. Henceforth, every ASMT-10, ADT-02, DRC-01A, DRC-01 and DRC-07 that raises an IGST liability shall specify the place of supply to be declared while paying, as determined under Annexure-I. Before closing any proceeding on payment, the officer shall verify from the DRC-03 that the place of supply declared matches the place of supply so specified.

3.10 Timelines. The following timelines shall be strictly adhered to:

(a) verification of all DRC-03 payments through the Dashboard module, with the finding recorded for each payment – on or before 14.11.2026;

(b) action for recovery of the arrears, i.e. re-deposit of the amounts with place of supply Telangana (36), in all cases where the correct place of supply is found to be Telangana and the State's share is involved – on or before 31.12.2026.

4. Reporting and monitoring

4.2 The Joint Commissioners shall personally review progress every fortnight, including the amounts re-deposited with the correct place of supply and the refund applications received and disposed of.

4.3 All officers concerned shall ensure strict compliance with these instructions. Any doubt on the place of supply in a particular case, or difficulty in implementation, may be referred to Sri. A. Siva Rama Prasad, JC(ST) who shall be the nodal officer for this purpose.

Sd/- M.Raghunandan Rao
Chief Commissioner of State Tax
Telangana State, Hyderabad

Encl.: Annexure-I (Ready reckoner), Annexure-II (Model letter)

To:

1. All Joint Commissioners (ST) of Divisions in the State
2. All Deputy Commissioners (ST) and Assistant Commissioners (ST)
3. All State Tax Officers

Copy to:

1. The Commissioners(ST) &Additional Commissioners (ST), Telangana State, Hyderabad
2. The JC (ST), RCM – for monitoring the progress of verification through the module

//F.B.O.//

10/11/2026.

Joint Commissioner(ST), RCM

ANNEXURE-I

Ready reckoner – Place of supply to be declared in FORM GST DRC-03 for IGST liabilities

Sl.	Nature of IGST liability paid through DRC-03	Provision	Place of supply to be declared
1	Deposit of IGST refund (with interest) under Rule 96B, where export proceeds are not realised	Rule 96B; refund paid under Rule 96 against the Telangana registration	Telangana (36) – never "Other Territory" (97) or "Other Country" (96)
2	Recovery of erroneous IGST refund – Rule 96(10) cases, refund of unutilised ITC under Rule 89(4), refund of IGST on supplies to SEZ	Sections 73 / 74 read with Section 54; Rule 96(10)	Telangana (36)
3	Reversal / recovery of IGST credit wrongly availed or utilised – ineligible ITC, Rule 37 / 37A, Section 16(2)(c), 17(5), Rule 42 / 43, excess ITC in GSTR-3B over GSTR-2B	Sections 16, 17, 73 / 74	Telangana (36) – the credit stood in the Telangana ledger
4	IGST under reverse charge on import of services by a Telangana registrant – secondment, management fees, royalty, etc.	Section 5(3) IGST Act; Section 13(2) / 13(3)–(13) as applicable	Telangana (36) where the recipient is located in Telangana
5	Short payment on exports / zero-rated supplies (e.g. export of goods or services without LUT, shortfall in IGST paid on export)	Section 16 IGST Act; Section 13(2) for services	Recovery relates to supply from Telangana – Telangana (36); place outside India cannot be declared in DRC-03
6	Inter-State supply of goods to a registered or unregistered person, with movement	Section 10(1)(a)	State / UT where movement of goods terminates for delivery to the recipient

Sl.	Nature of IGST liability paid through DRC-03	Provision	Place of supply to be declared
7	Bill-to-ship-to supply of goods on the direction of a third person	Section 10(1)(b)	State of the principal place of business of the third person (bill-to party)
8	Supply of goods to unregistered person through e-commerce / online	Section 10(1)(ca); Circular 209/03/2024-GST	Address recorded on the invoice (delivery address); if no address, location of supplier – Telangana (36)
9	Supply of goods or services to an SEZ unit / developer	Section 7(5)(b); Sections 10 / 12	State where the SEZ is located (Telangana if the SEZ is in Telangana)
10	Inter-State supply of services to a registered person (general rule)	Section 12(2)(a)	Location of the registered recipient
11	Supply of services to an unregistered person	Section 12(2)(b)	Address on record of the recipient; if none, location of supplier – Telangana (36)
12	Services in relation to immovable property, events, transport, etc.	Section 12(3) to 12(14)	As per the specific clause (e.g. location of the property for 12(3))
13	Supply to the continental shelf / EEZ (offshore installations)	Section 2(81) / 2(114)(f) CGST Act	Other Territory (97) – only in such genuine cases
14	Interest and penalty under the IGST head	Section 50; Sections 73 / 74 / 122	Same place of supply as the underlying tax
15	IGST paid on what is actually an intra-State supply	Section 77 CGST / TGST Act; Section 19 IGST Act	Not a place of supply issue – tax to be paid as CGST + SGST; IGST refundable under Section 77

Note: The table is indicative. In every case the place of supply shall be determined with reference to the facts and the provisions of Sections 10 to 13 of the IGST Act, 2017. Where the liability relates to more than one transaction with different places of supply, the payment shall be split accordingly.

ANNEXURE-II

Model letter to the taxpayer

GOVERNMENT OF TELANGANA, COMMERCIAL TAXES DEPARTMENT
OFFICE OF THE _____ (ST), _____ DIVISION / CIRCLE

Rc. No. _____ Dated: __.__.2026

To

M/s _____
GSTIN: _____
Address: _____

Sub: IGST – Payments through FORM GST DRC-03 – Place of supply declared as _____ instead of Telangana (36) – Request to re-deposit with the correct place of supply – Regarding.

1. Verification of the FORM GST DRC-03 payments of IGST made by you shows that ___ payments made between __.__.____ and __.__.____, aggregating to Rs. _____ (tax Rs. _____, interest Rs. _____ and penalty Rs. _____), carry the place of supply _____ (State code __) instead of Telangana (State code 36). As a result, these amounts have been settled to _____, and the State of Telangana has not received its share.

2. The payments relate to _____ [nature of liability, e.g. deposit under Rule 96B / reversal of IGST credit / reverse charge on import of services / recovery of refund]. Under _____ [provision, as per Annexure-I of the CCT's Circular], the place of supply for this liability is Telangana, because _____. The place of supply declared in DRC-03 must follow Sections 10 to 13 of the IGST Act and is not a matter of choice. The correction is revenue-neutral to you.

3. Of the above, ___ payments made within the last two years, aggregating to Rs. _____, are listed challan-wise in the enclosed statement.

4. You are therefore requested to:

(a) re-deposit the ------ amounts (pertaining to last two years) through FORM GST DRC-03 with place of supply Telangana (State code 36), without utilising SGST credit for discharge of the IGST liability;

(b) declare the correct place of supply in every future DRC-03, and

(c) furnish a compliance report to this office within 15 days of receipt of this letter, with copies of the fresh DRC-03 challans.

Yours faithfully,

(Signature)

Designation

Encl.: Statement of DRC-03 payments (CRN, debit entry no., date, cause of payment, POS declared, tax, interest, penalty, total).