GST UPDATE · OCTOBER 2026

New GST Circulars & Notifications

Circulars 256 to 266 and Notifications of July – October 2026: what has changed and from when

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Central Tax Notifications

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Central Tax (Rate) Notifications

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Circulars

01.11.2026
Main effective date



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10 notifications – what each one does

Notification No.	Date	What it does	Effective from
03/2026-CT	26.10.2026	Finance Act, 2026 ss.153–155: post-supply discounts; provisional refund for inverted duty	01.11.2026
04/2026-CT	26.10.2026	E-invoice for RCM purchases and import of services	01.01.2027
05/2026-CT	26.10.2026	CGST (Amendment) Rules, 2026	01.11.2026 (parts 01.12.2026, 01.01.2027, 01.04.2027)
06/2026-CT	27.10.2026	Scrap, waste and used cooking oil suppliers must register	01.11.2026
07/2026-CT	27.10.2026	TDS on purchase of scrap, waste and used cooking oil	01.11.2026
06/2026-CT(R)	27.10.2026	Hotel and catering ITC; EV transport and rental rates; delivery services	01.11.2026
07/2026-CT(R)	27.10.2026	New service exemptions	01.11.2026
08/2026-CT(R)	27.10.2026	RCM on motor vehicle renting – '6' changed to '9'	01.11.2026
09/2026-CT(R)	27.10.2026	E-commerce operator to pay tax on delivery services	01.11.2026
10/2026-CT(R)	27.10.2026	Toll road concessionaires – tax on O&M paid from escrow	01.11.2026

11 circulars – what each one clarifies

Circular No.	Date	What it clarifies
256/02/2026-GST	25.07.2026	Department appeal to GSTAT in DGGI cases decided by Common Adjudicating Authority
257/03/2026-GST	26.10.2026	Guidelines and FAQs for GST registration applications
258/04/2026-GST	26.10.2026	Show cause notice, adjudication, rectification and appeal procedure
259/05/2026-GST	26.10.2026	Pre-deposit for appeals and its refund
260/06/2026-GST	26.10.2026	Input Service Distributor issues
261/07/2026-GST	26.10.2026	Section 17(4) – 50% ITC option for banks and NBFCs
262/08/2026-GST	26.10.2026	ITC on demo vehicles in dealer-agency model
263/09/2026-GST	26.10.2026	Receipt of export proceeds – INR accounts, set-off, realisation
264/10/2026-GST	26.10.2026	Omission of rule 96(10) – retrospective from 23.10.2017
265/11/2026-GST	28.10.2026	Goods: sublimation paper, toys, margin scheme, bio-stimulants
266/12/2026-GST	28.10.2026	Services: R&D, shipping, vehicle leasing, TRAI, banks, NBFC co-lending

Finance Act, 2026 sections 153 to 155 in force – post-supply discounts excluded from value on credit note and ITC reversal (sections 15 and 34)

EFFECTIVE FROM 01.11.2026 Date appointed under section 1(2)(b) of the Finance Act, 2026 (4 of 2026)

Provision	Earlier	From 01.11.2026
Section 15(3)(b) – discount given after supply (FA s.153)	Discount excluded from value only if (i) it was agreed in an agreement made at or before supply and linked to specific invoices, and (ii) recipient reversed ITC on it.	Discount excluded from value if (i) supplier issues a credit note for it, and (ii) recipient reverses the ITC on it as per section 34. Prior-agreement and invoice-linking conditions removed.
Section 34(1) – credit note (FA s.154)	Allowed where taxable value or tax charged exceeds actual, goods are returned, or goods/services are found deficient.	Also allowed where a discount under section 15(3)(b) is given.

Section 156 of the Finance Act (new section 101A(1A) – appeals against advance rulings) came into force on 01.04.2026 under section 1(2)(a); it is not covered by this notification.

Refund changes in section 54 – provisional refund for inverted duty structure; ₹1,000 minimum not applicable to export of goods with tax

EFFECTIVE FROM 01.11.2026 Section 155 of the Finance Act, 2026

Provision	Earlier	From 01.11.2026
Section 54(6) – provisional refund of 90%	Available only for refund on account of zero-rated supply of goods or services.	Also available for refund of unutilised ITC on inverted duty structure [clause (ii) of first proviso to section 54(3)].
Section 54(14) – minimum refund of ₹1,000	No refund under section 54(5) or 54(6) where the amount is less than ₹1,000.	The ₹1,000 limit does not apply where refund is of tax paid on goods exported out of India with payment of tax.

Related rule changes in Notification 05/2026-CT from 01.11.2026: provisional refund order RFD-04 generated by the portal on risk basis within 3 working days of acknowledgement (rule 91(2)); acknowledgement within 10 days or deemed (rule 90); new inverted duty formula (rule 89(5)).

E-invoice extended to reverse charge purchases from unregistered persons and to import of services

EFFECTIVE FROM 01.01.2027 Amends Notification 13/2020-CT (rule 48(4))

- **Earlier:** e-invoice required only for (i) supplies to registered persons and (ii) exports.
- **From 01.01.2027** it is also required for:
- (iii) supplies received from an **unregistered person** where the recipient pays tax under **reverse charge**;
- (iv) **import of services**.
- Applies to persons already required to issue e-invoices under Notification 13/2020-CT.
- Linked change (Notification 05/2026-CT): e-invoice schema FORM GST INV-01 moves to version 1.2 from 01.01.2027 with new supply codes **RCMDOM** (RCM purchase from unregistered person) and **RCMIMP** (import of services).

CGST (Amendment) Rules, 2026 – which rules change and from when

Rule	What changes	Effective from
14B (new)	Registration in other States through e-commerce operator's warehouse	01.11.2026
19, 83C (new)	Amendment of registration and of GST Practitioner enrolment	01.11.2026; 19(3) 01.12.2026
20, 21, 44	Cancellation on own request, auto-cancellation, grounds; stock reversal in REG-16	01.11.2026; 44 from 01.12.2026
21A, 22, 23A	System suspension, cancellation and revocation for non-filing	01.04.2027
36, 39, 54, 60	Input Service Distributor	01.11.2026
89 to 92	Refund formula, debit order, timelines, portal-generated orders	01.11.2026; RFD-01 01.12.2026; capital goods 01.04.2027
86A	Blocking of credit ledger – DRC-26, 27, 28	01.04.2027
62(5), 63	GSTR-4 on withdrawal from composition; GSTR-5 due date	01.11.2026
138, 159	E-way bill by metro rail; rejection of objection to attachment	01.11.2026
Forms	REG, CMP-08, GSTR-4/6/7A/9/9C, RFD-01, DRC-01/01A/07, INV-01	01.11.2026 to 01.04.2027

New Rule 14B – e-commerce sellers can register in other States using the e-commerce operator's warehouse

EFFECTIVE FROM 01.11.2026

- **What it allows:** a seller registered in its home State can take registration on the same PAN in another State **without physical presence**, declaring the e-commerce operator's (ECO) warehouse as principal place of business.
- **Conditions:** goods supplied through ECOs collecting TCS u/s 52; tax on supplies to registered persons (other than same PAN) not above **₹2.5 lakh per month**; ECO consents.
- **Process:** REG-01 (new option 4.2) → ECO consent within **7 working days** → biometric Aadhaar and physical verification of home-State premises → registration granted. No verification within 30 days = deemed approved; no business in home State = deemed rejected (REG-05A).
- **Limits:** one Rule 14B registration per State per PAN; Rule 14A holders must first withdraw (REG-32); books kept at home-State premises; no name-board at ECO warehouse.
- **Deemed cancellation (REG-38):** ECO withdraws consent or its TCS registration is cancelled and no amendment within 30 days, or home-State registration is cancelled.

Amendment of registration (Rule 19 substituted) and of GST Practitioner enrolment (new Rule 83C)

EFFECTIVE FROM 01.11.2026 **RULE 19(3): 01.12.2026**

- **Filing:** any change in registration details – REG-14 within **15 days** of the change, with documents.
- **Change of principal place of business:** officer approves (REG-15) or issues REG-03 within 15 days; reply in REG-04 within 7 working days; decision within 7 working days.
- **New deeming rules:** no reply to REG-03 = application deemed rejected (REG-05A); no action by officer within time = certificate **deemed amended**.
- **Other changes** (not principal place): amended on filing, after online validation. Rule 14A registrants: change of principal place also automatic from 01.12.2026.
- Change in legal name or partners, directors, Karta, trustees etc. applies to **all registrations on the same PAN**; new mobile/e-mail only after OTP verification; change of PAN needs fresh registration.
- **New Rule 83C:** GST Practitioner amends enrolment (PCT-01) details through REG-14; Rule 19 procedure applies.

Cancellation, suspension and revocation of registration (Rules 20, 21, 21A, 22, new 23A)

RULES 20 & 21: 01.11.2026 | **RULES 21A, 22, 23A: 01.04.2027**

- **Own request (Rule 20):** REG-16 within 30 days of the event (not for death of sole proprietor). All due returns must be filed first, and GSTR-3B for any period whose GSTR-1 is filed. Registration stands suspended on filing.
- **Auto-cancellation by portal (REG-38)** where returns are filed, dues paid and either tax to registered persons never crossed ₹2.5 lakh in any month, or GSTR-10 is filed within 3 days of due date.
- **Other cases:** officer cancels (REG-19) or issues REG-03 within 15 days; reply and decision 15 days each; no reply = deemed rejected; officer silent = deemed approved. Legal heirs of deceased proprietor may apply.
- **Back-dating:** effective date of cancellation can be made earlier only after notice (REG-34); reply 30 days; no order in 60 days = dropped; date can be changed only once.
- **Rule 21 substituted** – grounds: composition return 3 months late; 6 months (monthly) or 2 periods (quarterly) returns not filed; rule 23 provisos; no bank account (rule 10A).
- **From 01.04.2027:** portal suspends (REG-31) for these defaults; comply in 30 days or registration is deemed cancelled. Cancellation SCN (REG-17) reply in 7 working days. New Rule 23A – revocation within 180 days on filing returns/bank details, approved automatically (REG-22).

Refunds (Rules 89 to 92) and Input Service Distributor (Rules 36, 39, 54, 60)

EFFECTIVE FROM 01.11.2026 New RFD-01: 01.12.2026 · Capital goods in refund: 01.04.2027

Point	Earlier	Now
Export refund value – 89(4)(C)	Lower of FOB value or 1.5 times value of like domestic goods	1.5 times cap removed
Inverted duty – 89(5)	Net ITC = inputs only; tax payable reduced in ratio of Net ITC to ITC on inputs and input services	(Inverted turnover × Net ITC ÷ Adjusted total turnover) – tax on that turnover. Net ITC includes input services (ITC on/after 01.11.2026) and capital goods share (ITC on/after 01.04.2027, 1/60 per month)
Debit for refund – 89(3)	Amount equal to refund debited	IGST first, then CGST and SGST equally; shortfall taken from the other
Acknowledgement – 90	Within 15 days	Within 10 days, else deemed acknowledged
Provisional refund – 91(2)	Order RFD-04 by officer	RFD-04 generated by portal on risk basis within 3 working days; RFD-05/06 can be portal-generated
Declarations – 89(2)	–	No prosecution for tax evasion above ₹250 lakh in 5 years; capital goods declaration from 01.04.2027

ISD: ITC can be availed on documents distributed by ISD; 'common input services' replaced by input services attributable to one or more distinct persons; supplier details flow to ISD in GSTR-6A.

Blocking of credit ledger, return due dates, e-way bill, attachment and changes in forms

EFFECTIVE FROM 01.11.2026 Unless another date is shown

- **Rule 86A (from 01.04.2027):** credit ledger blocked by the proper officer (earlier Commissioner or officer not below Assistant Commissioner) by order DRC-26; valid up to 1 year; taxpayer can object in DRC-27; officer decides in DRC-28 after hearing.
- **Due dates:** GSTR-5 (non-resident) – 13th of next month instead of 20th (rule 63). Rule 62(5) – 'April' replaced by 'June'.
- **E-way bill:** goods moved by metro railway treated like railways (rule 138(2A)).
- **Provisional attachment:** objection can be rejected by order in Part B of DRC-22 (rule 159(5)).
- **Composition:** CMP-08 and GSTR-4 show services supplied through ECO u/s 9(5) separately – no tax payable on them, but included in turnover.
- **Forms:** GSTR-6 Tables 7 and 11 omitted; GSTR-7A new table (01.01.2027); GSTR-9/9C instructions extended to FY 2025-26 onwards; REG-03 now 'requests' reply and offers personal hearing; REG-16 stock and NIL-return fields (01.12.2026).
- **From 01.04.2027:** DRC-01 and DRC-01A to state the proceeding and ground from a fixed list; DRC-07 to show SCN number and date.

Suppliers of scrap, waste and used cooking oil must take registration even if all their supplies are under reverse charge

EFFECTIVE FROM 01.11.2026 Amends Notification 5/2017-CT

- Notification 5/2017-CT exempts persons making only reverse-charge supplies from registration. Its proviso is substituted.
- **Earlier:** the exemption was not available to suppliers of metal scrap only.
- **Now:** the exemption is not available to persons supplying –
- Used cooking oil – heading 1518
- Waste and scrap of plastics – heading 3915
- Waste and scrap of tyres – heading 4004
- Metal scrap – Chapters 72 to 81
- Electrical and electronic waste and scrap – heading 8549

Tax deduction at source (section 51) on purchase of scrap, waste and used cooking oil between registered persons

EFFECTIVE FROM 01.11.2026 Amends Notification 50/2018-CT, clause (d)

- **Earlier:** clause (d) required a registered person to deduct TDS only on receiving metal scrap from another registered person.
- **Now:** any registered person receiving the following goods from another registered person must deduct TDS under section 51 –
- Used cooking oil – heading 1518
- Waste and scrap of plastics – heading 3915
- Waste and scrap of tyres – heading 4004
- Metal scrap – Chapters 72 to 81
- Electrical and electronic waste and scrap – heading 8549

Hotels, restaurants and caterers get ITC on same-line services; new rates for electric vehicle transport and rentals; delivery services

EFFECTIVE FROM 01.11.2026 Amends Notification 11/2017-CT(R)

- **Hotel accommodation, restaurants, food in trains/platforms, outdoor catering (5%, no ITC):** ITC now allowed on input services of the same line – e.g. rooms bought from another hotel, catering bought from another caterer, food bought from IRCTC/Railways licensees. Other ITC remains barred.
- Hotel and outdoor catering: such ITC limited to CGST 2.5% – e.g. room at ₹10,000 with CGST 9% (₹900): ITC only ₹250.
- **New entries – electric vehicles** (battery charging included in price): passenger transport, renting for passengers, renting for goods – CGST 2.5% (5%) without ITC except same-line service capped at 2.5%, **or** CGST 9% (18%) with ITC.
- 'Electrically operated vehicle' defined: runs only on electricity; includes e-bicycles.
- **Delivery services** through e-commerce operator by a supplier not liable to register u/s 22(1), and delivery of goods sold through ECO: CGST 2.5% (5%), no ITC.
- 'Goods transport agency' redefined: any person providing service for transport of goods by road and issuing a consignment note by whatever name called. Paragraph 3 of the notification omitted.

NOTIFICATION No. 07/2026 – CENTRAL TAX (RATE) · DATED 27.10.2026

New service exemptions – North-East helicopter travel, warehousing of seeds, toll rights, coffee curing, Seamen's PF; GTA exemption narrowed

EFFECTIVE FROM 01.11.2026 Amends Notification 12/2017-CT(R)

- **Exempt – S.No. 15(aa):** passenger transport by helicopter on seat-share basis, starting or ending at an airport/helipad in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, or at Bagdogra (West Bengal).
- **Exempt – S.No. 24B (substituted):** storage or warehousing of cereals, pulses, fruits, vegetables and **seeds meant for sowing**. 'Seed' defined widely – seedlings, tubers, bulbs, cuttings, grafts, tissue-culture plantlets and other planting material.
- **Exempt – S.No. 31AA:** services by Seamen's Provident Fund Organisation to persons covered by the Seamen's Provident Fund Act, 1966.
- **Exempt – S.No. 42A:** grant of exclusive right, licence and authority to collect and keep toll fee by Central/State Government, UT, local authority, Governmental Authority or Government Entity.
- **Exempt – S.No. 54A:** curing of coffee supplied to coffee cultivators.
- **GTA exemption (S.No. 21A)** will not apply to GTA services for goods supplied through an e-commerce operator. Explanation to S.No. 18 omitted; GTA definition substituted.

Reverse charge on renting of motor vehicles (S.No. 15) – rate figure ‘6’ replaced by ‘9’

EFFECTIVE FROM 01.11.2026 Amends Notification 13/2017-CT(R)

- In the reverse charge notification, S.No. 15, column (3), the figure **‘6’ is replaced by ‘9’**.
- S.No. 15 covers renting of motor vehicles designed to carry passengers (fuel cost included) by a supplier other than a body corporate to a body corporate.
- **Earlier:** reverse charge applied unless the supplier charged CGST at 6% (12% GST).
- **Now:** reverse charge applies unless the supplier issues an invoice charging **CGST at 9% (18% GST)**.

E-commerce operator to pay tax on delivery services supplied through it by suppliers not liable to register

EFFECTIVE FROM 01.11.2026 Amends Notification 17/2017-CT(R) – section 9(5)

- Clause (v) of the section 9(5) notification is substituted.
- The e-commerce operator pays tax on **delivery services** (other than postal and courier services) supplied through it.
- This does not apply where the person supplying the delivery service through the ECO is liable for registration under section 22(1).
- Linked change (Notification 06/2026-CT(R)): such delivery services taxed at CGST 2.5% (5% GST) without ITC.

Special procedure for toll road concessionaires (TOT model) – tax on O&M services paid when amount is debited from escrow account

EFFECTIVE FROM 01.11.2026 Issued under section 148

- **Who:** a concessionaire under a Toll-Operate-Transfer (TOT) concession agreement who supplies operation and maintenance (O&M) services to the concessioning authority during the concession period.
- TOT agreement: concessionaire gets exclusive right to collect toll on a road/highway, must operate and maintain it, and pays the concession fee upfront.
- Concessioning authority: Central/State Government, UT, local authority, Governmental Authority or Government Entity.
- **How:** CGST on O&M services is payable on the amount charged or debited from the escrow account towards O&M expenses, in the tax period in which it is so debited.
- Linked change (Notification 07/2026-CT(R)): grant of toll collection rights by such authorities is exempt.

CIRCULAR No. 256/02/2026-GST · DATED 25.07.2026

Department appeal before GSTAT against order-in-appeal in DGGI cases decided by a Common Adjudicating Authority – who reviews and where to file

APPLIES FROM 25.07.2026 (DATE OF ISSUE)

- Appellate authority uploads the order-in-appeal on the portal and sends a copy (e-mail and physical) to the Commissioner having jurisdiction over the Common Adjudicating Authority (CAA).
- That Commissioner examines it (with DGGI inputs if needed) and sends comments to the jurisdictional CGST Commissioner of each noticee.
- **Reviewing authority u/s 112(3):** jurisdictional CGST Commissioner of each taxpayer/noticee.
- **Separate appeal for each noticee**, filed by his jurisdictional Commissionerate before the GSTAT bench having territorial jurisdiction over that noticee.
- Whether appeal is filed or not, the CAA's Commissioner is to be informed (with copy of appeal, if filed).

CIRCULAR No. 257/03/2026-GST · DATED 26.10.2026

Guidelines for GST registration applications – documents, address proof, time limits and limits on officers' queries

APPLIES FROM 26.10.2026 (DATE OF ISSUE) With 51 FAQs, document checklist and formats

- **Address proof:** owned – property tax receipt/khata/electricity or water bill; family-owned – consent letter + owner's document; rented – registered agreement, or unregistered agreement + landlord's document; no agreement – undertaking + bill in applicant's name; deceased ancestor – affidavit + death certificate; co-working – membership agreement + provider's document/lease.
- **Time limits:** 7 working days with Aadhaar authentication; 30 days with physical verification; 3 working days under Rules 14A/9A; no action in time = deemed approval.
- **Queries:** only through REG-03, within 7 working days (30 if physical verification), only for illegible/incomplete documents or wrong/vague address. Reply 7 working days; decision 7 working days.
- **Officers not to ask** for Udyam certificate or residence in the same city/State, nor judge domestic electricity connection, bill amount or residential premises. Utility bill checked only for name and address.
- ATMs and telecom towers need not be declared as place of business; P.O. Box not accepted; jointly owned property needs no NOC from co-owners.
- Exit from Rule 14A through REG-32 with REG-01 documents. Grievances to jurisdictional Chief Commissioner/Commissioner on the notified e-mail.

CIRCULAR No. 258/04/2026-GST · DATED 26.10.2026

Guidelines on demand, show cause notices, adjudication orders, rectification and first appeals under the CGST Act

APPLIES FROM 26.10.2026 (DATE OF ISSUE)

- **Before SCN:** DRC-01A intimation wherever feasible. SCN to state facts, evidence, provisions, role of each noticee and year-wise quantified demand.
- **Fraud/suppression (s.74, s.74A(5)(ii)):** only with specific evidence of intent to evade, stated in the SCN; not for mere non-payment or a scrutiny mismatch (SC – G.R. Infra Projects, 19.08.2026). A later-period SCN on the same facts – under s.73/74A(5)(i).
- **No parallel proceedings** by Central and State officers on the same subject matter (SC – Armour Security).
- **Hearing:** maximum 4 opportunities; virtual hearing may be offered; fresh hearing if officer changes; order preferably within 1 month of hearing.
- **Order:** reasons on every submission and cited judgment; demand cannot exceed SCN or go beyond its grounds; AI output to be verified by the officer.
- **Rectification u/s 161:** only by the issuing officer, only for errors apparent on record – not a review of merits.
- **First appeal:** no rejection on merits at admission; limitation decided first; withdrawal decided in 7 days; decide within 1 year; cross-appeals by one common order.

Pre-deposit for appeals under sections 107(6) and 112(8) – admitted amount, disputed tax and refund of pre-deposit

APPLIES FROM 26.10.2026 (DATE OF ISSUE)

- **Admitted amount** = part of tax, interest, fine, fee, penalty the appellant does not challenge – paid in full. **Pre-deposit** = 10% of the disputed tax. Appellant decides the split while filing (APL-01 Table 14 / APL-05 Table 20).
- **GSTAT:** 10% is computed on the tax confirmed by the appellate authority that is disputed – in addition to the first-appeal deposit.
- Appeal order need not say 'refund pre-deposit'. Claim in RFD-01 under 'on account of order'.
- Refund cannot be refused only because the department intends to appeal or has appealed, unless the order is stayed.
- Interest u/s 115 runs from the actual date of each deposit – first appeal and GSTAT counted separately.
- **Remand by GSTAT:** pre-deposit refundable. **Partial remand:** confirmed demand with interest adjusted first; balance refunded.

Input Service Distributor – registration, ITC conditions, reversals and Rule 54(1A) credit transfers

APPLIES FROM 26.10.2026 (DATE OF ISSUE)

- **Registration:** each business vertical/place having separate GST registration in a State can take its own ISD registration; credit goes only to the unit to which it relates.
- **Conditions u/s 16 and 17**, and reversals u/s 17(1), 17(2), 17(4), are for the **recipient units**, not the ISD.
- Wrong distribution: ISD liable to penalty u/s 122(1)(ix); excess credit recovered from recipients u/s 21.
- ITC is 'available for distribution' in the month the ISD finds it prima facie eligible after it appears in GSTR-6A; eligible and ineligible credit distributed separately.
- **Rule 54(1A) invoices** (same-PAN unit transferring RCM credit to ISD): not 'turnover in State'; excluded from ISD ratio and from refund turnover; not 'Net ITC' for refund; transferring unit need not reverse it.

Section 17(4) – 50% ITC option for banks, financial institutions and NBFCs: who can opt and how to report in GSTR-3B

APPLIES FROM 26.10.2026 (DATE OF ISSUE)

- A registration not engaged in accepting deposits or lending (e.g. only bullion trading) **cannot** opt for the 50% option.
- If one registration engaged in deposits/loans opts, **all such registrations** of that entity must follow section 17(4).
- Full credit under the second proviso only on supplies from another same-PAN registration that has **also opted** for section 17(4).
- **GSTR-3B:** reverse s.17(5) and non-business credit in 4(B)(1); take full same-PAN credit; take 50% of the rest and reverse the balance in 4(B)(1). Credit not yet eligible u/s 16 – reverse in 4(B)(2), reclaim later in 4(A)(5) and show in 4(D)(1). Under IMS, keep such invoices 'pending'.
- **Past periods:** a different reporting method not to be questioned if the ITC amount matches these principles.

CIRCULAR No. 262/08/2026-GST · DATED 26.10.2026

ITC on demo vehicles allowed to authorised dealers working on the dealer-agency model

APPLIES FROM 26.10.2026 (DATE OF ISSUE)

- **Earlier:** para 4.6 of Circular 231/25/2024-GST (10.09.2024) said ITC on demo vehicles was blocked for a dealer acting only as agent of the manufacturer.
- **Now:** that para is **withdrawn**. ITC on demo vehicles is **not blocked** under section 17(5)(a) for a dealer in the dealer-agency model, where the manufacturer (OEM) sells directly to customers.
- Position is now the same for dealer-agency and traditional dealership models.

CIRCULAR No. 263/09/2026-GST · DATED 26.10.2026

Receipt of payment for exports – INR through SNRR/Nostro accounts, set-off and net settlement accepted; realisation period as per RBI

APPLIES FROM 26.10.2026 (DATE OF ISSUE)

- **Export of services:** payment in convertible foreign exchange, or in INR through repatriable accounts – SNRR, INR Nostro (Rupee Vostro) or similar – meets section 2(6)(iv) of IGST Act.
- **Stock brokers** paid by FPIs, NRIs or OCIs through SNRR or NRE accounts – valid. Payments from NRO accounts must be routed through SNRR/NRE.
- **Set-off** of export receivables against import payables as per RBI directions – treated as receipt.
- **Reinsurance brokers:** commission retained under the net-retention mechanism – treated as receipt.
- **Export of goods (Rule 96B):** realisation period = period or extended period under RBI Master Direction No. 16/2015-16 (amended 05.06.2026). No recovery of refund where the AD bank has written off realisation.

CIRCULAR No. 264/10/2026-GST · DATED 26.10.2026

Omission of Rule 96(10) of CGST Rules applies retrospectively from 23.10.2017; same for Rules 89(4A) and 89(4B)

OMISSION EFFECTIVE FROM 23.10.2017

- **Earlier:** Rule 96(10) barred IGST refund on exports where inputs were bought under specified concessional/exemption notifications. It was omitted only from 08.10.2024 (Notification 20/2024-CT).
- Supreme Court in **M/s Goodluck India Ltd. v. Union of India** (06.08.2026): with no saving clause, the omission applies to all proceedings pending on the date of omission.
- **Now:** omission of Rule 96(10) is treated as effective **retrospectively from 23.10.2017**; pending proceedings to be decided as per the judgment.
- Same treatment applies to omitted **Rules 89(4A) and 89(4B)**.

CIRCULAR No. 265/11/2026-GST · DATED 28.10.2026

Classification and GST rate of certain goods – sublimation paper, toys, margin scheme for used vehicles, seaweed bio-stimulants

APPLIES FROM 28.10.2026 (DATE OF ISSUE) 57th GST Council, 08.10.2026

- **Sublimation paper:** heading 4809, GST 18% (Sch. II S.No. 176, Notification 9/2025-CT(R)). Past period regularised on 'as is where is' basis.
- **Toys:** S.No. 497 Sch. I (5%) and S.No. 616 Sch. II (electronic toys, 18%) cover all toys of heading 9503 – dolls, dolls' carriages, scale models, puzzles etc. – not only tricycles, scooters and pedal cars.
- **Margin scheme – used motor vehicles:** ITC bar applies only to tax on the used vehicles bought. ITC allowed on spares, repairs, rent, technology, marketing and other inputs/input services.
- **Seaweed-extract bio-stimulants** registered under Sch. VI of Fertiliser Control Order, 1985: heading 3101 (Sch. I S.No. 237); explanation inserted in the entry. Past period regularised on 'as is where is' basis.

CIRCULAR No. 266/12/2026-GST · DATED 28.10.2026

Applicability of GST on certain services – R&D, foreign shipping companies, vehicle leasing, TRAI, bank fund transfer pricing, NBFC co-lending

APPLIES FROM 28.10.2026 (DATE OF ISSUE) 57th GST Council, 08.10.2026

- **R&D exemption** (Entry 44A, grants): a certificate from the head of the institution that the work is R&D and not consultancy is sufficient.
- **Foreign shipping company:** import of services by its Indian establishment from a related person/own establishment abroad without consideration – exempt from 01.11.2026 (Notification 07/2026-IT(R)); tax paid for 01.07.2017 to 31.10.2026 regularised 'as is where is'.
- **Motor vehicle leasing:** registration, road tax, insurance, FASTag and similar charges recovered from lessee are part of lease value, taxed at the leasing rate.
- **TRAI** is not 'Government' under section 2(53).
- **Banks – Fund Transfer Pricing:** notional interest recorded when funds move between branches through Head Office is 'interest' – exempt.
- **NBFC co-lending:** NBFC's lending services to a bank (sourcing, KYC, appraisal, servicing, collection, recovery) are taxable; value is as per their agreement.



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Over two decades of professional expertise in taxation, GST consultancy and litigation. Co-author of three books on GST (Taxmann, Wolters Kluwer, LMP). Special Invitee to the Indirect Tax Committee of the ICAI (2018–19) and faculty member with the ICAI.

20+	1,000+	03
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IMPORTANT NOTICE

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