

A dark, atmospheric photograph of a modern building with large glass windows and stone cladding, serving as the background for the text.

57th GST Council: The Recommendations Founders and Service Exporters Should Track

Recommended on 8 October 2026. They take effect only through circulars, notifications and law amendments.

GST Council | CGST Act, 2017 | IGST Act, 2017 | Refunds | Input Tax Credit | Export of Services

What the Release Is

Read every item in this deck as a recommendation of the Council. Each one applies from the date stated in the CBIC instrument that gives effect to it.

Item	Detail
Meeting	57th meeting of the GST Council, New Delhi, 8 October 2026
Release	Press Information Bureau, Ministry of Finance, Release ID 2320934, 8 October 2026
Scope	Process reforms on registration, returns, refund and adjudication; GST rate clarifications; trade facilitation
Legal status	The release says the recommendations "would be given effect through the relevant circulars/ notifications/ law amendments which alone shall have the force of law"

Arrest, Prosecution and Penalties

Item	Recommendation
Arrest	Complete withdrawal of arrest powers by omission of section 69 of the CGST Act, 2017
Prosecution threshold	Raised from Rs 1 crore to Rs 5 crore
Show cause notices	No notice under sections 73, 74 and 74A where the tax involved is less than Rs 10,000 (CGST + SGST + IGST + Cess)
Reduced penalty	5% in non-fraud cases where tax with interest is paid within 30 days (section 73) or 60 days (section 74A) of the adjudication order
General penalty	Maximum under section 125 cut from Rs 25,000 to Rs 10,000
Pre-deposit	Capped at Rs 40 crore (Rs 20 crore CGST and Rs 20 crore SGST/UTGST) for appeals where the order involves only penalty and no tax demand



Refunds: System-Based Processing

Phase 1

- Full refund of excess balance in the electronic cash ledger sanctioned automatically by the system
- Acknowledgement or deficiency memo within 10 days instead of 15 days, with deemed acknowledgement if none is issued in 10 days
- Zero-rated supplies and inverted duty structure: 90% sanctioned provisionally and automatically, on the basis of risk evaluation by the system

Phase 2

- System-based automated acknowledgement after verification of the application
- Zero-rated supplies: automated sanction of the full claim in acknowledged cases, after adjusting pending dues

Also recommended: FORM GST RFD-01 in a system-readable format without scanned uploads for zero-rated and inverted duty claims, and removal of the 1.5 times cap in rule 89(4)(C).

Input Tax Credit: Refunds and Blocked Credits

1 November 2026:

refund of accumulated ITC on input services in inverted duty cases, for ITC availed on input services on or after that date

60 months:

refund of ITC on capital goods for zero-rated supplies and inverted duty structure, spread over 60 months, for ITC availed on or after **1 April 2027**

Section 17(5):

restrictions on ITC to be removed on, among other things, outdoor catering, health and life insurance, telecommunication towers, pipelines laid outside factory premises, free samples, and goods destroyed or written off on expiry of shelf life as required by law

Rule 86A:

a taxpayer may object to the blocking of an amount in the electronic credit ledger and get a personal hearing before the officer decides

Cross-Border: Exports, Imports and IP

Area	Recommendation
Services to your own foreign office or branch	Omission of section 2(6)(v) of the IGST Act, removing the condition that supplier and recipient are not establishments of a distinct person, for a supply to qualify as an export of services
Services on goods provided by the recipient	Omission of section 13(3)(a) of the IGST Act, so place of supply follows section 13(2), the location of the recipient
Goods delivered in an SEZ or FTWZ to an overseas buyer	Deemed a supply to the SEZ or FTWZ where payment is received in convertible foreign exchange or Indian Rupees where permitted by RBI
Intellectual property	Transfer of title in IPRs, temporary or permanent, treated uniformly as a supply of services (Schedule II)
Import of services	E-invoicing extended to import of services and to reverse charge supplies from unregistered persons, for aggregate annual turnover of Rs 5 crore and above

Who Should Read What



CA Professionals

- Pending show cause notices and appeals below Rs 10,000: a statutory provision is recommended to decide them as if the threshold applied when the notice was issued
- Returns: an alternate mechanism to align GSTR-3B with GSTR-1/1A/IFF and GSTR-2B, recommended from the return of April 2027 after a time-bound public consultation

Founders and Startups

- Arrest and prosecution: section 69 omission and the Rs 5 crore prosecution threshold
- Health and life insurance among the blocked credits recommended for removal
- Service exporters: supplies to foreign branches and the IGST amendments

MSMEs and Business Owners

- Late fee waiver on a delayed section 39(1) return for annual turnover up to Rs 5 crore, if filed by the end of the month in which it was due
- New rule 14B: small sellers on e-commerce platforms may declare the operator's warehouse as the principal place of business in a State where they have no physical presence

Four Points to Keep in Mind

1

Not law yet. The release says only the circulars, notifications and law amendments have the force of law.

2

Dates are the Council's recommendations.
1 November 2026, 1 April 2027 and the April 2027 return apply as and when the instruments state them.

3

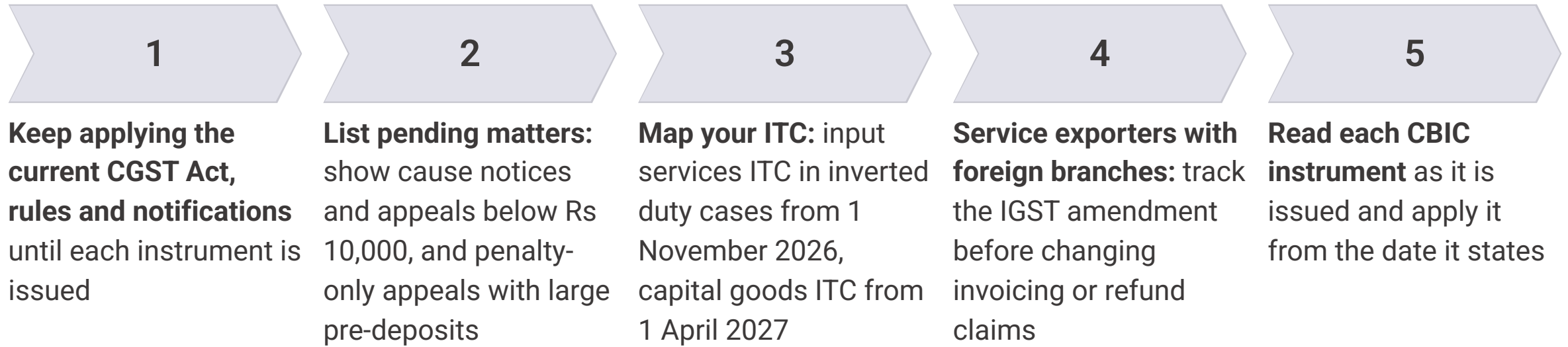
Several changes amend the Act itself. The omission of section 69 and the changes to sections 73, 74, 74A, 125, 107(6) and 112(8) are recommended amendments to the CGST Act, 2017.

4

Returns mechanism goes to consultation.
The Council recommended placing it in the public domain for a time-bound consultation.



What to Do Now



Facing a GST notice, a stuck refund or a cross-border billing question? Book a quick call with A S Banka Advisors Private Limited.

Source: Press Information Bureau, Ministry of Finance, Recommendations of the 57th Meeting of the GST Council, Release ID 2320934, 8 October 2026, pib.gov.in