

GST

Key GST Clarifications on Registration, Litigation, Appeals, Refunds, ISD, ITC and Exports

The CBIC has issued a series of **important circulars on 26.10.2026 addressing several practical and litigation-related issues under GST**. The clarifications cover GST registration, adjudication and appeal proceedings, pre-deposit refunds, Input Service Distributor (ISD) mechanism, Section 17(4) ITC restrictions, demo vehicles, export realization and the retrospective omission of Rule 96(10).

These circulars are expected to reduce interpretational disputes and provide much-needed procedural certainty to taxpayers.

Circular	Subject	Highlights
257/03/2026-GST	Registration applications	Detailed documentation and verification standards prescribed for GST registration.
258/04/2026-GST	Demand, adjudication and appeals	Strong procedural safeguards introduced for demand, adjudication and appeal proceedings.
259/05/2026-GST	Statutory pre-deposit	Clarity provided on refund of statutory pre-deposit and eligibility of interest thereon.
260/06/2026-GST	Input Service Distributor	Extensive guidance issued on the functioning of ISD and Rule 54(1A) credit transfer mechanism.
261/07/2026-GST	Section 17(4)	Clarification provided on implementation of the 50% ITC option under Section 17(4).
262/08/2026-GST	Demo vehicles	ITC on demo vehicles expressly allowed even under the dealer-agency model.
263/09/2026-GST	Export consideration	Export proceeds received through RBI-permitted INR accounts recognized for GST purposes.
264/10/2026-GST	Omission of Rule 96(10)	Major relief granted to exporters through retrospective application of omission of Rule 96(10).

1. GST registration applications

Circular No. 257/03/2026-GST | Guidelines intended to promote uniform scrutiny and reduce avoidable queries

What has been clarified

- **Correct forms:** REG-01 for regular taxpayers, ISD and casual taxable persons; REG-07 for TDS/TCS; REG-09 for non-resident taxable persons; and REG-10 for foreign OIDAR or online money-gaming suppliers.
- Core particulars must be internally consistent, including PAN, legal name, constitution, reason for registration, jurisdiction, promoters, contact details and principal HSN/SAC codes.
- The principal place of business should be complete and specific, align with supporting proof and include PIN code and, where feasible, accurate geolocation.

Premises documentation

- **Owned premises:** upload a recent property tax receipt, municipal khata/property document, electricity bill or water bill in the applicant's name.
- Registered lease: the registered rent/lease agreement should ordinarily suffice.
- Unregistered lease: upload the agreement together with ownership or utility proof in the landlord's name.
- Family-owned premises: select "Consent", not "Owned", and provide the owner's consent plus address proof. Consent from all co-owners may be sought.
- Co-working space: retain a membership agreement identifying the allocated desk/cabin/suite and the provider's ownership or lease trail.

Timelines and officer scrutiny

Situation	Indicative statutory timeline
Successful Aadhaar authentication	7 working days
Physical verification required	Up to 30 days
Simplified registration under Rule 14A	3 working days
Reply to REG-03	Within 7 working days
Decision after reply	Within 7 working days



2. Demand, adjudication and first appeal

Circular No. 258/04/2026-GST | A consolidated procedural framework for fair and sustainable orders

SCN discipline and classification of allegations

- Where feasible, DRC-01A may precede a formal SCN, giving the taxpayer an opportunity to explain, correct or pay before proceedings commence.
- An SCN must identify the taxpayer, tax period, facts, evidence, statutory provisions, issue-wise quantification and time/authority for reply. A template notice or bare reproduction of provisions is inadequate.
- Short payment by itself does not establish fraud, wilful misstatement or suppression. The notice must disclose evidence and reasoning indicating a deliberate intent to evade.
- Demand should be computed financial year-wise, issue-wise and separately under CGST, SGST/UTGST and IGST. Fraud and non-fraud components must not be mixed without distinct grounds.
- Central and State authorities should avoid parallel proceedings on the same subject matter.

Natural justice and order-writing

- A hearing must be granted when requested in writing or when an adverse decision is contemplated; virtual hearing may be offered.
- Up to three adjournments may be granted, thus potentially providing four hearing opportunities. A succeeding adjudicating officer should ordinarily grant a fresh hearing.
- A speaking order must address evidence, written and oral submissions, judicial precedents and reasons for accepting or rejecting each argument.
- The order cannot confirm a higher amount or a new ground beyond the SCN. A fresh issue requires a separate notice.
- Payments already made must be transparently appropriated by showing proposed demand, amount dropped/confirmed, payment credit and final balance. Penalty requires independent reasons and cannot follow mechanically.

Rectification and appeal

- Section 161 is confined to an error apparent from the record, such as clerical or arithmetical mistakes. It cannot reopen merits or extend the appellate limitation.
- A taxpayer's first appeal is due within three months from communication of the order, with only one further month available for condonation on sufficient cause.
- Additional evidence in appeal may be admitted only in recognized circumstances, with recorded reasons. Cross-appeals should be decided together and the APL-04 summary uploaded.
- Where AI or technology assists in preparing an order, the officer must independently verify the output and remains responsible for correctness.

3. Statutory pre-deposit

Circular No. 259/05/2026-GST | Refund, interest and treatment when matters are remanded

- First appeal: pay the entire admitted tax, interest, fine, fee and penalty, plus 10% of the disputed tax as the statutory pre-deposit under Section 107(6).
- Tribunal appeal: make the additional pre-deposit prescribed under Section 112(8), computed with reference to the disputed tax confirmed by the Appellate Authority.
- After a favourable order, file RFD-01 under "On account of order". The appellate order need not contain an express refund direction.
- A refund cannot be withheld merely because the Department intends to appeal or has filed an appeal. Withholding requires an operative stay by the Tribunal or Court.
- Interest is to be reckoned from the actual date of each pre-deposit. Deposits made at different appellate stages require separate computation.
- Full remand: pre-deposit is refundable. Partial remand: confirmed dues and applicable interest are first adjusted, and the balance is refundable.

4. Input Service Distributor

Circular No. 260/06/2026-GST | Operational guidance for centralized procurement and multi-GSTIN groups

- More than one ISD registration may be obtained for separate business verticals or places of business within the same State/UT. A separately registered unit receiving common service invoices for distinct persons must evaluate its ISD obligation.
- The ISD must distribute credit to the distinct person to whom the service is attributable. The recipient GSTIN, however, bears responsibility for satisfying Sections 16 and 17.
- The ISD should determine prima facie eligibility when invoices appear in GSTR-6A and distribute the credit in the month of that determination through GSTR-6, separately identifying eligible and ineligible credit.
- The ISD distributes the entire attributable credit. Recipient units make reversals under Sections 17(1), 17(2) or 17(4), as applicable.
- A Rule 54(1A) document issued by a regular registration with the same PAN and State code is a credit-transfer mechanism, not an outward supply. Its value is excluded from turnover and adjusted total turnover.
- Transferred credit does not constitute the transferor's Net ITC for refund computations under Rules 89(4) and 89(5).
- RCM credit attributable to distinct persons should be transferred in full to the ISD; reversal, if required, is made by the ultimate recipient.

5. Section 17(4) : 50% ITC option

Circular No. 261/07/2026-GST | Eligibility, intra-PAN supplies and return reporting for banking and financial businesses

- The option is available only to registrations engaged in accepting deposits or extending loans/advances. A registration exclusively conducting another business, for instance bullion trading, cannot independently use Section 17(4).
- Where one eligible registration of the entity chooses the option, the other eligible registrations should adopt the same approach.
- Full eligible ITC on a supply from another registration under the same PAN is available only where the supplying registration is also covered by the Section 17(4) option.
- Personal/non-business credit and blocked credit under Section 17(5), followed by the restricted 50% portion, should be permanently reversed in GSTR-3B Table 4(B)(1).
- Credit temporarily unavailable because Section 16 conditions are pending is reversed in Table 4(B)(2), reclaimed in Table 4(A)(5) when conditions are met, disclosed in Table 4(D)(1), and then subjected to the 50% restriction.
- Under IMS, an invoice that may become eligible later should be kept pending rather than rejected.
- No adverse inference should arise merely from a different historical reporting route if the final ITC retained complies with Section 17(4).

6. ITC on demo vehicles

Circular No. 262/08/2026-GST | Parity between traditional dealership and dealer-agency models

- The earlier restrictive clarification for a dealer acting merely as an agent/service provider has been withdrawn.
- An authorized dealer purchasing a demo vehicle from the manufacturer may claim ITC because demonstration and test drives promote the further supply of similar motor vehicles.
- The treatment now covers both the traditional buy-sell dealership model and the dealer-agency model where the manufacturer sells directly and the dealer facilitates demonstration/test drives.
- The dealer should hold a valid tax invoice, record the vehicle appropriately in its books and discharge applicable GST when the demo vehicle is subsequently sold.



7. Receipt of export consideration

Circular No. 263/09/2026-GST | Recognition of permitted INR settlement, set-off and net-retention mechanisms

- For export of services, consideration received in convertible foreign exchange or through permitted repatriable INR accounts, including SNRR and INR Nostro/Rupee Vostro arrangements, satisfies Section 2(6)(iv) of the IGST Act, subject to FEMA/RBI conditions.
- Payments to Indian stockbrokers by FPIs, NRIs and OCIs through SNRR or NRE accounts qualify. NRO-origin payments must be routed through a repatriable account as required by RBI guidance.
- Export receivables set off against import payables constitute valid realization where the set-off complies with RBI directions.
- An Indian reinsurance broker's commission retained from amounts payable to a foreign reinsurer is treated as realized where FEMA recognizes the net-retention mechanism.
- For export of goods, Rule 96B applies when proceeds are not realized within the FEMA period or permitted extension; refund attributable to non-realization is repayable with interest within 30 days after expiry.
- No recovery should follow where realization has been written off, wholly or partly, by RBI or the Authorized Dealer Bank in accordance with the applicable framework.

8. Omission of Rule 96(10)

Circular No. 264/10/2026-GST | Major relief for export refund proceedings pending on the date of omission

- Rule 96(10), effective from 23 October 2017, restricted IGST-paid export refunds where specified procurement exemptions/concessions had been availed.
- The rule was omitted from 8 October 2024 through Notification No. 20/2024-Central Tax.
- Relying on the Supreme Court order dated 6 August 2026 in Goodluck India Limited and the principle in Kolhapur Canesugar Works, CBIC clarifies that, absent a saving/sunset clause, the omission applies to proceedings pending on 8 October 2024.
- Field formations are to deal with pending Rule 96(10) proceedings accordingly. The treatment applies mutatis mutandis to omitted Rules 89(4A) and 89(4B).





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