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GST ALERT

CBIC GST Circulars 257 to 265: Key GST Updates and Clarifications

The CBIC has issued GST Circulars 257 to 265 following the 57th GST Council meeting, providing key clarifications on registration, Input Tax Credit, appeals, exports and GST classification.

Pursuant to GST Council's 57th meeting earlier this month, the CBIC issued eight Circulars on 26 October 2026 and one Circular on 28 October 2026 to give effect to the recommendations. The clarifications/ guidelines cover varied topics like simplification of GST registration process; Input Tax Credit (ITC) distribution through Input Service Distributor (ISD) mechanism; demand, adjudication, and appeal proceedings; and receipt of export proceeds.

For ease of understanding, we have summarized the said Circulars hereunder:

CBIC Circular 257/03/2026-GST: Guidelines for GST Registration Applications

The Circular prescribes detailed guidance, including a document checklist, for applicants seeking GST registration. The Circular aims to reduce delays, minimize unnecessary queries, and bring greater consistency to the processing of registration applications. While the CBIC had earlier issued Instruction No. 03/2025-GST dated 17 April 2025 prescribing guidelines for tax officers in processing registration applications, the present Circular addresses the need for corresponding guidance for applicants. It seeks to facilitate the furnishing of complete and accurate information and supporting documents in FORM GST REG-01, thereby reducing the need for departmental clarifications and expediting registration for genuine taxpayers.

The Circular also brings much-needed clarity for businesses operating from co-working spaces by prescribing the documentation required for obtaining GST registration, including membership agreements and other supporting documents.

Importantly, the Circular reiterates that officers processing registration applications should not seek unwarranted documents or raise presumptive queries that are not relevant to the examination of the registration application, thereby promoting a more transparent and facilitative registration process.

Our Comments

This Circular seeks to streamline the GST registration process by providing clarity on the information and documentation required for registration applications, including registrations from co-working spaces. By standardizing documentation requirements and directing officers not to seek unwarranted documents or raise irrelevant queries, the Circular is expected to reduce processing delays, minimize avoidable disputes, and promote a more transparent and taxpayer-friendly registration regime.

CBIC Circular 258/04/2026-GST: Demand, Adjudication and Appeals under GST

The Circular aims to provide a uniform reference framework for the officers engaged in quasi-judicial proceedings, so as to ensure consistency, transparency and uniformity in the implementation of provisions of law across field formations. Accordingly, it has been clarified as follows:

Pre-Show Cause Notice (SCN) intimation and SCN

- **Pre-SCN intimation -** Where feasible, taxpayers may be intimated of the tax assessed as payable through Part A of FORM GST DRC-01A under Rule 142(1A), before the SCN is issued. This allows the taxpayer to clarify its position and may avoid an SCN.
    - Suggested structure of an SCN -
    - profile of the notice and background;
    - factual background and examination of evidence;
    - legal provisions and how each is contravened;
    - statement of charges;
    - quantification of demand;
    - concluding paragraph naming the adjudicating authority, reply to deadline, and consequences of non-compliance.
- **Tone -** The SCN should use neutral expressions such as “it appears that” and avoid categorical language like “determined” that suggests a pre-judged outcome.
- **Specificity -** The SCN must carry all requisite particulars and grounds. It should contain a concise summary of all the allegations against the notices clearly stating the grounds on which they are required to explain why action, as per statutory provisions, should not be initiated against them.
- **Multiple notices -** The role of each notice must be separately delineated.
- **Quantification -** Demand should be quantified, and split financial year wise for multi-year notices. Where interest depends on the date of payment by the notice, a phrase such as “why interest as applicable should not be demanded” may be used.
- **Summary and service -** The summary must be issued electronically in FORM GST DRC-01 (and DRC-02 for statements). Service must follow the methods prescribed in Section 169.

Fraud, willful misstatement or suppression

- **Reasons must be in the notice -** The SCN must disclose the specific basis for invoking Section 74(1) or Section 74A(5)(ii). Mechanically repeating "fraud, wilful misstatement or suppression" is not enough. The Circular relies on Supreme Court decision in G.R. Infra Project Ltd. vs. State of Madhya Pradesh [(2026) 45 Centax 331 (SC)] to emphasize that the SCN must set out the specific allegations, material facts and circumstances forming the basis of extended period of limitation under Section 74/74A.
- **Intent to evade is essential -** Suppression and misstatement must be deliberate. Relying on Andhra Pradesh Hight Court ruling in Sriba Nirman Company vs. Commissioner (Appeals) [(2025) 29 Centax 206 (AP)], the Circular accentuates that the power to invoke fraud, wilful-misstatement, or suppression of facts for demand is conditional, hinging on proof of intent to evade tax, which is required to be clearly established in the SCN along with evidence.
- **Limits on invocation -** These provisions cannot be invoked merely for non-payment of GST, or in scrutiny cases solely because a discrepancy is noticed. They are to be invoked only where investigation discloses material evidence, which must be set out in the SCN.
- **Second SCN -** A second SCN on the same facts and grounds for a later period, again alleging fraud or suppression, is generally not valid unless new and independent grounds exist. Subsequent notices should typically be issued under Section 73 or 74A(5)(i).
- **Mixed SCNs -** Where demands under Sections 73 and 74 are combined, the SCN must give reasons for the split and quantify each separately. For FY 2024-25 onwards, Section 74A applies with a single 42-month period from the due date of the annual return. Evasion and non-evasion components should still be separately quantified.
- **At adjudication -** The adjudicating authority must examine whether invoking the extended grounds is tenable. If evidence of intent is lacking, it should record findings and confine the demand to Section 73 or 74A(5)(i).

Parallel proceedings and timing

- **No parallel proceedings -** The Circular re-iterates the principal espoused under Section 6, wherein if a State or UT officer has initiated proceedings on a subject matter, the Central Tax officer should not initiate proceedings on the same matter. The Circular cites Supreme Court judgement in Armour Security (India) Ltd. vs. Commissioner, CGST, Delhi East Commissionerate [(2025) 33 Centax 222 (S.C)] in this context.
- **Timing -** SCNs should be issued well before the statutory deadlines under Sections 73, 74 and 74A, and orders should not be rushed close to the deadlines. Monthly disposal targets may be set and monitored by senior officers.

Personal hearings

- **Adjournments -** Section 75(5) bars adjournment more than three times. Adjudicating authorities may therefore grant a maximum of four personal hearings.

Reasons for declining an adjournment should be recorded in writing.

- **Representation and format -** Requests for appearance by authorized representatives under Section 116 should be duly considered. Virtual hearings may be offered.
- **Records -** Time, date and attendees of each hearing should be recorded and incorporated in the order. Any authority letter or vakalatnama should be filed with the case records.
- **Order after hearing -** The order should be communicated promptly, preferably within one month of the hearing.
- **Transfer of officer -** A fresh hearing is required before the successor authority. Where hearings are already done, the outgoing officer should endeavour to pass the order before relinquishing charge.

Adjudication order

- **Speaking order -** The order should be structured and reasoned, with a summary in FORM GST DRC-07. It should open with the issuing authority, statutory provisions, appellate rights, forum and pre-deposit conditions, and a summary of facts.
- **Submissions must be dealt with -** The order must independently examine FORM GST DRC-06 reply and hearing submissions, record whether each is accepted, partially accepted or rejected with reasons, and avoid generic statements such as “reply has been considered”.
- **Evidence -** Documents must be analyzed critically, not merely reproduced. Where they do not support the allegation or are inconclusive, the underlying allegation may be dropped.
- **Section 75(7) -** Tax, interest and penalty cannot exceed the amounts that were communicated in the underlying SCN, and no demand may be confirmed on grounds not in the notice. New issues require a separate SCN.
- **Case laws -** Citations must be accurate and verified; preference must be given to the decisions of the Supreme Court and jurisdictional High Courts for balanced, defensible outcomes. Cases cited by the notice must be duly considered and discussed, and reason(s) should be recorded if a judgment is found to be inapplicable.
- **Use of AI -** Where AI or other technological tools are used, there must be human oversight. Information obtained should be independently verified, and responsibility for the order stays with the issuing authority.
- **Quantification -** The order should give a clear, issue-wise and year-wise breakdown under CGST, SGST, IGST and UTGST, preferably in tabular form. Interest should be quantified up to the order date with a note that it runs until actual payment [Section 75(9)]. Dropped amounts, original versus confirmed demand, and pre-deposits or payments made should be stated.
- **Penalty -** Penalty should not be levied mechanically. The order needs reasoned findings on the nature of default, in line with Section 126.

Rectification under Section 161

- **Timelines -** An application may be filed within three months of the order. The rectification order should be passed within six months. The six-month limit does not apply to purely clerical or arithmetical errors.

- **Who can rectify -** Only the authority that issued the order, not a senior officer exercising powers under Section 5(2).
- **Scope -** Rectification can only be limited to errors apparent on the face of the record, as per Apex Court ruling in Arun Dev Upadhyaya vs. Integrated Sales Service Ltd [(2023) 8 SCC 11]. Errors needing long reasoning, verification of transactions, or errors of law or fact are matters for appeal. Rectification cannot be used to reopen merits.
- **Procedure -** Requests should be disposed of expeditiously in FORM GST DRC-08, and rectification orders should be communicated to the jurisdictional reviewing authority.

First appeal

- **Summary of order -** FORM GST APL-04 must be issued with the appellate order, showing the final demand confirmed.
- **Preliminary scrutiny -** Rule 108 scrutiny covers maintainability and completeness. Merits should ordinarily not be rejected summarily at the registration stage.
- **Limitation -** The three-month period under Section 107(1) and the further one-month condonation under Section 107(4) are to be examined as a separate preliminary issue. A delayed appeal that is not condonable should not be decided on merits, even if a prima facie case exists. Reasons must be recorded.
- **Withdrawal -** Under Rule 109C, withdrawal after the final acknowledgement in FORM GST APL-02 needs the Appellate Authority's approval, to be decided within seven days of filing.
- **Hearings -** Hearing dates should be communicated via the GST Portal. Details of hearings (dates, appearances, submissions, documents, directions) should form part of the appellate order.
- **Additional grounds and evidence -** Discretion to permit additional grounds under Section 107(10) must be exercised judiciously, distinguishing between an additional ground arising from the existing demand and a new factual issue needing fresh investigation. Additional evidence under Rule 112 requires specific reasons for admission or rejection. Rejection requires a personal hearing, and before admission the Adjudicating Authority should be given an opportunity to examine or rebut it. Appeals should not become a fresh investigation to fix gaps in the original adjudication.
- **Disposal -** Appeals should as far as possible be decided within one year of filing under Section 107(13), with disposal monitored by senior officers. Cross appeals against the same order should be decided together by a common composite order.
- **Carry-over -** The guidelines w.r.t. hearings, adjudication orders and extended-period findings, will apply to appellate authority's mutatis mutandis.

Status of the guidelines

It has been clarified that these guidelines are illustrative and non-exhaustive. They must not be cited by proper officers in show cause notices, final orders or appellate orders.

Our Comments

The implementation and adherence to the aforesaid guidelines by the field formations will be critical. Similar guidelines should also be issued at State / UT levels to effectively mitigate unwarranted litigation.

CBIC Circular 259/05/2026-GST: Pre-Deposit for GST Appeals

This Circular clarifies issues surrounding pre-deposit, its refund and interest applicable thereon. Under Section 107(6), an appeal to the Appellate Authority requires full payment of the admitted amount of tax, interest, fine, fee and penalty, plus 10% of the tax in dispute. Section 112(8) requires the same for an appeal to the Appellate Tribunal, in addition to the amount earlier paid. The Circular clarifies the following.

Sr No.	Issue	Clarification
1	Meaning of "admitted amount" and "tax in dispute"	**Admitted amount -** the portion of tax, interest, fine, fee and penalty in the impugned order that the taxpayer acknowledges as payable and does not intend to challenge. It must be paid in full before the appeal is filed. **Tax in dispute -** the remainder that the taxpayer contests. The 10% pre-deposit is computed on this component. The taxpayer decides at the time of filing what is admitted and what is disputed. This is captured in Table 14 of FORM GST APL-01 and Table 20 of FORM GST APL-05.
2	Pre-deposit for Tribunal appeal where the Appellate Authority has modified the liability	The 10% of the remaining tax in dispute is computed on the liability confirmed by the Appellate Authority which the appellant disputes. This is in addition to the amount paid at the first appeal stage.
3	Must the order say that pre-deposit is to be refunded?	No. The order need not explicitly mention refund. On receipt of the order, the appellant has to file a refund claim under S. No. 7 of FORM GST RFD-01 ("on account of order").
4	Refund where the appellant wins but the Department may appeal further	The appellant is entitled to refund of pre-deposit on applying for it after a favorable decision. Refund is payable even if the Department contemplates or has filed a further appeal, unless the order is placed by the Tribunal or a Court. Refund of pre-deposit should not be denied merely because the Department intends to appeal.

5	Date of payment for interest where pre-deposit was made at both appeal levels	Pre-deposit is paid separately at each stage. Interest under Section 115 runs from the date of payment, so the date is determined separately for each level, based on the actual date each payment was made.
6	Refund of pre-deposit where the Tribunal remands the matter	**Full remand -** the appellant is eligible for refund of the pre-deposit within the prescribed time limit. **Partial remand where part of the demand is upheld -** the refund is released only after the amount corresponding to the upheld demand, with applicable interest, is recovered or adjusted against the pre-deposit. The balance is then refunded.

CBIC Circular. 260/06/2026-GST: Input Service Distributor (ISD) and ITC Distribution

The Circular addresses practical issues concerning ISD registration and the distribution of ITC, including eligibility checks and compliance with reversal requirements. The key clarifications are summarized below:

Sr No.	Issue	Clarification
1	ISD registration for each business vertical/ place of business within the same State/UT	• Multiple ISD registrations are permitted within the same State/UT for each business vertical or each place of business. • The ISD shall distribute the credit only to the distinct person to whom the credit is attributable to.
2	Conditions for availment of ITC under Section 16 of CGST Act	• It is the recipients who are liable to comply with the conditions for being eligible to ITC, including the conditions stipulated in Section 16 or Section 17 and corresponding rules. • Distribution in contravention of Section 20 attracts a penalty on the ISD. • Any excess credit distributed is recoverable from the recipients along with interest in line with the provisions of Section 73 / Section 74 / Section 74A.

3	ITC to be distributed in same month	The ISD is required to distribute ITC in the month in which it ascertains that the said ITC is eligible for distribution.
4	Proportionate credit reversals	• The ISD must distribute the entire credit available for distribution to the recipients to whom it is attributable. • Recipients must undertake applicable reversals under Sections 17(1), 17(2) or 17(4), read with the relevant rules.
5	Whether the amount declared in an invoice, credit or debit note, issued by a registered person to an ISD, under rule 54(1A) to be included in "turnover in State" or "turnover in Union territory"?	• An invoice, debit note or credit note issued under Rule 54(1A) to an ISD with the same PAN and State code does not constitute an outward supply. • Its value must be excluded from turnover for ISD allocation and from adjusted total turnover for refund calculations, even if reporting in GSTR-1 is required to transmit the document.
6	Whether credit transferred to ISD in terms of Rule 54(1A) to be included in "Net ITC" for the purpose of refund application of transferor?	Credit transferred under Rule 54(1A) must be excluded from the transferor's 'Net ITC' when calculating refunds under Rules 89(4) and 89(5).
7	Whether credit transferred to ISD in terms of Rule 54(1A) to be included in computation of ITC reversal under Section 17(1) or Section 17(2) or Section 17(4) of the CGST Act?	• The regular GSTIN must transfer the entire relevant reverse-charge credit to the ISD without first undertaking reversals under Sections 17(1), 17(2) or 17(4). • The eventual recipients are responsible for applicable reversals.

Our Comments

The Circular provides much needed clarity on ITC distribution and the respective responsibilities of ISDs and recipients. The distinction between credit distribution by the ISD from eligibility checks and applicable reversals by recipients should mitigate disputes emanating from audits / enquiries at ISD's end. The debate surrounding the timing of credit distribution has also been put to rest by the aforesaid clarification, giving much needed certainty to the distribution processes.

CBIC Circular 261/07/2026-GST: Section 17(4) ITC for Banks, NBFCs and Financial Institutions

The Circular provides important clarifications for banking companies, financial institutions, and NBFCs regarding the optional 50% ITC mechanism under Section 17(4) of the CGST Act. It also clarifies the treatment of inter-branch supplies, the scope of eligible registrations, and the reporting of ITC availment and reversals in FORM GSTR-3B. The key clarifications are summarized below:



<table>
<tr><th>Sr No.</th><th>Issue</th><th>Clarification</th></tr>
<tr><td>1</td><td>Whether all GST registrations of a banking company/ financial institution/ NBFC are required or entitled to opt for Section 17(4)?</td><td>The option under Section 17(4) is available at the level of each GST registration (distinct person):
<table>
<tr><th>Sr No.</th><th>Scenario</th><th>Clarification</th></tr>
<tr><td>1</td><td>Distinct person engaged in accepting deposits, extending loans or advances.</td><td>Eligible to opt for Section 17(4).</td></tr>
<tr><td>2</td><td>Distinct person NOT engaged in accepting deposits, extending loans or advances (e.g. engaged exclusively in Bullion Trading, etc.)</td><td>Not required or entitled to opt for Section 17(4).</td></tr>
<tr><td>3</td><td>Distinct person engaged in accepting deposits, extending loans or advances, as well as engaged in other business activities.</td><td>Eligible to opt for Section 17(4).</td></tr>
</table></td></tr>
<tr><td>2</td><td>Whether the second proviso to Section 17(4) applies where the supplier having the same PAN has not opted for Section 17(4)?</td><td>The second proviso allows full ITC on supplies between registrations under the same PAN where Section 17(4) has been adopted. The Circular clarifies that:
<table>
<tr><th>Sr No.</th><th>Scenario</th><th>Clarification</th></tr>
<tr><td>1</td><td>Both the recipient and supplier registrations under the same PAN have opted for Section 17(4).</td><td>Full ITC benefits available.</td></tr>
<tr><td>2</td><td>Supplier registration has not opted for Section 17(4), while recipient registration has opted.</td><td>Full ITC benefit not available.</td></tr>
</table></td></tr>
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3	What is the correct method of reporting ITC availment and reversal in FORM GSTR-3B for persons opting under Section 17(4)?	**IMS is not followed & Circular 170 is followed:** • Determine ITC eligibility under Section 16. • Reverse credits attributable to non-business use, exempt supplies, and blocked credits under Sections 17(1), 17(2), and 17(5) in Table 4(B)(1). • Avail full ITC on credits covered by the second proviso to Section 17(4). • Of the remaining eligible ITC, only 50% avail of and permanently reverse the balance in Table 4(B)(1). • Temporarily ineligible ITC due to non-fulfilment of Section 16 conditions should be reported in Table 4(B)(2) and reclaimed through Table 4(A)(5) once eligible, subject to Section 16(4). **Both IMS & Circular 170 are not followed:** • Follow all the above points mentioned above. • Avail ITC only to the extent reflected in FORM GSTR-2B. **Both IMS & Circular 170 are as follows:** • ITC eligible under Section 16 should be 'accepted'. • ITC should be kept under 'pending' in cases where ITC is currently ineligible due to non-fulfillment of conditions under Section 16(2) of CGST Act. • The above two points are also to be followed in respect of the auto-populated ITC on inward supplies liable to RCM, and in respect to ITC claimed on inward supplies liable under RCM. The Circular also directs the Authorities that no adverse view for past periods should be taken merely because a different reporting methodology was followed, provided the quantum of ITC availed under Section 17(4) remains consistent with the principles clarified.

Our Comments

The Circular provides much needed clarity on the scope and operation of Section 17(4), reducing ambiguity for banks, financial institutions, and NBFCs. By confirming that the option applies only to registrations engaged in lending or deposit-taking activities, it limits unnecessary compliance by non-financial registrations within the same PAN. The clarification on intra-PAN supplies may, however, result in ITC leakage where either the supplier or recipient registration has not opted for Section 17(4). The prescribed FORM GSTR-3B reporting methodology promotes consistency and is expected to reduce litigation arising from procedural differences.

CBIC Circular 262/08/2026-GST: ITC on Demo Vehicles under Dealer-Agency Model

Earlier, Circular No. 231/25/2024-GST dated 10 September 2024 clarified that authorized dealers operating under the dealer-agency model were not eligible to avail ITC on demo vehicles, since the actual supply of vehicles was undertaken by the OEM and not by the dealer. This position led to concerns within the automobile industry, as demo vehicles perform the same business function irrespective of whether sales are undertaken through a traditional dealership model or an agency arrangement.

To address these concerns, the CBIC has now withdrawn Para 4.6 of the earlier Circular and clarified the eligibility of ITC on demo vehicles. The Circular recognizes two prevalent business models in the automobile sector:

Traditional dealership model: The dealer purchases vehicles from the OEM and sells them to customers on its own account.

Dealer-agency model: The OEM directly sells vehicles to customers, while dealers facilitate sales and maintain demo vehicles for test drives and promotional activities.

The Board has observed that under both models, demo vehicles are purchased by dealers, capitalized in their books, used for identical business purposes, and subsequently sold on payment of applicable GST. Accordingly, there is no material distinction in the use of demo vehicles between the two business structures.

The Circular further clarifies that Section 17(5)(a)(A) permits ITC not only on motor vehicles that are themselves supplied onward but also on motor vehicles used for facilitating the further supply of similar vehicles. Consequently, ITC on demo vehicles is admissible even where dealers operate under the dealer-agency model.

Our Comments

The clarification removes a longstanding ambiguity and establishes parity in ITC treatment across different automobile distribution models. ITC availment on demo vehicles shall reduce the overall GST cost associated with sales and marketing activities. The move aligns the tax position with commercial realities, provides greater certainty to OEMs and dealers, and is expected to reduce litigation arising from the earlier restrictive interpretation. It also reinforces the principle that ITC eligibility should be determined based on the purpose and use of an asset in furthering taxable supplies rather than the contractual structure of the sales arrangement.

CBIC Circular 263/09/2026-GST: Receipt of Export Proceeds for Goods and Services

The Circular provides clarity on the manner of realizing export proceeds for both export of services and export of goods under GST, particularly in situations involving repatriable INR accounts, set-off arrangements, and FEMA-compliant settlement mechanisms.

Receipt of consideration in case of export of services

Issue	Position before Circular	Clarification
Receipt of export proceeds in SNRR/INR Nostro Accounts or any similar account	Uncertainty existed whether realization in repatriable INR accounts would qualify as receipt of consideration for export of services.	Such receipts shall be treated as satisfying the condition of receipt of consideration under clause (iv) of Section 2(6) of the IGST Act.
Payments received by stockbrokers from FPIs, NRIs and OCIs through repatriable INR accounts.	Doubts existed regarding export status where brokerage was received in INR.	Receipts through repatriable INR accounts such as SNRR and NRE accounts shall qualify as realization of export proceeds.
Payments received through NRO Accounts	Lack of clarity regarding eligibility.	Such receipts would qualify only where the funds are ultimately routed through repatriable INR accounts such as SNRR or NRE accounts.

Receipt of consideration in case of export of services

Issue	Clarification
Whether export proceeds can be deemed realized where export receivables are adjusted against import payables?	Set-off transactions are recognized under FEMA and RBI regulations. Accordingly, where export receivables are set off against import payables in accordance with RBI directions, the conditions relating to receipt of consideration for export of services shall be regarded as fulfilled.

Reinsurance brokers – net retention mechanism

Issue	Clarification
Retention of brokerage out of insurance premium instead of separate inward remittance	Where an Indian reinsurance broker retains its commission from the premium amount before remitting the balance overseas, the export proceeds shall be regarded as realized, provided the arrangement is recognized under FEMA. Consequently, the export realization requirement under GST shall be deemed to be satisfied.

Realization of export proceeds in case of export of goods

Issue	Clarification
Applicable timeline for realization of export proceeds under GST	The timeline prescribed under FEMA and RBI guidelines shall apply for determining realization of export proceeds under Rule 96B of the CGST Rules.
Recovery of GST refunds in case where export proceeds are not realized	Refunds may be recovered under Rule 96B where export proceeds are not realized within the FEMA-prescribed period (including permitted extensions).
Cases where realization requirement is written off	No recovery of GST refund shall be initiated where the requirement of realization has been written off, wholly or partly, by the Authorized Dealer (AD) Bank.

Our Comments

The Circular adopts a pragmatic approach by aligning GST requirements with FEMA and RBI regulations, thereby reducing uncertainty around export realization. The recognition of receipts through repatriable INR accounts, FEMA compliant set-off arrangements, and net retention mechanisms is expected to provide significant relief to exporters, stockbrokers, and reinsurance intermediaries. The clarification also strengthens the position that export benefits should not be denied where foreign exchange regulations treat the export proceeds as duly realized. Further, linking refund recovery provisions to FEMA timelines and write-offs granted by AD Banks brings greater certainty and reduces the risk of unnecessary disputes in export refund matters.

CBIC Circular 264/10/2026-GST: Omission of rule 96(10) and Pending Proceedings

Rule 96(10) was introduced with effect from 23 October 2017 to prevent exporters from claiming dual benefits, namely concessional or exempt procurement benefits along with refund of IGST paid on exports. Subsequently, based on the recommendations of the 54th GST Council Meeting, the Rule was omitted with effect from 8 October 2024. However, uncertainty persisted regarding whether the omission would apply only prospectively or would also impact ongoing disputes and proceedings relating to past periods.

To address this issue, the Circular clarifies the effect of the omission in light of the Supreme Court's ruling in Goodluck India Limited & Anr. vs. Union of India & Ors [Special Leave Petition (Civil) No. 24550 of 2025]. The Court, relying on the principles laid down in Kolhapur Canesugar Works Ltd. vs. Union of India [(2000) 2 SCC 536], held that where a provision is omitted without a saving clause, pending proceedings under such provision cannot continue after the date of omission.

Accordingly, the Circular clarifies that the omission of Rule 96(10) will apply to all proceedings that were pending as on the date of its omission. The same principle has also been extended to the omission of Rules 89(4A) and 89(4B) of the CGST Rules.

Our Comments

The Circular provides significant relief to exporters by aligning departmental practice with the Supreme Court's ruling and bringing certainty to pending disputes involving Rule 96(10). Exporters facing refund denials, recovery proceedings, or litigation under the omitted provision may now have stronger grounds for closure of such matters. The clarification is expected to reduce ongoing litigation, facilitate resolution of pending refund claims, and ensure a uniform approach by tax authorities.

CBIC Circular 265/11/2026-GST: Classification and Rates on Certain Goods

The CBIC has clarified the classification and applicable GST rates for the goods below to ensure uniformity.

Issue	Clarification
Classification of Sublimation Paper	Sublimation paper is classifiable under Heading 4809 and attracts 18% GST. Past disputes to be regularized on an "as is where is" basis. (S. No. 176 of Schedule II of Notification No. 09/2025-CT (R) dated 17 September 2025)
GST Rate on Toys	The scope of toys under Heading 9503 includes all toys covered under the heading and is not restricted to the specific examples listed in the tariff. Non-electronic toys attract 5% GST, while electronic toys attract 18% GST.
ITC restriction under Margin Scheme for Old and Used Motor Vehicles	The condition regarding non-availment of ITC under Notification No. 08/2018-CT(R), Notification No. 09/2018-IT(R) and Notification No. 01/2018-CC (R) applies only to the old and used motor vehicle supplied under the margin scheme. It does not extend to other eligible inputs, input services, or capital goods used in the business.
Classification of Seaweed Extract-Based Bio-Stimulants	Seaweed extract-based bio-stimulants registered under Schedule VI of the Fertilizer Control Order, 1985 are classifiable under Heading 3101 as fertilizers and attract 5% GST. Past disputes to be regularized on an "as is where is" basis. (S. No. 237 of Schedule I of Notification No. 9/2025-CT(R) dated 17 September 2025)

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Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to ***Think Next.***

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