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Executive Summary: Key Recommendations of the 57th GST Council Meeting

The 57th GST Council meeting introduced significant reforms designed to streamline tax administration, expand Input Tax Credit (ITC) benefits, simplify compliance for small businesses and e-commerce sellers, and ease dispute resolution procedures.

1. Ease of Registration & Compliance

- **Automated GST Registration:** Low-risk applicants will receive automated registration within **3 working days**, significantly reducing officer intervention.
- **Auto-Approved Amendments:** Changes to trade name, partners/directors, and additional places of business will be auto-approved to streamline compliance.
- **Return Rectification:** Taxpayers can correct errors in prior return periods and rectify incorrect GSTIN entries, reducing automated notices for data-entry mistakes.
- **Automated Cancellation & Restoration:** Registration cancellation for small taxpayers will be automated (with the final return forming part of the closure application). Suspended registrations will automatically restore once pending returns or bank details are updated.
- **Annual Return Option for Small B2C Taxpayers:** Taxpayers with turnover up to **₹5 crore** engaged in B2C transactions can opt for annual returns with quarterly tax deposits.

2. Input Tax Credit (ITC) Expansion & Simplification

- **Invoice Matching via IMS:** Input Tax Credit (ITC) will pop up in returns based on buyer-accepted invoices through the Invoice Management System (IMS).
- **Employee Insurance:** ITC is now available on health and life insurance provided to employees as legal business expenditure.
- **Infrastructure Relief:** ITC will be allowed on telecom towers and pipelines laid outside factory premises.
- **Samples & Destroyed Goods:** ITC reversals are eliminated on free samples and legally destroyed/expired inventory.
- **Buyer Protection Committee:** A committee will submit a report within **3 months** on mechanisms to safeguard ITC for genuine buyers against supplier defaults.

3. Refunds & Cash Ledger Modernization

- **Faster Refund Acknowledgments:** Acknowledgment timelines are reduced from **15 days to 10 days**, with **90% of refunds** processed rapidly via automated risk assessments.
- **Automated Cash Balance Refunds:** Excess cash ledger balance refunds will be fully automated without officer intervention.
- **Inverted Duty Structure Adjustments:**
 - ITC on input services will be included in refund calculations for credit availed from **November 1, 2026**.
 - ITC refunds on plant and machinery will be allowed at **1/60th per month** starting **April 1, 2027**.

4. Enforcement, Prosecution & Litigation Relief

- **Abolition of Arrest Powers:** The power of arrest under GST is removed, shifting enforcement strictly toward data-driven detection.
- **Higher Prosecution Threshold:** The monetary threshold for prosecution increases from **₹1 crore to ₹5 crore**, and minimum mandatory sentences have been eliminated.
- **General Penalty Reduction:** The penalty for minor procedural defaults drops from **₹25,000 to ₹10,000**.
- **De Minimis Tax Demands:** No tax notices will be issued for demand amounts under **₹10,000**.
- **Inter-State Transit Protections:** Transit vehicles will only be intercepted based on specific intelligence and prior written approval, preventing duplicate checks across state borders.

5. Exports, Cross-Border & E-Commerce Reforms

- **Export Benefits for Foreign Branches:** Services delivered through overseas branches of Indian companies qualify for export benefits.
- **Job Work & Testing Services:** Testing, research, and repair services conducted on foreign goods inside India will be treated as export of services.
- **Realignment of E-Commerce Operations:** E-commerce sellers can declare third-party fulfillment/warehouse centers as their principal place of business in other states.
- **Model-Neutral Service Taxation:** GST rates will depend on the nature of the underlying service rather than the platform's business model, eliminating double taxation on same-line resale services.