

## Next-Gen GST Process Reforms

### PIB Analysis

### Introduction and Tax Structure Evolution

- **Milestone in Taxation** - Launched on 1 July 2017, GST consolidated diverse Central and State taxes into a single framework under the principles of "One Nation, One Tax" and "Ek Bharat - Shreshtha Bharat".
- **Rate Structure Rationalization (56th and 57th Council Meetings)** - Simplified the traditional four-tier rate structure into two primary rates (5% and 18%).
- Retained a special 40% rate for select luxury and demerit goods/services.
- Introduced process reforms to streamline trade facilitation, compliance, and dispute resolution.

### GST Scale and Performance (As of September 2026)

| Metric                        | Growth / Performance Figure                              |
|-------------------------------|----------------------------------------------------------|
| Taxpayer Base                 | Expanded from ~60 lakh (2017) to ~1.70 crore (Sept 2026) |
| Invoice Uploads               | 3,053 crore cumulative invoice uploads processed         |
| E-Way Bills Processed         | 833.82 crore cumulative e-way bills generated            |
| Gross Revenue (Apr-Sept 2026) | Rs.12.46 lakh crore (+11.6% Y-o-Y growth)                |

### Major Process and Compliance Reforms

#### Registration and E-Commerce Simplification

- **Enhanced Usability** - GST portal updated with contextual guidance, drop-down tooltips, and clear navigational paths.
- **Automatic Acceptance of Amendments** - Non-core amendments update automatically in real time. For taxpayers registered via the

automated route, changes to the Principal Place of Business (PPOB) are also auto-approved.

- **Two-Phase Automatic Registration Cancellation -**
- *Phase 1* - Applications automatically accepted if pending returns/dues are settled and passed-on ITC does not exceed Rs.2.5 lakh/month (or final return filed within prescribed time).
- *Phase 2* - Full auto-acceptance for all cancellation applications upon filing final returns; FORM GST REG-16 merged with FORM GSTR-10.
- **Relief for Small E-Commerce Sellers -** Non-resident small sellers passing ITC Rs.2.5 lakh/month can use simple PAN-based registration in other States/UTs, declaring the Electronic Commerce Operator (ECO) warehouse as their PPOB.

### **Return Accuracy and ITC Reconciliation**

- **System Interoperability** - Upgraded GSTR-1/1A/IFF for seamless auto-reconciliation with GSTR-3B and GSTR-2B.
- **Reverse Charge Mechanism (RCM)** - Introduced an "*Electronic Statement of tax paid on Reverse charge basis and ITC claimed*".
- **Invoice Management System (IMS)** - Recipients can accept, reject, or mark documents pending for accurate ITC claims.
- **Implementation Timeline** - Alternate liability and ITC correction mechanisms in GSTR-3B take effect from the April 2027 return period.



## Streamlined, System-Based Refunds

- **Phase 1 Automation** - Refund acknowledgement window reduced from 15 to 10 days (deemed acknowledged if no notice is issued).
- Up to 90% automated provisional sanction for zero-rated supplies and inverted duty structure claims based on risk assessment.
- **Phase 2 Automation** - Full automated refund sanctioning and processing by system algorithms.
- **Rule and Statutory Adjustments** - Removed the turnover cap (1.5x domestic supply value) on zero-rated supplies under Rule 89(4)(C).
- Revised Section 54(14) so the Rs.1,000 refund threshold applies to the aggregate refund sum (CGST + SGST/UTGST + IGST combined).

## Litigation Reduction and Dispute Resolution

- **De Minimis Threshold** - No Show Cause Notice (SCN) issued for tax demands below Rs.10,000 (pending notices/appeals below this limit will be dropped).
- **Penalty Relief** -
- Penalty reclassified as a 'Charge' upon voluntary discharge of tax,

interest, and penalty within timeline.

- Reduced penalty of 5% applies if tax and interest are paid within 30 days (Section 73) or 60 days (Section 74A) of adjudication.
- Removed the Rs.10,000 minimum penalty in non-fraud cases; lowered maximum general penalty from Rs.25,000 to Rs.10,000.
- Pre-deposit cap capped at Rs.40 crore for penalty-only appeals.



## Key Policy and Statutory Unblockers

- **Lifting Blocked ITC Restrictions** - Input Tax Credit restrictions removed for outdoor catering, health/life insurance, telecommunication towers, off-site pipelines, free samples, and expired written-off goods.
- **Inverted Duty Structure Refunds** - Accumulated ITC refunds on input services and capital goods (spread over 60 months) take effect on 1 November 2026 and 1 April 2027, respectively.
- **Prosecution Threshold** - Raised 5-fold from Rs.1 crore to Rs.5 crore under Section 132(1) to foster a trust-based tax system.
- **Transit and Inspection Safeguards** - E-way bill conveyances can only be intercepted based on specific intelligence with prior authorization from an officer of Joint Commissioner rank or higher; transit confiscation under Section 130 eliminated.
- **Late-Fee Waivers** - Full waiver on delayed return filing for taxpayers with aggregate annual turnover up to Rs.5 crore, provided filing is completed within the due month.

## Reference

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