Key Changes Effective 1 November 2026

Trade facilitation rules following Notification No. 03/2026–Central Tax

Post-sale discounts eased

No pre-existing written agreement or invoice-to-invoice linking required. Suppliers can issue credit notes if the recipient reverses the matching ITC.

Decriminalisation and Litigation Caps

57th GST Council recommendations; legislative enactment targeted for 1 April 2027

Arrest powers

Removal of Section 69 arrest powers of tax officers for ordinary tax disputes.

Prosecution limit

Threshold for initiating prosecution raised fivefold, from ₹1 crore to ₹5 crore.

Notice and penalty floors

No show-cause notices for amounts below ₹10,000. General penalty cap cut from ₹25,000 to ₹10,000.

Transit interceptions

Vehicle stops and e-way bill checks limited to state jurisdiction, with joint commissioner-level written authorisation based on concrete intelligence.

E-Invoicing for RCM Self-Invoices

Notification No. 04/2026–Central Tax; effective 1 January 2027

WHO MUST COMPLY

Registered buyers with AATO above ₹5 crore in any financial year from 2017–18 onwards must e-invoice inward RCM liabilities.

Self-invoicing under Section 31(3)(f) moves onto the IRP.

RCMDOM

Recipient-side self-invoice for specified domestic supplies from unregistered vendors.

RCMIMP

Recipient-side self-invoice for import of services from overseas suppliers.

New supply-type codes under schema version 1.2 via Form GST INV-01.

RCM E-Invoicing: Compliance and Reconciliation

30-day window

Rule 47A requires self-invoices to be generated and reported on the IRP within 30 days of receipt.

Automatic flow

Self-invoices push into the buyer's GSTR-2B and the Invoice Management System (IMS).

Track cash and ITC

Reconcile against the newly proposed Rule 86D electronic RCM ledger: cash outflows versus ITC claims.

Tighter Controls on Scrap Transactions

Notification Nos. 04/2026, 06/2026 and 07/2026 (Central Tax), effective 1 November 2026

The reporting mechanics already used for metal scrap now extend to four more waste categories:

Category	HS heading
Used cooking oil	1518
Plastic waste and scrap	3915
Tyre waste and scrap	4004
Electrical and electronic waste (e-waste)	8549

ITC and Refund-Related Changes

Inverted duty structure (IDS) and zero-rated supply refunds

Change	Effective date	Practical impact
Refund of ITC on input services under IDS	1 Nov 2026	Input services credit can also form part of the eligible IDS refund.
Refund of ITC on capital goods under IDS	1 Apr 2027	Capital goods credit eligible for refund, spread over 60 months.
Refund of ITC on capital goods for zero-rated supplies	1 Apr 2027	Capital goods credit eligible, spread over 60 months.

Relaxation of Blocked ITC: Section 17(5)

The 57th GST Council recommended removing ITC restrictions on:

1. Outdoor catering

2. Health and life insurance

3. Telecommunication towers

4. Pipelines laid outside factory premises

5. Free samples

6. Goods destroyed or written off on expiry of shelf life, where required by law

Simplified Registration for Small E-Commerce Sellers

Council recommendation: proposed mechanism

PROPOSED MECHANISM

Eligible small sellers could register in other States without a physical presence, by declaring the e-commerce operator's warehouse as their principal place of business.

Eligibility

Seller meets the prescribed eligibility conditions.

ITC cap

Monthly ITC passed on not above ₹2.5 lakh, excluding stock transfers between distinct persons.

Automated grant

Registration granted through an automated system.

Impact: small sellers can sell across multiple States via e-commerce platforms without a physical place of business in each.