61st Edition

ICAI-GST NEWSLETTER

ICAI - SET UP BY AN ACT OF PARLIAMENT | DECEMBER 2025

Newsletter from The Institute of Chartered Accountants of India on GST

The Council

CA. Charanjot Singh Nanda
President

CA. Prasanna Kumar D
Vice President

CA. Rajendra Kumar P
Chairman, GST & Indirect Taxes Committee

CA. Umesh Sharma
Vice Chairman, GST & Indirect Taxes Committee

CA. Vishnu Kumar Agarwal
CA. Chhaira Jay Ajit
CA. Piyush Sohanrajji Chhajed
CA. Chandrashekhar Vasant Chitale
CA. Vishal Doshi
CA. Arpit Jagdish Kabra
CA. Durgesh Kumar Kabra
CA. Purushottamlal Hukamichand Khandelwal
CA. Mangesh Pandurang Kinare
CA. Priti Paras Savla
CA. Babu Abraham Kallivayalil
CA. Dayaniwas Sharma
CA. Madhukar Narayan Hiregange
CA. Sridhar Muppala
CA. Sripriya K
CA. Ravi Kumar Patwa
CA. Sanjib Sanghi
CA. (Dr.) Rohit Ruwatia Agarwal
CA. Abhay Chhajed
CA. (Dr.) Anuj Goyal
CA. Satish Kumar Gupta
CA. Gyan Chandra Misra
CA. Pankaj Shah
CA. Sanjay Kumar Agarwal
CA. Hans Raj Chugh
CA. Pramod Jain
CA. Rajesh Sharma
CA. (Dr.) Sanjeev Kumar Singhal
Shri Bala Murugan D.
Shri Manoj Kumar Sahu
Shri Naveen Singhvi
Shri Sanjay Sharan
Justice (Former) Shashi Kant Gupta
Shri Mukhmeet Singh Bhatia
Shri Vinod Kumar Jindal

Contents

President's Communication

Dear Professional Colleagues,

Greetings!

India's economy continues to show steady growth as GST revenue for December 2025 stood at ₹1,74,550 crore, a 6.1% growth over the ₹1,64,556 crore collected in December 2024. This growth reflects both robust economic activity and the adaptability of Indian businesses in navigating a dynamic tax and compliance environment.

The Institute of Chartered Accountants of India (ICAI), through its GST & Indirect Taxes Committee, continues to play a proactive role in supporting the Government and strengthening the GST ecosystem. The continous engagement reflects ICAI's commitment to bridging the gap between policy formulation and practical implementation. In line with this objective, the Committee entered into a Memorandum of Understanding (MoU) with the Taxes Organisation, Government of Odisha, on 15th December 2025, aimed at capacity building and knowledge enhancement of GST officers.

Over the years, ICAI has consistently contributed to policy formulation, effective implementation and knowledge dissemination in the GST domain. The Institute regularly reviews developments in indirect tax laws and submits well considered and pragmatic recommendations to the Government to further strengthen the GST framework. By actively participating in consultations and providing actionable insights, ICAI ensures that the GST system always remains efficient, transparent, and business-friendly. ICAI submitted its suggestions last month on issues impacting the Ease of Doing Business to the CBIC, DG-GST, and the office of C & AG of India.

The Institute has also played a key role in capacity-building of GST officers across the country. Since the implementation of GST, the Committee has consistently organized training programmes and extended faculty support to Central and State GST Departments. Recently, we organised the Training Programme for Promotion to the Grade of Superintendent for Inspectors from 1st to 3rd December 2025 at NACIN, Shillong. This was followed by the Induction Training Programme for Inspectors, conducted from 12th to 15th December 2025 at NACIN, Kolkata. These initiatives reflect ICAI's sustained efforts to enhance professionalism, improve administrative efficiency, and promote uniformity in GST operations across India.

Chartered Accountants have played a pivotal role in this journey by helping businesses navigate the evolving tax landscape, simplify compliance, and ensure timely and accurate filings. As trusted advisors, CAs bridge the gap between policy and implementation, enabling enterprises—large and small—to adapt smoothly to regulatory changes.

As the business and regulatory environment continues to evolve, it is essential for the Institute and its members to remain committed to continuous learning, innovation, and professional excellence. This commitment strengthens our seven-decade legacy and reinforces the profession as a benchmark of integrity, competence, and nation-building.

I hope this edition of the Newsletter serves as a valuable resource in your professional journey. I encourage all members to keep enhancing their knowledge and skills, as our collective growth strengthens the profession, benefits society, and drives us towards greater achievements.

CA. Charanjot Singh Nanda
President
The Institute of Chartered Accountants of India

PHOTOGRAPHS

A Memorandum of Understanding between the Institute of Chartered Accountants of India (ICAI) and the State Taxes Department, Government of Odisha, for the Capacity Building Programme was signed on 15.12.2025.

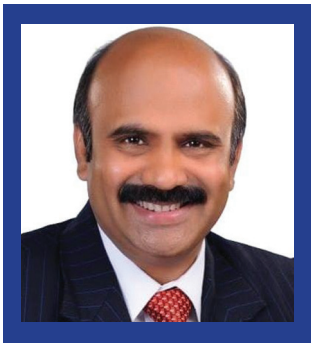
Release of the GST & IDTC's new publications "Technical Guide on GST Annual Return – Form GSTR-9" and "Technical Guide on GST Reconciliation Statement (Form GSTR-9C)" during the 104th Meeting of the Committee held on 2.12.2025.

"Induction Training for CGLE 2024 Batch" for Inspectors of CGST & CX organised by GST & IDTC, ICAI at NACIN, Kolkata from 12.12.2025 to 15.12.2025.

Webinar on "E-Invoicing and E-Reporting in the European Union" organised by GST & IDTC, ICAI on 9.12.2025.

"Training for Promotion to the Grade of Superintendent" for Inspectors organised by GST & IDTC, ICAI at NACIN, Shillong from 1.12.2025 to 3.12.2025.

Chairman's Communication



Esteemed Member,

Warm Greetings!

As we mark the completion of eight transformative years since the implementation of the Goods and Services Tax (GST) in July 2017, it is an opportune moment to reflect on the remarkable journey of this landmark reform. Over the years, GST has evolved into a more streamlined, technology-driven and compliance-oriented tax regime, reshaping India's indirect tax landscape and significantly contributing to the ease of doing business. This progress has been made possible through the collective and collaborative efforts of policymakers, tax administrators and professionals, who continue to navigate an increasingly dynamic and evolving framework.

In this context, recent legislative and policy developments effective from 1st February 2026 assume particular significance. The insertion of Rule 31D, prescribing valuation of specified sin goods such as pan masala, unmanufactured tobacco, cigars and similar products on the basis of the Retail Sale Price (RSP) reduced by applicable tax, marks an important step towards strengthening valuation discipline under GST. This amendment reflects the Government's continued emphasis on certainty, transparency and revenue protection in sensitive sectors.

In continuation of these measures, corresponding safeguards have been incorporated in the input tax credit framework to ensure that the revised valuation and rate structure results in actual revenue realisation. Accordingly, relief from the restrictions under Rule 86B has been extended to non-manufacturers dealing in notified sin goods only where tax is discharged on an RSP basis, as RSP-based valuation eliminates the scope for undervaluation and the risk of revenue leakage, thereby justifying such conditional relaxation.

Further, with the phasing out of the Compensation Cess regime, the Government has undertaken a compensatory recalibration of GST rates on specified sin products. Accordingly, amendments to Notification No. 19/2025–Central Tax (Rate) dated 31.12.2025 have increased the GST rate on pan masala and certain tobacco products from 28% to 40%. In parallel, and with effect from 1st February 2026, the levy of Compensation Cess on these products has been withdrawn by substituting the applicable cess rate with "Nil" in Notification No. 1/2017–Compensation Cess (Rate). This aligned approach reflects a conscious shift towards revenue consolidation within the GST rate structure in the post-compensation era.

In keeping with its commitment to capacity building and global awareness, the GST & Indirect Taxes Committee of ICAI proactively hosted a webinar on "E-Invoicing and E-Reporting in the European Union" on 9th December 2025, featuring faculty Mr. Stephen Dale, Chair of the VAT and Duties Committee, ICAEW, and Ms. Ruth Corkin. The webinar provided members with timely and practical insights into global e-invoicing developments and was conducted in a clear and comprehensible manner. The participation of international faculty enriched the deliberations by offering global perspectives and practical experiences, enabling members to better appreciate evolving international practices.

The Committee remains committed to upholding the highest standards of professional excellence, and this Newsletter serves as a reliable resource on recent amendments, clarifications and compliance best practices under GST. I encourage members to share their feedback as we collectively foster knowledge, strengthen compliance and contribute meaningfully to the evolving GST ecosystem.

CA. Rajendra Kumar P
Chairman
GST & Indirect Taxes Committee
The Institute of Chartered Accountants of India

GST on Royalty: The Continuing Discussion on RCM, Tax Rate, and Constitutional Validity

In commercial and legal parlance, royalty refers to a recurring payment made by one party to another for the right to use, extract, or commercially exploit a resource, asset, or property belonging to the latter. The concept applies across various contexts—such as payments for the use of intellectual property, natural resources, or brand rights—but assumes particular significance in the mining sector, where it denotes the amount payable by a lessee to the lessor, often the State Government, for the right to extract minerals from leased land. Statutorily, in India, royalty on minerals is governed by Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957, which prescribes that a mining leaseholder must pay royalty to the State at the rates notified by the Central Government. Economically, royalty functions as a consideration for the depletion of a natural resource, while legally it occupies a complex position—straddling the line between a contractual payment for mineral rights and a sovereign charge linked to land and resource ownership.

With the introduction of the Goods and Services Tax (GST) in 2017, the taxation of royalty payments—particularly those made to State Governments for the grant of mining rights—acquired renewed significance and complexity. What was once governed under the erstwhile service tax framework has now become a focal point of dispute under the unified GST regime. The key questions that have emerged concern not only the nature and classification of royalty but also the legislative competence to levy GST on such payments, and the applicable rate during different periods of implementation. These issues continue to shape the evolving jurisprudence on the fiscal treatment of royalties in India.

The levy of Goods and Services Tax (GST) on royalty paid to State Governments for the grant of mining rights remains one of the most debated and litigated issues under the GST regime. Despite multiple circulars, advance rulings, and significant judicial developments, considerable uncertainty continues to surround key aspects of the levy—namely:

(a) whether royalty is, in substance, a tax;

(b) whether royalty constitutes "consideration" for a taxable supply and, consequently, whether GST on such payments falls within the constitutional competence of the legislature; and

(c) the applicable rate of GST prior to 1 January 2019.

This article undertakes a structured analysis of these questions with reference to the prevailing jurisprudence, statutory framework, and the most recent pronouncements of the Honourable Supreme Court of India

1. Whether royalty is tax?

Royalty, as defined under Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957 ("MMDR Act"), is a payment made by the lessee to the lessor (often the State government) for the extraction of minerals. Historically, there has been substantial confusion regarding the nature of this payment, with earlier court rulings sometimes blurring the lines between royalty and tax.

The apex ruling in case of Mineral Area Development Authority vs. M/s Steel Authority of India ([2024] (SC)) holds that royalty is not a tax.

In the case of Mineral Area Development Authority v. M/s Steel Authority of India, the Supreme Court delivered an 8:1 majority judgment holding that royalty is not a tax and affirming states' power to tax mineral rights and mineral-bearing lands.

The Court clarified that royalty is a contractual consideration paid for the enjoyment of mineral rights under a lease agreement. Even though royalty rates are prescribed under the MMDR Act, the payment retains its character as a contractual obligation and not a statutory exaction in the nature of a tax. States can levy taxes on mines and minerals under Entries 49 (land) and 50 (mineral rights), subject to constitutional limitations.

Historic Overview

a) India Cement Ltd. v. State of Tamil Nadu [1990] 1 SCC 12. In this case, a seven-judge bench of the Supreme Court held that royalty was, in fact, a tax, thus limiting the ability of State legislatures to impose additional levies on mineral rights under Entry 50 of List II of the Seventh Schedule to the Indian Constitution.

b) In State of West Bengal v. Kesoram Industries Ltd. [2004] 10 SCC 201, a five judge bench the Court took a different stance, clarifying that royalty is not a tax but a payment for the use of land or mineral rights. The Court distinguished between taxes, which are levied for public purposes, and royalty, which is a consideration for the commercial use of mineral resources.

c) The conflict between these two judgments led to the constitution of a nine-judge bench in the Mineral Area Development Authority case to resolve the issue definitively. The ruling overturns the India Cement decision and aligns with the view expressed in Kesoram Industries, holding that royalty is a contractual payment, not a tax.

So, the above Hon'ble Supreme Court ruling harmonizes the conflict by affirming that royalty is not a tax.

2. Whether royalty constitutes consideration for a "supply"?

Hon'ble Supreme Court rulings discussed above has settled that royalty is not a tax, the crucial question that remains unresolved is "Whether the payment of royalty to government could be treated as consideration against the supply of service/deemed service or not"

The uncertainty is evident from earlier service tax litigation as well. In the case of Udaipur Chambers of Commerce and Industry v Union of India (2018), wherein the Rajasthan High Court found no illegality on levy of service tax on royalties but, on being challenged before the Hon'ble Supreme Court, the demand of service tax on royalties was stayed.

Furthermore, in the case of Goa Mining Association and Anr v Union of India and Ors (2017), the Hon'ble Bombay High Court at Goa granted an interim stay on imposition of service tax on royalties under section 9 of the Mines and Minerals (Regulation and Development) Act, 1957. A similar interim relief was granted by Madras High Court too.

An important constitutional dimension arises from the nine-judge Bench ruling of the Supreme Court in Mineral Area Development Authority v. Steel Authority of India & Ors., [2024]

An additional dimension arises from Para 121 of the above-said nine-judge bench ruling in case of Mineral Area Development Authority vs. M/s Steel Authority of India ([2024] (SC)) which states that royalty is land revenue.

Para 121 of said ruling states -

The decision in Kesoram (supra) analyzed the nature of royalty to hold that royalty is not a tax, but a payment made to the owner of land who may be a person and may not necessarily be the state. 175 It held that India Cement (supra) was caused by "an apparent typographical error or inadvertent error" and should not be understood as a correct declaration of law. Kesoram (supra) also expressed its disagreement with Mahalaxmi Fabric Mills (supra) to the extent it had held that there was no "typographical error" in India Cement (supra). Importantly, Kesoram (supra) concurred with India Cement (supra) on the aspect that cess on royalty is beyond the legislative competence of the state legislatures.

The Court, while reconciling the conflicting views in India Cements Ltd. v. State of Tamil Nadu and State of West Bengal v. Kesoram Industries Ltd., held that royalty is not a tax, but a contractual payment made by a mining lessee to the lessor—often the State—for the enjoyment of mineral rights. The Court clarified that although royalty rates are prescribed under the Mines and Minerals (Development and Regulation) Act, 1957, the payment retains its character as consideration under a lease arrangement and does not partake of the nature of land revenue or a statutory exaction.

Since the royalty is land revenue, it is to be treated as a state-imposed levy directly associated with the extraction or use of resources from land and is governed by Entry 23 of List II of Article 246 of the Constitution.

That Entry 23 of List II allows the State Legislature to make laws regarding the "Regulation of mines and mineral development subject to the provisions of List I with respect to regulation and development under the control of the Union.

Article 246A of the Constitution confers concurrent powers on both Parliament and the State Legislatures to levy the Goods and Services Tax on supplies of goods and services. Nevertheless, this taxing power is not without limits. Certain transactions fall outside the scope of GST, particularly those that are intrinsically linked to ownership or use of land, which continue to fall within the States' exclusive domain under the Seventh Schedule.

This exclusion is explicitly reflected in paragraph 5 of Schedule III to the Central Goods and Services Tax Act, 2017, which provides that the sale of land and, subject to clause (b) of paragraph 5 of Schedule II, the sale of building shall neither be treated as a supply of goods nor as a supply of services.

Drawing an analogy from this principle, it is sometimes argued that payments such as royalty for mineral rights—being directly associated with the use or enjoyment of land and its resources—represent a charge connected to land rights rather than consideration for an economic supply. On this view, royalty would fall within the States' exclusive fiscal authority and outside the ambit of GST, which is a tax on commercial supplies of goods and services.

However, the issue remains legally unsettled. While several High Courts and the Supreme Court have granted interim protection in ongoing challenges, others have upheld the applicability of GST to royalty on the reasoning that it constitutes contractual consideration for the grant of mining rights. Given these divergent positions and the constitutional questions involved, the taxability of royalty under the GST regime remains an open question of law, pending final adjudication by the Supreme Court in the Udaipur Chambers of Commerce and related matters.

3. GST Rate on Royalty Prior to 01.01.2019: 5% or 18%?

The applicable GST rate on mining rights for the period preceding 1 January 2019 has been one of the most contentious interpretational issues under the GST regime

From the taxpayers' perspective, the grant of mining rights by the Government represents a licensing service

falling under Service Accounting Code (SAC) 997337 — Licensing services for the right to use minerals including their exploration and evaluation — within Heading 9973 of the GST classification framework. This activity is covered by Entry 17 of Notification No. 11/2017–Central Tax (Rate), dated 28 June 2017, as subsequently amended by Notification No. 27/2018–Central Tax (Rate), dated 31 December 2018.

Entry 17 enumerates specific categories of leasing or rental services, such as motor vehicles, aircraft, and ships, each with its own prescribed rate. Since mining leases are not expressly covered under any of these specific sub-entries, it is argued that the transaction appropriately falls within the residuary sub-entry (item viii) of Entry 17. For the period up to 31 December 2018, this residuary entry subjected such licensing services to GST at the same rate applicable to the supply of like goods involving transfer of title in goods.

Based on this linkage, taxpayers have contended that where the underlying mineral extracted under the lease falls under HSN 2517—which covers pebbles, gravel, broken or crushed stone, and similar materials commonly used for construction or road works—the corresponding supply of goods attracts GST at 5 per cent. Consequently, royalty paid in respect of such mining or quarrying rights is argued to be taxable at the same 5 per cent rate for the period prior to 1 January 2019. Thereafter, with effect from 1 January 2019, the applicable rate is asserted to have increased to 9 per cent CGST and 9 per cent SGST, pursuant to the amendment introduced by Notification No. 27/2018.

This interpretation finds support in Advance Ruling No. KAR ADRG 69/2019 (M/s NMDC Limited, dated 21 September 2019), wherein the Karnataka Authority for Advance Ruling held that royalty paid for mining leases constitutes consideration for licensing services under SAC 997337, taxable at the rate applicable to the supply of like goods up to 31 December 2018 and at 18 per cent thereafter under the residual sub-entry of Serial No. 17 of Notification No. 11/2017–CTR.

Department's View and Reliance on Circular No. 164/20 /2021-GST, dated 6th October, 2021

Contrary to the taxpayers' position, the tax administration has consistently maintained that the grant of mining rights by the Government constitutes a taxable licensing service under the GST framework, liable to tax at the standard rate of 18 per cent from the inception of the regime. This view was first affirmed through appellate rulings and later formalised by the Central Board of Indirect Taxes and Customs (CBIC).

In Penguin Trading & Agencies Ltd. (AAAR–Odisha, Order No. 01/ODISHA-AAAR/2021, dated 11 August 2021), the Appellate Authority for Advance Ruling examined the classification and applicable rate on royalty paid for mining rights. The Authority held that the activity is appropriately classifiable under SAC 997337 – Licensing services for the right to use minerals including their exploration and evaluation, falling under Heading 9973. It further concluded that the supply is covered under the residuary item of Serial No. 17 of Notification No. 11/2017–Central Tax (Rate) and that, for the entire period from 1 July 2017 onwards, such services attract GST at 9 per cent CGST and 9 per cent SGST (i.e., 18 per cent in aggregate).

This interpretation was later endorsed by the CBIC through Circular No. 164/20/2021–GST, dated 6 October 2021, which clarified that the grant of mineral exploration and mining rights—as well as similar licensing arrangements for natural resources—is taxable at the standard rate of 18 per cent, both before and after 1 January 2019. The circular also traced the policy continuity from the service-tax era, where the same activity was subject to the standard service-tax rate, and emphasised that the GST Council had never recommended any concessional rate for such transactions.

Accordingly, the Department's view is that royalty or dead rent paid to the Government for mining leases constitutes consideration for a supply of service, taxable under reverse charge at 18 per cent, irrespective of the period. This stance has since been reiterated in various subsequent advance rulings and departmental communications

the Department maintains that the liability to pay GST on royalty for mining rights rests with the recipient of the service under the Reverse Charge Mechanism (RCM), as specified in Notification No. 13/2017–Central Tax (Rate), dated 28 June 2017. Under this notification, any service supplied by the Central or State Government to a business entity—except for specifically excluded categories—is liable to tax under RCM. Since the grant of mining rights constitutes a service provided by the State Government to a business entity, the tax is payable by the lessee rather than by the Government itself, thereby ruling out any forward charge collection by the supplier

The period prior to 1 January 2019 remains legally contentious, marked by divergent interpretations on the classification and applicable rate of GST on royalty for mining rights. The central controversy turns on whether the grant of mining rights should be viewed as a service analogous to the supply of like goods, attracting the same rate as the underlying minerals, or as a licensing service falling under the residuary category taxable at the standard rate of 18 per cent.

Despite important judicial developments, the GST treatment of royalty on mining rights remains an area of pronounced legal uncertainty. The Supreme Court's nine-judge Constitution Bench has resolved the long-standing question that royalty is not a tax, but it did not finally determine every GST question arising from royalty payments. Administrative clarifications and advance rulings are divided: the tax administration treats the grant

of mining rights as a taxable licensing service and applies GST (under reverse charge) at 18%, whereas a number of advance rulings and some judicial orders have supported a lower, mineral-specific "like-goods" approach for the period prior to 1 January 2019. Multiple writ petitions and transfer matters (including the consolidated matters arising from Udaipur Chambers and related litigation) are pending before the Supreme Court, and several High Courts have granted interim relief in individual cases. Until the Supreme Court issues a comprehensive ruling that addresses both the character of royalty as "consideration for supply" and the appropriate rate/period treatment, the levy, classification, and applicable rate of GST on royalty will remain contested and the subject of continuing litigation.

Contributed by CA. Chavi Jain

GST Compliance Schedule

Compliances for the month of January 2026

Forms	Compliance Particulars	Due Dates
GSTR 7	Return to be furnished by the registered persons who are required to deduct tax at source.	10.02.2026
GSTR 8	Return to be furnished by the registered electronic commerce operators who are required to collect tax at source on the net value of taxable supplies made through it.	10.02.2026
GSTR 1	Statement of outward supplies by the taxpayers having an aggregate turnover of more than Rs. 5 crore or the taxpayers who have opted for monthly return filing.	11.02.2026
GSTR 1A	Amendment of outward supplies of goods or services for the current tax period.	
IFF	Statement of outward supplies by the taxpayers having an aggregate turnover up to ₹ 5 crore and who have opted for the QRMP scheme.	13.02.2026
GSTR 5	Return to be furnished by the non-resident taxable persons containing details of outward supplies and inward supplies.	13.02.2026
GSTR 6	Return to be furnished by every Input Service Distributor (ISD) containing details of the input tax credit received and its distribution.	13.02.2026
GSTR 3B	Return to be furnished by all the taxpayers other than who have opted for QRMP scheme comprising consolidated summary of outward and inward supplies.	20.02.2026
GSTR 5A	Return to be furnished by Online Information and Data base Access or Retrieval (OIDAR) services provider for providing services from a place outside India to non-taxable online recipient (as defined in Integrated Goods and Services Tax Act, 2017) and to registered persons in India and details of supplies of online money gaming by a person outside India to a person in India.	20.02.2026
PMT-06	Payment of GST for a taxpayer with aggregate turnover up to ₹ 5 crores during the previous year and who has opted for quarterly filing of return under QRMP scheme.	25.02.2026
GSTR-11	Statement of inward supplies by persons having Unique Identification Number (UIN)	28.02.2026

GST on Automobile Industry – Practical Issues and Compliance Aspects

INTRODUCTION

The automobile industry, spanning passenger vehicles, two-wheelers, commercial vehicles, and tractors, has a deep penetration across both urban and rural India. While GST has largely streamlined indirect taxation in this sector, several practical challenges and interpretational gaps continue to persist, particularly at the dealer level. This article examines key GST implications applicable to automobile dealers, with specific focus on supply classification, second-hand vehicles, valuation, e-Way Bill requirements, discounts, promotional activities, reverse charge obligations, and treatment of demo vehicles.

INDUSTRY BACKGROUND AND GST LANDSCAPE

The automobile industry in India covers a wide range of vehicles, including cars, two-wheelers, three-wheelers, trucks, and tractors. The sector has witnessed robust growth, with rural demand outpacing urban demand in recent years. Despite the maturity of GST law, a considerable gap remains in understanding and implementing GST provisions, especially among dealers operating in semi-urban and rural areas.

Given the multi-faceted nature of dealership operations—covering sale of vehicles, parts, services, financing facilitation, and promotional activities—GST compliance requires careful analysis of each transaction.

A. SUPPLY OF GOODS AND SERVICE

An automobile dealer is typically engaged in multiple taxable activities, including:

- Sale of vehicles
- Sale of spare parts, accessories, and implements
- Vehicle repair and servicing (including free services on behalf of OEMs)
- Sale of extended warranties on behalf of OEMs
- Facilitation of vehicle finance through banks and NBFCs
- Facilitation of insurance policies for customers

These supplies are generally taxable under forward charge. However, an important exception exists where the dealer acts as a Business Facilitator for banks. Pay-outs received for referring loan cases and allied services fall under **Reverse Charge Mechanism (RCM)** in terms of *Notification No. 29/2018 – Central Tax (Rate), dated 31 December 2018*.

B. PURCHASE & SALE OF SECOND-HAND VEHICLES

The purchase and sale of second-hand vehicles has become an integral revenue stream for automobile dealers. However, misconceptions regarding GST applicability on such transactions are still prevalent, particularly in rural markets.

It is important to understand the different modes for acquisition of old vehicles. Dealers may acquire second-hand vehicles through:

1. **Exchange against new vehicle sale –** It is a very common practice in the automobile industry whereby a dealer selling a new vehicle buys the old vehicle in exchange, from the customer. Although, the dealer might be charging the net amount from the customer i.e Total sales consideration of new vehicle minus the value of old vehicle he receives in exchange, but these are two different supplies. One supply is of new vehicle and other supply is of old vehicle from customer to the dealer. As these are two separate supplies, applicable GST is to be charged on both the supplies.
2. **Independent trading in old vehicles –** It is seen that many dealers along with selling and servicing new vehicles, also get into the business of buying and selling old vehicles. Such old vehicles can be bought either from an unregistered person or from a registered person.
3. **Repossession due to loan default**

GST on purchase of old vehicles –

- **Purchase from unregistered persons (B2C):**

  Treated as inward supply from unregistered persons; RCM is not applicable.

- **Purchase from registered persons (B2B):**

  The supplier charges GST after considering:

  - Section 15 of the CGST Act
  - First proviso to Rule 43(c) of the CGST Rules
  - Notifications No. 8/2018 and 9/2025

  GST paid becomes eligible ITC for the dealer.

Once these old vehicles are purchased by a dealer and no ITC is availed on such purchases, the GST charged on their respective sale will be governed by Rule 32(5).

Relevant Provision:

Rule 32(5) of CCGST Rules - Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be

the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:

Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

As per Rule 32(5), there could be three possible scenarios:

S. No.	TYPE OF VEHICLE	PURCHASE PRICE (A)	SALE PRICE (B)	DIFFERENCE C= (B-A)	GST RATE (D)	GST PAYABLE (C*D)
1.	CAR – Engine Capacity >1500 cc	4,00,000	4,50,000	50,000	18%	9,000
2.	CAR – Engine Capacity >1500 cc	4,00,000	4,00,000	0	18%	0
3.	CAR – Engine Capacity >1500 cc	4,00,000	3,75,000	(25000)	18%	0

One must appreciate all the above-mentioned points while dealing in second hand vehicles which clears the position that sale of old vehicles (on which ITC is not availed on purchase) do not attract any GST until they are sold above the purchase price (including the cost of minor alterations or repairs of such old vehicle), and even then the tax is to be paid only on the difference/margin between the purchase price and sale price.

C. REQUIREMENT OF E-WAY BILL ON OUTWARD SUPPLIES

- **Outward supply to customers**
  - **Who take delivery at the showroom –** Once the delivery of a vehicle is taken at showroom there is no requirement to raise an e-Way bill.
  - **Vehicle is delivered at buyer's place –** When the dealer delivers a vehicle at the doorsteps of a customer, then he is required to raise an e-Way bill, subject to the threshold mentioned in Rule 138 of CGST rules.
- **Outward supply to other dealers –** In case the goods are being supplied from one dealer to another, e-Way bill is to be raised, subject to the threshold mentioned in Rule 138 of CGST rules.
- **Goods returned to the OEM –** When the goods are being returned to the OEM (Original Equipment Manufacturer), either as goods return or as a new supply, if the value of goods is more than the threshold mentioned in Rule 138 of CGST rules, an e-Way bill is required to be raised.
- **Warranty parts returned to the OEM –** When a dealer sends back the replaced parts collected under warranty given by the OEM to its customers through this dealer, a e-Way bill is required for sending these old parts by road subject to the threshold mentioned in Rule 138 of CGST rules.
- **Service Vans for door-to-door servicing of vehicles –** It is important to note that whenever such service vans are while going on a service call, carry spare parts, tool kit etc. and the value of such goods exceeds the threshold mentioned in Rule 138 of CGST rules, a e-Way bill should be generated before the movement of such goods.

D. FREE GIFTS AND DISCOUNTS

- **Discount on the invoice –** Discounts reflected on the tax invoice are permissible, and GST may be charged on the post-discount value
- **Post sale discounts –** post-sale discounts require issuance of credit notes. Depending on conditions, these may be:
  - GST credit notes (with tax adjustment), or
  - Commercial credit notes (without GST impact)

S. No.	QUESTION	GST PAYABLE
1.	Whether a post-sale discount offered by an OEM to its dealer/ distributor, would be treated as a consideration paid by the OEM for the dealer's supply of the same goods to the end customer?	A. In cases where there is no agreement between the OEM and the end customer, there are two independent sales transactions, one from the OEM to the dealer and the other from the dealer to the end customer. These discounts are simply given for competitive pricing to push sales and merely reduce the sale price of the goods and are not linked to any independent activity rendered to the OEM. Therefore, such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods.

		B. in cases where the OEM has some agreement with an end customer to supply goods at a discounted price, the OEM may issue commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer. Therefore, such sale discount should be included/adjusted in the overall consideration.

Guidance is provided in *Circular No. 92/11/2019 and Circular No. 251/08/2025*.

- **Free accessories, parts, implements, Free service(s) or gifts –** It is seen that automobile dealers often give free accessories, parts, implements and other items, along with sale of automobiles. Sometimes these gifts are given as a goodwill gesture while delivering the automobiles and sometimes post-delivery to maintain relationships. These gifts would attract reversal of ITC availed on purchase of such goods as such ITC is blocked as per Section 17(5)(h) of CGST Act.

  Here the automobile dealers have two options:

  a. To give the free gifts and reverse the respective input tax credit. But this option can also attract section 194R of Income Tax Act whereby: Any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of ten per cent of the value or aggregate of value of such benefit or perquisite.

     It would be practically impossible for the dealers to keep track of the total value of perquisites or benefits given to its customers and deduct TDS wherever applicable. Also, it would be an additional cost to the dealer if the dealer deposits such TDS on behalf of the customers.

  b. To issue supply invoices for the these "gifts" so that they become part of the taxable outward supply rather than free gifts.

     It is important that the automobile dealers first be aware of all applicable provisions and take a considered decision of giving free gifts to customers.

E. TREATMENT OF DISPLAY VEHICLES AND TEST DRIVE VEHICLES

Display Vehicles – These are vehicles that are kept on display in the dealer's showroom for a few days and thereafter these vehicles are sold to customers. These remain a part of the stock of such dealers and dealer can avail ITC on such vehicles. Once such vehicle is sold it would be a normal outward supply and will attract the applicable GST upon its supply.

There could arise a situation where such vehicles are sold below the purchase price, which is due to wear and tear of such vehicles while in display. In such cases there is no need to reverse ITC.

Test Drive Vehicles – These vehicles are normally procured by the automobile dealers at a discounted value from the OEMs and become part of the capital assets of the dealer. A dealer must get such test drive vehicles registered with the transport authority, in his name before, it can be put on road for test drive. There was a confusion on whether ITC on such vehicles is available or not? This confusion was cleared through *circular no. 231/25/2024-GST, dt. 10th September 2024*, whereby it was clarified that the ITC on demo or test drive vehicles is available and is not blocked by section 17(5) of CGST Act.

F. APPLICABLE REVERSE CHARGE PROVISIONS

An automobile dealer is required to pay GST under reverse charge mechanism on the following services availed by him:

i. Services of a GTA who is covered under RCM. *(Notification no. 13/2017 CTR, Dt. 28th June 2017)*

ii. Services of an advocate. *(Notification no. 13/2017 CTR, Dt. 28th June 2017)*

iii. Sponsorship services, if the dealer is other than a body corporate. *(Notification no. 13/2017 CTR, Dt. 28th June 2017 and Notification no. 07/2025 CTR, Dt. 16th January 2025)*

iv. Renting of residential dwellings. *(Notification no. 05/2022 CTR, Dt. 13th July 2022)*

v. Services supplied by a director of a company or a body corporate to the said company or the body corporate. *(Notification no. 13/2017 CTR, Dt. 28th June 2017)*.

vi. Security services (services provided by way of supply of security personnel) received from a person other than a body corporate. *(Notification no.29/2018, CTR, Dt. 31st December 2018)*.

vii. Used vehicles, seized and confiscated goods, old and used goods, waste and scrap purchased from a Central Government, State Government, Union territory or a local authority. *(Notification no. 36/2017 CTR, Dt. 13th October 2017)*.

G. POMOTIONAL ACTIVITIES CARRIED ON BY A DEALER – WHETHER A TAXABLE SUPPLY?

A dealer carries a promotional activity to promote sales which includes:

- Promotional activity on his own – Where the dealer uses his own money to do the promotional activity. As the OEM is not involved here, there is no supply of service from a dealer to the OEM, hence no GST impact.
- Promotional activity on behalf of the OEM - where a dealer undertakes specific sales promotional

activities, such as advertising campaigns, co-branding, customization services, special sales drives, exhibition arrangements, or customer support services, etc., only when such services are explicitly stated in the agreement with a clearly defined consideration payable for such a supply. In such cases, the dealer provides a distinct service to the supplier, and accordingly, GST would be chargeable.

- Promotional activity against which discount is given by the OEM - When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales. However, these activities ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. In this context, the discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the OEM, hence no GST impact.

H. WARRANTY REPLACEMENT OF PARTS AND REPAIR SERVICES DURING WARRANTY PERIOD.

A dealer sometimes acts as an extended arm of the OEM and supplies goods and/or services to the customers of the OEM on behalf of the OEM. This is because the OEM at the time of sale of vehicles gives a warranty/extended warranty to its customers who can visit any of the authorised dealers of the OEM and get the required repairs and/or replacements done from such authorised dealers.

S. No.	QUESTION	GST PAYABLE
1.	Whether GST would be payable on replacement of parts and/ or repair services provided by a Dealer without any consideration from the customer, as part of warranty on behalf of the OEM?	When a dealer supplies such goods or services or both to the customer on OEMs behalf, he is supplying these goods or/and services to the OEM and not to the customer. Hence, no GST to be charged by the dealer from the customers. Also, from the perspective of the OEM, he will also not charge any GST as it is presumed that the OEM has already included the cost of such repairs and replacements under warranty, in the initial sales consideration of the vehicle and charged GST, hence no additional GST to be paid unless the OEM demands any additional consideration for such repairs and/or replacements.
2.	In case of replacement of parts by the Dealer under warranty, without charging any consideration, whether any supply is involved between the dealer and the OEM and whether the dealer would be required to reverse the input tax credit in respect of such replacement of parts?	Such replacements of parts can be done in three ways: 1. The dealer replaces such parts from his own stock or buys the part from a third party. He issues a tax invoice in the name of OEM, charges GST and deposits the GST. In this case ITC reversal is not required. 2. The dealer raises a requisition to the OEM for the part(s) to be replaced by him under warranty and the OEM then provides the said part(s) to the dealer for the purpose of such replacement to the customer as part of warranty. In this case the OEM is neither required to charge GST nor to reverse his ITC. 3. The dealer replaces the part(s) to the customer under warranty out of the supply already received by him from the OEM and the OEM issues a credit note in respect of the parts so replaced. In this case the OEM can reduce his tax liability provided the dealer also reverses his ITC.
3.	Where the dealer provides repair service, in addition to replacement of parts or otherwise, to the customer without any consideration, as part of warranty, on behalf of the OEM but charges the OEM for such repair services either by way of issue of tax invoice or a debit note, whether GST would be payable on such activity by the dealer?	There is a supply of service by the dealer, and the OEM is the recipient of such supply of repair services in accordance with the provisions of sub-clause (a) of clause (93) to section 2 of the CGST Act, 2017. Hence, GST would be payable on such provision of service by the dealer to the OEM and the OEM would be entitled to avail the input tax credit of the same, subject to other conditions of CGST Act

For more details on goods and/or services provided by a dealer without consideration, under warranty, on behalf of the OEM, refer to circular no. 195/07/2023-GST, Dt. 17th July, 2023.

Conclusion

The automotive industry growing aggressively with major support from rural areas which is represented by dealers who need handholding to understand the nuances of GST law and run their business successfully with due compliance of GST laws. Once they can understand the various applicable provisions they would like to implement them as best business practices.

Contributed by CA. Rajesh Saluja

GST UPDATES

1. Amendment in CGST Rules, 2017

a) Insertion of Rule 31D – Value of supply of goods on basis of retail sale price

As per the newly inserted rule, the value of supply of Sin goods (pan masala, unmanufactured tobacco, cigars etc.,) shall be deemed to be the Retail Sale Price (RSP) declared on such goods less the amount of applicable tax.

The amount of applicable tax referred above shall be determined in the following manner, namely: —

Tax amount = (Retail sale price X tax rate in % of applicable taxes) / (100+ sum of applicable tax rate).

Following explanations have also been provided:

a) "applicable tax" means IGST or CGST or SGST or UTGST as the case may be.

b) "retail sale price" means the maximum price declared on goods at which such goods in packaged form may be sold to the ultimate consumer and includes all taxes, duties, surcharge or cess by whatever name called.

c) where on the package of any specified goods more than one retail sale price is declared, the maximum of such retail sale price shall be deemed to be the retail sale price.

d) where the retail sale price declared on packages of any specified goods is altered to increase the retail sale price at any stage before, during, or after the supply, such altered retail sale price shall be deemed to be the retail sale price.

e) where different retail sale prices are declared on different packages for the sale of any specified goods above in packaged form in different areas, each such retail sale price shall be the retail sale price for the purposes of valuation of the specified goods intended to be sold in the area to which the retail sale price relates.".

b) Amendment in Rule 86B – Restrictions on use of amount available in electronic credit ledge

A consequential amendment links the valuation reform with input tax credit controls. For these sin products, non-manufacturers shall get relief from Rule 86B restrictions only where tax has been discharged on RSP basis.

2. Amendment in Valuation Notification under Section 15(5)

In parlance with newly added Rule 31D in the CGST Rules, 2017, Government has amended Notification No. 49/2023-CT dt. 29.09.2023 to insert a new clause (iv), to provide that the value of supply shall be the retail sale price declared on the goods, subject to the same explanations and conditions as provided under Rule 31D, in case of sin goods as mentioned in above Notification No. 20/2025-CT dated 31.12.2025.

3. GST Rate Changes for Sin Products

With effect from 1st February 2026, the Government, on the recommendations of the GST Council, has carried out a significant restructuring of the GST rate framework for sin products. Accordingly, through amendments to Notification No. 19/2025–Central Tax (Rate) dated 31.12.2025, goods such as pan masala and various categories of tobacco products, which were hitherto taxable at the uniform rate of 28% under GST, have now been shifted to revised rate slabs as prescribed in below table:

S. No.	Description of Goods	Chapter / Heading / Sub-heading / Tariff item	Old GST Rate	New GST Rate
1.	Biris	2403 19 21, 2403 19 29	28%	18%
2.	Pan masala	2106 90 20	28%	40%
3.	Unmanufactured tobacco; tobacco refuse [other than tobacco leaves]	2401	28%	40%
4.	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	2402	28%	40%
5.	Other manufactured tobacco and manufactured tobacco substitutes; homogenised or reconstituted tobacco; tobacco extracts and essences [other than biris]	2403 (other than 2403 19 21, 2403 19 29)	28%	40%
6.	Products containing tobacco or reconstituted tobacco and intended for inhalation without combustion	2404 11 00	28%	40%
7.	Products containing tobacco or reconstituted tobacco and intended for inhalation without combustion	2404 19 00	28%	40%

Parallel amendment has been made in Notification No. 09/2025 UTT (R) dated 17.09.2025 & Notification No. 9/2025 IT (R) dated 17.09.2025.

4. Amendment in levy of Compensation Cess on Sin Products

With effect from 1st February 2026, the Government, on the recommendations of the GST Council, has withdrawn the levy of Compensation Cess on specified sin products by substituting the applicable cess rate with "Nil" against the relevant entries in the Schedule to Notification No. 1/2017–Compensation Cess (Rate).

GSTN ADVISORY

Advisory on reporting values in Table 3.2 of GSTR-3B

1. Table 3.2 of Form GSTR-3B captures the inter-state supplies made to unregistered persons, composition taxpayers, and UIN holders out of the total supplies declared in Table 3.1 & 3.1.1 of GSTR-3B and is auto-populated from corresponding supplies declared in GSTR-1, GSTR-1A, and IFF in the requisite tables.
2. It is to inform you that from November-2025 tax period onwards, value of supplies auto-populated in Table 3.2 of GSTR-3B from the returns/forms mentioned above, shall be made non-editable. The GSTR-3B shall be filed henceforth with the system generated auto-populated values only in table 3.2.
3. Further, in case any modification/amendment is required in the auto-populated values of Table 3.2 of GSTR-3B, then the same can be done through GSTR-1A for the same tax period. The values thus reported in GSTR-1A shall change the auto-populated values of table 3.2 in GSTR-3B instantly and the taxpayers can file their GSTR-3B with the updated values. Moreover, the amendment of such supplies can always be reported in Form GSTR-1/IFF filed for subsequent tax periods.
4. To ensure that GSTR-3B is filed accurately with the correct values with no hassle of frequent amendments, it is advised to report the correct values in GSTR-1, GSTR-1A, or IFF. This will ensure the auto-populated values in Table 3.2 of GSTR-3B are accurate and compliant with GST regulations.

FAQ's

- What are the recent changes related to reporting supplies in Table 3.2? Starting from the November 2025 tax period, the auto-populated values in Table 3.2 of GSTR-3B for inter-state supplies made to unregistered persons, composition taxpayers, and UIN holders will be noneditable, and taxpayers will need to file their GSTR-3B with the system-generated auto-populated values only.
- How can I rectify values in Table 3.2 of GSTR-3B if incorrect values have been auto-populated after November 2025 period onwards due to incorrect reporting of the same through GSTR-1?

  If incorrect values are auto-populated in Table 3.2 after November 2025, then the taxpayers need to correct the values by making amendments through Form GSTR-1A for the same tax period. The values thus reported in GSTR-1A shall change the auto-populated values of table 3.2 in GSTR-3B instantly and the taxpayers can file their GSTR-3B with the updated values. Moreover, the amendment of such supplies can always be reported in Form GSTR-1/IFF filed for subsequent tax periods.
- What should I do to ensure accurate reporting in Table 3.2 of GSTR-3B?

  Taxpayers should ensure that their supplies are reported correctly in their GSTR-1, GSTR-1A, or IFF. It is advised to review the draft GSTR-1 or GSTR-1A before filing so that any mistakes in the statement can be corrected therein. This will ensure that the accurate values are auto-populated in Table 3.2 of GSTR-3B.
- Till what time/date I can amend values furnished in GSTR-1 through Form GSTR-1A?

  As there is no cut-off date for filing Form GSTR-1A before GSTR-3B which means Form GSTR-1A can be filed after filing Form GSTR-1 and till the time of filing Form GSTR-3B. Hence, any amendment required in auto-populated values of table 3.2, same can be carried out through Form GSTR-1A till the moment of filing GSTR-3B.

Advisory & FAQ on Electronic Credit Reversal and Re-claimed Statement & RCM Liability/ITC Statement

1. To ensure correct and accurate reporting of reversed and reclaimed ITC and to avoid clerical mistakes, Electronic Credit Reversal and Re-claimed Statement (Reclaim Ledger) was introduced on the GST portal from August 2023 return period onwards for monthly taxpayers and from July-September 2023 quarter for quarterly taxpayers. This Reclaim Ledger captures the ITC temporarily reversed in Table 4(B)2 and its subsequent reclaim in Table 4(A)5) and 4(D)1.
2. As of now taxpayer get a warning message if a taxpayer attempts to re-claim excess ITC in table 4D(1) than the available ITC reversal balance but the taxpayer is allowed to file its Form GSTR-3B.
3. To the taxpayers multiple opportunities have been given to report their opening balance which was earlier reversed ITC but was not reclaimed till that time, for the newly introduced Reclaim Ledger.
4. This statement can be viewed by the taxpayer by navigating to the Dashboard › Services › Ledger › Electronic Credit Reversal and Re-claimed.
5. To assist taxpayers in correctly reporting Reverse Charge Mechanism (RCM) transactions, another statement called "RCM Liability/ITC Statement" (RCM Ledger) was introduced on the GST Portal from August 2024 onwards for monthly filers and from July-September-2024 period for quarterly filers. The ledger captures and track the RCM liability shown in Table 3.1(d) of GSTR-3B and its corresponding ITC claimed in Table 4A(2) and 4A(3) of GSTR-3B for each return period.
6. A warning message comes to the taxpayer in case the ITC claimed in Table 4(A)2 and 4(A)3 exceed the closing balance of RCM ledger plus the liabilities being reported in Table 3.1(d).
7. To the taxpayers multiple opportunities have been given to report the RCM ITC opening balance and amend the opening balance for both the said statements where any transaction related to excess ITC reversal or excess RCM liability/ITC prior to implementation of the said statements could be declared as opening balance to these statements.

8. This RCM Liability/ITC Statement can be accessed through: Services >> Ledger >> RCM Liability/ITC Statement.
9. Now, the taxpayers are hereby informed that, shortly, negative values or availment of excess ITC over and above available balance, shall not be allowed in both the ledgers. Both the statements shall have a below mentioned validation for regulation of ITC:
    a. The reclaimed ITC in Table 4(D)(1) shall be lesser than or equal to the combined values of closing balance of Electronic Credit Reversal and Re-claimed Statement and ITC being reversed in Table 4(B)(2) of current period GSTR-3B. and,
    b. The RCM ITC claimed in Table 4(A)2 & 4(A)3 shall be equal to or less than the combined values of RCM liabilities paid in Table 3.1(d) of the same GSTR-3B and closing balance of RCM Liability/ITC Statement.
10. In case the taxpayers are already having negative closing balance in Electronic Credit Reversal and Reclaimed Statement or RCM Liability/ ITC Statement, the system will not allow such taxpayers to file their GSTR-3B until:
    a. Mandatorily reversal of such excess claimed ITC (Negative closing balance) as per Electronic Credit Reversal and Re-claimed Statement is made in Table 4(B)(2) of current period GSTR-3B. In case there is no ITC available in current period, this reversal declared in table 4(B)2 will be added to the liability of the taxpayer in current period while filing GSTR-3B.
    b. For negative balance in RCM Liability/ITC Statement, taxpayer need to either pay the additional RCM liability equivalent to negative closing balance in Table 3.1(d) or reduce the ITC claimed in Table 4A(2) or 4A(3) to the extent of closing balance in the current return period.

FAQs related to Electronic Credit Reversal and Re-claimed Statement and RCM Liability/ITC Statement

1. How to view my Electronic Credit Reversal and Re-claimed Statement?

   You can view the statement by navigating to the Dashboard › Services › Ledger › Electronic Credit Reversal and Re-claimed.
2. How to view my RCM Liability/ITC Statement?

   You can view the RCM Liability/ITC Statement by navigating to the Dashboard › Services › Ledger › RCM Liability/ITC Statement.
3. What will be changed in the GSTR-3B in respect of Electronic Credit Reversal and Re-claimed Statement?

   Shortly, taxpayer will not be able to file their GSTR-3B in case the ITC claimed in Table 4D(1) exceeds the closing balance in the Electronic Credit Reversal and Re-claimed Statement (ITC reclaim ledger) and the ITC reversed in Table 4B(2) of the current return period putting together.
4. How to file GSTR-3B if closing balance of Electronic Credit Reversal and Re-claimed Statement (ITC reclaim ledger) is already Negative?

   If the closing balance of the ITC reclaim ledger is negative, it indicates that excess ITC was reclaimed earlier. Therefore, to file GSTR-3B, you must reverse the excess claimed ITC in Table 4B(2) of the respective return period, up to the amount of the negative closing balance. This will allow you to correct the discrepancy and proceed with filing the return. In case there is no ITC available, this reversal declared in table 4(B)2 will be added to your liability in current period while filing GSTR-3B.

   Example: The closing balance of the ITC reclaim ledger for the current return period is -₹10,000, which means ₹10,000 of excess ITC has been reclaimed in earlier periods. To file your GSTR-3B, you would need to reverse this earlier excess reclaimed ITC of ₹10,000 in Table 4B(2) for the current period.
5. How will the validation mechanism work in GSTR-3B for RCM Liability/ITC Statement?.

   The taxpayers will not be able to file GSTR-3B in case the claimed RCM ITC in Table 4A(2) or 4A(3) exceeds the available balance in the RCM Liability/ ITC Statement and the RCM liability reported in Table 3.1(d) for the current return period put together.
6. How to file GSTR-3B if closing balance of RCM Liability/ITC Statement is Negative?

   If the closing balance of the RCM Liability/ITC Statement is negative, it indicates that excess RCM ITC has been claimed earlier. To proceed with filing, you must either pay the outstanding RCM liability in Table 3.1(d) or reduce the ITC being claimed in Table 4A(2) or 4A(3) in the current return period, equivalent the amount of the negative closing balance. Once the discrepancy is corrected, you will be able to file your return.

   Example: Let's assume that the closing balance of the RCM Liability/ITC Statement is -₹5,000. This means that ₹5,000 of excess RCM ITC has been claimed earlier. To resolve this and file your GSTR-3B, you can:

   1. Pay the RCM liability: You can pay additional ₹5,000 in Table 3.1(d) for the current return period to cover the excess ITC claimed.

      OR
   2. Reduce the ITC claimed: You can reduce ₹5,000 from the RCM ITC in Table 4A(2) or Table 4A(3) for the same period, if RCM ITC is available more than ₹5,000 in current period.

   Once either the excess RCM liability is paid or the requisite ITC is reduced from available ITC to match the available negative closing balance, the discrepancy will be resolved, and you can proceed with filing your return.

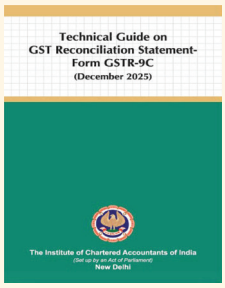
PUBLICATIONS

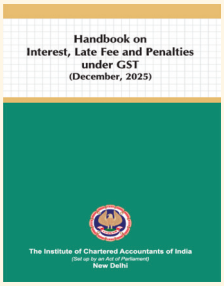
Technical Guide on GST Annual Return - Form GSTR - 9

This revised Technical Guide provides comprehensive and structured guidance on each table of Form GSTR-9, supported by clarifications, illustrations, expert insights, and recent amendments. It has been updated to incorporate all amendments made up to 4th December 2025, making it a valuable resource for members and other stakeholders.

Technical Guide on GST Reconciliation Statement - Form GSTR - 9C

This publication provides in-depth guidance on the preparation and filing of Form GSTR-9C and has been revised in view of recent changes. It has been updated to incorporate amendments up to 30th November 2025.



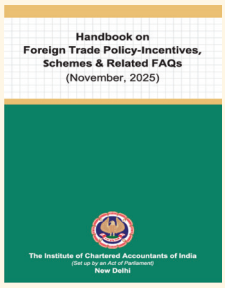


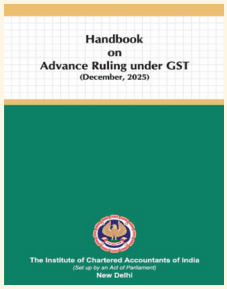
Handbook on Interest, Late Fee and Penalties under GST

This Handbook incorporates the latest legislative amendments, relevant notifications, circulars, and clarifications issued by the Government. This revised edition reflects the law as updated up to 5th December 2025

Handbook on Foreign Trade Policy-Incentives, Schemes & Related FAQs

This publication has been comprehensively updated to reflect the latest policy landscape. It includes dedicated chapters on key new frameworks such as the MOOWR Scheme, promotion of cross-border trade in the digital economy, and the Developing Districts as Export Hubs initiative, along with extensively revised guidance on core schemes like RoDTEP, EPCG, and Advance Authorisation. The Handbook incorporates all amendments made up to 31st October 2025.



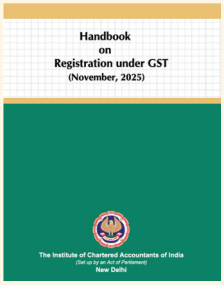


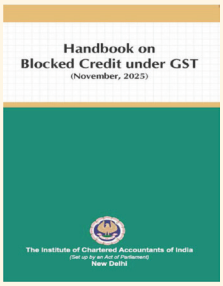
Handbook on Advance Ruling under GST

The GST & Indirect Taxes Committee of ICAI has released a revised edition of the Handbook on Advance Ruling under GST. The revised edition provides comprehensive coverage of the Advance Ruling mechanism in a concise, practical, and easy-to-navigate format and incorporates updates up to 26th November 2025.

Handbook on RegistraTion under GST

The GST & Indirect Taxes Committee of ICAI has released a revised edition of the Handbook on Registration under GST, incorporating all amendments up to 31st October 2025. The publication provides a structured and simplified explanation of the legal and procedural aspects of registration under GST.





Handbook on Blocked Credit under GST

The GST & Indirect Taxes Committee of ICAI has released the publication titled 'Handbook on Blocked Credit under GST'. This Handbook serves as a practical guide for professionals by providing a lucid explanation of the provisions under which input tax credit (ITC) is restricted or blocked under the GST law and incorporates updates up to 10th November 2025."

Invitation to write articles on GST

Chartered Accountants and other experts, with academic passion and flair for writing are invited to share their expertise on GST through ICAI-GST Newsletter. The article may be on any topic related to GST Law. While submitting the articles, please keep the following aspects in mind:

1) Article should be of 2000-2500 words.
2) An executive summary of about 100 words may accompany the article.
3) It should be original and not published/should not have been sent for publishing anywhere else.
4) Copyright of the selected article shall vest with the ICAI.

Please send editable soft copy of the article at *gst@icai.in*.

QUIZ

1. **Under the CGST Act 2017, no appeal shall lie against which of the following orders passed by an officer of central tax?**
   a) An order sanctioning prosecution under the Act
   b) An order determining tax liability under Section 73
   c) An order rejecting refund under Section 54
   d) An order imposing penalty under Section 122
2. **An advance ruling obtained by an applicant was later found to have been obtained by suppression of material facts. In such a case:**
   a) The Authority may declare the advance ruling void ab initio, and all provisions of the Act shall apply as if the ruling had never been made, after giving an opportunity of being heard to the applicant.
   b) The advance ruling shall remain valid till it is set aside by a High Court.
   c) The period between the date of advance ruling and the date of the void order shall be included while computing limitation under sections 73 and 74.
   d) A copy of the void order is required to be sent only to the applicant.
3. **Which of the following statements correctly reflects the provisions relating to an appeal to the High Court against an order of the State Benches of the Appellate Tribunal in GST Law?**
   a) An appeal can be filed on any question of fact within 90 days and may be heard by a Single Judge of the High Court.
   b) An appeal lies only if a substantial question of law is involved, shall be filed within 180 days, and is to be heard by a Bench of not less than two Judges.
   c) An appeal can be filed without limitation if sufficient cause exists, and the High Court must decide all questions of fact and law raised.
   d) An appeal lies only after prior approval of the Appellate Tribunal, and the High Court cannot formulate additional questions of law.
4. **Under Section 122B of the CGST Act, what is the penalty prescribed for failure to comply with the track and trace mechanism by a person referred to in section 148A(1)(b)?**
   a) A fixed penalty of ₹1,00,000 only
   b) Ten per cent of the tax payable on such goods only
   c) A penalty equal to ₹1,00,000 or ten per cent of the tax payable on such goods, whichever is higher, in addition to other applicable penalties
   d) A penalty equal to twice the tax payable on such goods only
5. **Under Rule 9 of the CGST Rules, 2017, the time limit for the proper officer to issue a notice or grant registration is extended to 30 days (instead of the standard 7 days) in which of the following cases?**
   A. When the applicant has successfully undergone Aadhaar authentication.
   B. When the applicant is identified on the common portal based on data analysis and risk parameters.
   C. When the applicant is a Public Limited Company.
   D. When the application is recommended by the jurisdictional Commissioner.
6. **As per the GST Law, every registered taxable person must maintain the accounts books and records for at least:**
   a) 36 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
   b) 60 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
   c) 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
   d) 18 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
7. **Rajan Toys is a registered supplier of goods in Delhi. It intends to attend a 7 days Business Fair organized in Mumbai (next month) where it does not have a fixed place of business. Examine which of the following statements are true for Rajan Toys:**
   a) Rajan Toys is not required to obtain registration in Mumbai for attending a 7 days Business Fair
   b) Rajan Toys has to obtain registration as a casual taxable person for attending the Business Fair
   c) Rajan Toys has to obtain a Unique Identification Number for attending the Business Fair
   d) None of the above
8. **Notwithstanding anything contained in this Act or any other law for the time being in force, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate _____ in all documents relating to assessment, tax invoice and other like documents.**
   a) the rate of tax applicable on such supply
   b) the value of supply excluding tax
   c) the amount of tax which shall form part of the price at which such supply is made
   d) the place of supply and nature of tax
9. **Ravi, a registered person, has supplied goods to Madhav, under his own invoice, on behalf of his principal, Krishna, a registered person. Which of the following statements is correct?**
   a) Ravi shall be jointly and severally liable to pay the GST payable on such goods.
   b) Krishna shall be jointly and severally liable to pay the GST payable on such goods.
   c) Both (a) and (b)
   d) Neither (a) nor (b)
10. **GST is payable by the recipient under reverse charge on:**
    a) Sponsorship services
    b) Transport of goods by rail
    c) Transport of passengers by air
    d) All of the above

The names of first five members who were the top scorers in the last Quiz are as under:

Name	Membership No.
CA. Mahesh Parmar	548177
CA. Ritesh P Rangani	154253
CA. Sarvesh Rajwani	479508
CA. Shivam Nandkishor Bansal	640127
CA. Yash Lalwani	191864

Please provide reply of the above MCQs in the link given below. ***Top five scorers will be awarded hard copy of the publication 'GST Act(s) and Rule(s)- Bare Law' & their names will be published in the next edition of the Newsletter.***
Link to reply: - ***https://forms.gle/QUBW7j58E6Nm93ju9***

GST & INDIRECT TAXES COMMITTEE

A ONE STOP SOLUTION FOR GST AND OTHER INDIRECT TAXES

www.idtc.icai.org

The website of GST & Indirect Taxes Committee viz. idtc.icai.org provides the users a well-set platform for sharing and gaining knowledge on GST and easy accessibility to the Committee.

- Publication on GST & other Indirect Taxes (Available for free download and online ordering)
- Regular GST Updates
- Previous Issues of ICAI-GST Newsletter
- Knowledge resources on GST such as Articles, Legal Updates etc.
- Details of Certificate Courses, Programmes, Seminars etc. on GST & other Indirect Taxes
- Upcoming Events

GST STATUTES

- GST Acts
- GST Rules
- Notifications including the amended notifications
- Circulars/ Orders

- Minutes of GST Council meetings
- GSTN Advisories
- GST Press releases
- Other useful links
- Instructions/ Guidelines

Your suggestions on the website are welcome at gst@icai.in

GST and Indirect Taxes Committee
The Institute of Chartered Accountants of India
ICAI Bhawan, A-29, Sector-62, Noida, U.P.
Telephone Board: +91-120-3045900 Ext. 954
Website: http://www.idtc.icai.org

The **ICAI-GST Newsletter** being the property of **The Institute of Chartered Accountants of India** published from ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110002 and Printed from **M/s CDC Printers Pvt Ltd,** Tangra Industrial Estate- II (Bengal Pottery), 45, Radhanath Chaudhary Road, Kolkata-700015. Compiled by **CA Rajendra Kumar P**