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GST Newsletter

GST Digest

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NEWS FEED

➢ **PROVISIONAL SANCTION OF REFUND CLAIMS ON THE BASIS OF IDENTIFICATION AND EVALUATION OF RISK BY THE SYSTEM – REG**

The CBIC issued this instruction following the 56th GST Council meeting's recommendation to amend **Rule 91(2) of the CGST Rules, 2017,** enabling **provisional sanction of 90% of refund claims** based on system-generated risk evaluation. Refund applications categorized as **"low-risk"** by the system will be eligible for provisional refund, while high-risk cases will undergo detailed scrutiny.
Officers can deny provisional refund only in specific cases and must record reasons in writing. Provisional refund cannot be withheld or adjusted under Sections 54(10) or (11); instead, final refund should be processed quickly. The amendment is effective from **1st October 2025**, and applies to refund claims for **zero-rated supplies** and, as an interim measure, also to those under **inverted duty structure** (IDS) until the CGST Act is amended.
The instruction emphasizes trade facilitation, directing field officers to use the power to withhold provisional refund sparingly and ensure uniform, time-bound implementation. Monitoring responsibility lies with jurisdictional Commissioners, who must report to higher authorities.

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GSTN Advisory on IMS (dated 8th October 2025)

The Goods and Services Tax Network (GSTN) issued a clarification regarding misinformation about changes in GST return filing from **October 1, 2025**. It confirmed that there is **no change in the auto-population of Input Tax Credit (ITC)** — ITC will continue to auto-populate from **GSTR-2B** to **GSTR-3B** as before.

GSTR-2B will still be **generated automatically on the 14th of every month**, and taxpayers can perform actions in the **Invoice Management System (IMS)** even after its generation, with the option to regenerate GSTR-2B before filing GSTR-3B.

From **October 2025** onward, recipients will also get a new **option to keep Credit Notes pending** for a specified time and can **manually adjust ITC reversals** only to the extent of ITC availed, providing greater flexibility in managing credit adjustments.

INPUT TAX CREDIT ISSUE: INSURERS TO CHARGE 18% GST ON AGENT'S COMMISSION

Two weeks after the government reduced the Goods and Services Tax (GST) on health insurance premiums from 18 per cent to zero, insurers have moved to impose an 18 per cent GST on the commissions paid to agents and distributors. The move, meant to offset losses from the withdrawal of input tax credit (ITC), has come as a major blow to insurance intermediaries across the country. After the GST cut, ITC will no longer be available on commissions, rewards, and other corporate expenses such as rent, technology, and manpower. This has significant financial implications for insurers, as the GST component — earlier recoverable through ITC — will now become a direct cost, affecting both profitability and expense of management (EOM) ratios.

INSURANCE AGENTS & ASSOCIATIONS LIKELY TO TAKE UP GST ISSUE WITH IRDAI, FINANCE MINISTRY

Agents and industry associations are likely to take up the GST-related Input Tax Credit (ITC) issue with IRDAI and the Finance Ministry, after private insurers slashed distributor payouts by 15–18 percent to offset the loss of ITC. Industry sources said, the current GST framework, if left unadjusted, could set a precedent where insurers maintain profitability by squeezing distribution costs rather than improving efficiency. Echoing these thoughts, "this is not a small change. It directly cuts into the working capital of agencies, brokerages, and individual advisors. Many small and independent operators will struggle to stay viable," said Prashant Mhatre, President, General Insurance Agents Federation Integrated.

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➢ EXPLAINER- THE NEXT STEP IN GST REFORM: CORRECTING INVERTED DUTIES

The current ITC refund mechanism does not take into account the GST paid on input services and capital goods. Aligning rates, enabling refunds, and gradually moving toward a unified rate will give businesses certainty and foster long-term investment, explain Bipin Sapra & Swati Saraf. The rollout of Goods and Services Tax (GST) rate rationalisation on nearly 400 items marks a decisive step in India's tax reform journey. The GST Council has demonstrated responsiveness to stakeholder concerns, balancing revenue mobilisation with the objective of easing inflationary pressures on households. The newly rationalised GST structure reflects this balance. With the current reforms, India has moved from a four-tier to a two-tier system, reducing complexity and making taxation more predictable.

➢ GST RESET: SUPPLY CHAIN WOES HIT FMCG BUSINESS IN Q2

FMCG companies have flagged slowdown in sales and impact on profitability in the Sept quarter as mar kets prepared for the new GST regime, leading to temporary disruptions in supply chain. Distributors and retailers stopped taking new orders to avoid stocking up shelves with products carrying old price tags while consumers deferred purchases to avail the benefits of lower taxes which kicked in from Sept 22, weighing on the growth of companies, they said in their Q2 quarterly updates.

➢ PAPER WEIGHT: 13% GST GAP CRUSHING SMALL PRINTERS

A sweeping tax anomaly in India's goods and services tax (GST) system has introduced a crisis of "severe working capital blockages" for the nation's 25 lakh printers, threatening to sink small businesses and halt salaries due to a crippling 13% cash gap. The new tax regime has created an inverted duty structure (IDS) for the printing and packaging sector, forcing businesses to pay a high tax rate on raw materials while selling the final product at a steep discount. Under the current rules, printers must purchase paper for packaging and printing at 18% GST but are required to sell the finished products, including boxes, at just 5% GST. This 13% differential must then be claimed back from the government through what is often a slow and bureaucratic refund process.

➢ GST CUT DRIVES TRACTOR SALES TO RECORD HIGH IN SEPTEMBER

A reduction in the goods and services tax (GST) rate on tractors, coupled with festive demand, drove monthly sales to an all-time high in September. Data from the Tractor and Mechanization Association (TMA), the industry's apex body, showed that a little over 146,000 tractors were sold in the domestic market last month, surpassing the previous best of 144,675 units recorded in October 2024. Under the latest reform, effective September 22, GST on tractors was slashed to the lowest slab of 5% from 12%. The tax on road tractors with engine capacity above 1,800cc—mainly used for hauling farm goods—was also reduced to 18% from 28%.The surge in September volumes has lifted year-to-date growth for the segment

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Between January and September, 761,450 tractors were sold, a 20% rise over the same period last year. With the upcoming Diwali season, experts expect demand to maintain its momentum, pushing annual sales past the one-million-unit mark for the first time.

➢ FASTER GST REFUNDS A BOON FOR PHARMA AND MEDTECH UNITS

The new system under the Goods and Services Tax (GST) allowing 90% provisional refund to be released quickly in all low-risk cases has given a huge relief to the pharma and MedTech sectors. By amending rule 91(2) of CGST Rules, 2017, the government has made it easier for companies in these two sectors to get tax refunds without long delays. The industry players said that the move will ease the working capital constraints for both the sectors, thereby stimulating domestic manufacturing. "Our inputs are taxed at 18% whereas the formulations have a GST rate of 5%. This leads to the accumulation of duties which affect the working capital, especially hurting the MSMEs. The new system will resolve the issue," said Viranchi Shah, spokesperson of Indian Drug Manufacturers Association (IDMA).

1. AMAZON INDIA NOT AN INTERMEDIARY; CUSTOMER SUPPORT SERVICES HELD AS EXPORT OF SERVICES: KARNATAKA HIGH COURT

In the case of **GC–Amazon Development Centre India Pvt. Ltd. vs. Additional Commissioner of Central Tax (Karnataka High Court, 17 September 2024)**, the petitioner, Amazon Development Centre India Pvt. Ltd., provided IT and IT-enabled customer support services to its foreign Amazon group affiliates. The company claimed refund of unutilized input tax credit (ITC) under Section 54 of the CGST Act, treating these services as *exports*. However, the tax department held that the petitioner acted as an *intermediary* under Section 2(13) of the IGST Act and denied part of the refund. The petitioner argued that it had rendered services directly to its foreign affiliates on a principal-to-principal basis and had no contractual relationship with the end customers of Amazon's global marketplaces. The department contended otherwise, maintaining that the petitioner facilitated services between the foreign entities and customers. After examining the contracts and relying on judicial precedents and CBIC Circular No. 159/15/2021-GST, the Karnataka High Court found that there was no privity of contract between Amazon India and the end customers and that all contractual obligations and payments were between Amazon India and its foreign affiliates. The Court ruled that Amazon India was not an intermediary and that its services qualified as *export of services* under Section 2(6) of the IGST Act. Consequently, the orders rejecting the refund claim were quashed, and the refund of ₹3.61 crore was allowed in favor of the petitioner. The Court also kept other unrelated issues open for consideration by the GST Appellate Tribunal once constituted.

2. DAYAL PRODUCT (SUPREME COURT OF INDIA). SLP (CIVIL) DIARY NO. 44119/2025 (DOJ: 01/09/2025)

We are not inclined to interfere with the impugned judgment/order passed by the High Court. The special leave petition is, accordingly, dismissed. We, however, clarify that the impugned judgment/order and the dismissal of this special leave petition will not come in the way of the petitioners in taking recourse to appropriate remedies in accordance with law.

High Court: The issue in hand is no more res integra. This Court in various cases has held that at the time of survey, if some discrepancy in stock is found against the registered dealer, then the proceedings under sections 73/74 of the GST Act ought to have been initiated, instead of section 130 of the GST Act.