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**RSM India Newsflash – GST
Quarterly Digest
[January 2026 to March 2026]**

Newsflash
GST Quarterly Digest
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QUARTER AT A GLANCE

We are pleased to present the **Indirect Taxes Quarterly Digest**, summarising the significant amendments, clarifications, case laws, notifications and circulars released during **January 2026 to March 2026**. The report incorporates key highlights under the Indirect Tax, providing a concise overview of the important updates during this period.



-  **GST Portal : News and updates**
-  **Key Notifications/Amendments/Circulars**
-  **Insightful Discussions**
-  **Case law alerts**

GST Portal related updates

Advisory regarding confirmation of “Tax Liability Breakup, As Applicable” in GSTR-3B-reg

Taxpayers are required to **discharge applicable interest** in cases involving **delayed reporting of tax invoices** in **GSTR-1**, with corresponding reporting in **GSTR-3B**, in accordance with the provisions of **Section 50 of the CGST Act, 2017**.

In this context, a **new functionality** has been introduced within **GSTR-3B**, wherein the **interest pertaining to previous tax periods** will be **auto-populated** under the section titled **“Tax Liability Breakup”**.

Taxpayers, while filing **GSTR-3B**, are required to **navigate to the relevant section**, review the **auto-populated interest values**, and may either:

- **Edit the auto-populated figures**, where required, and then save; or
- **Directly accept and save** the system-generated values.

This enhancement is aimed at **facilitating improved compliance** and ensuring **accurate reporting of interest liabilities**.

Advisory on the Payment of pre-deposit while filing of appeal before First Appellate authority

Pre-deposit payments made via Form GST DRC-03 are **not automatically linked** to appeals filed before the **First Appellate Authority**.

Taxpayers who have already paid using **DRC-03** must **manually adjust the amount** through **Form GST DRC-03A** while filing the appeal.

To complete the adjustment, taxpayers should:

- Navigate to **User Services** → **My Applications** → **New Application**
- Select **“Adjustment of Payment Made through DRC-03 – Form GST DRC-03A”**
- Choose the **relevant DRC-03** based on **date range or reason for payment**
- Select the corresponding **Demand Order Number** and **adjust the amount**

In essence, Taxpayers need to **explicitly link pre-deposit payments made via DRC-03** using **DRC-03A** to ensure proper consideration during the appeal process.

Facility for Withdrawal from Rule 14A

GSTN introduced **Rule 14A registration** to enable **faster GST onboarding**, applicable where the **monthly output tax liability (B2B)** is up to **Rs. 2.5 lakh** for **enabling ease of doing business**.

Taxpayers whose **tax liability exceeds Rs. 2.5 lakh** can now **opt out of Rule 14A** and shift to **regular registration** without such restrictions.

Process to opt out:

- Navigate to **Services** → **Registration** → **Application for Withdrawal from Rule 14A**
- Option **“Registration under Rule 14A”** will be set to **“No”** by default
- Enter the **reason for withdrawal**
- Complete **Aadhaar authentication** (Primary Authorised Signatory + one Promoter/Partner)

Eligibility conditions:

- Minimum **3 months of return filing** (if application filed before **1 April 2026**)
- Minimum **1 tax period return filing** (if filed on or after **1 April 2026**)
- **All pending returns** must be filed up to the application date

Important:

- **Aadhaar authentication must be completed within 15 days**, failing which the **application (ARN) will not be generated**, and the process must be restarted.

This facility provides **flexibility to transition from simplified registration to regular GST registration**, subject to compliance conditions.

Finance Act, 2026 - Omission of provision relating to Place of Supply for Intermediary services w.e.f. 30 March 2026

Omission of Section 13(8)(b) of the IGST Act, 2017 – Impact on Intermediary Services

The Finance Bill, 2026, introduced following the Union Budget on 1 February 2026, proposed a significant amendment to the place of supply provisions under GST. The amendment entails the omission of clause (b) of Section 13(8) of the IGST Act, 2017, which specifically governed intermediary services.

The Finance Bill has now received Presidential assent on 30 March 2026 and has been enacted as the Finance Act, 2026. Pursuant to this enactment, clause (b) of Section 13(8) stands omitted.

Key Change

Under the erstwhile provisions, intermediary services were an exception to the general rule for determining the place of supply in cross-border transactions. While Section 13(2) provides that the place of supply is the location of the recipient, Section 13(8)(b) stipulated that for intermediary services, the place of supply would be the location of the supplier. As a result, such services did not qualify as exports even when provided to overseas clients and were subject to GST in India.

With the omission of Section 13(8)(b), intermediary services will now be governed by the default rule under Section 13(2). Accordingly, the place of supply shall be the location of the recipient of services. This change enables intermediary services provided to overseas customers to potentially qualify as export of services, subject to the fulfilment of prescribed conditions.

Effective Date

The Finance Act, 2026 does not prescribe a specific effective date for this amendment. In such cases, reliance is placed on Section 5 of the General Clauses Act, 1897, which provides that an enactment comes into force on the date it receives Presidential assent. Since assent was received on 30 March 2026, the amendment is considered effective from that date.

Given the complexity of GST law and its administration through multiple statutes, rules, and notifications, certain interpretational or implementation aspects may require further clarification from the authorities. Taxpayers should monitor developments and evaluate the impact on their business operations.

Insights Corner –

Accounting as the Backbone of GST Compliance and Internal Control

GST compliance does not begin with return filing. It begins much earlier, at the stage where **transactions are recorded in the books**. Returns only reflect what the **accounting system has captured**. If that **foundation is weak**, the issues surface later, often during **scrutiny or an audit**.

A well-thought-out **Chart of Accounts** plays a far more critical role today than it did in the pre-GST era. Earlier, **broad classifications** served the purpose, but that is no longer sufficient. In the GST environment, each ledger should align with **reporting requirements**, whether it is **B2B supplies, B2C supplies, exports, advances, or reverse charge transactions**. When accounts are structured with this clarity, the linkage between **books and returns** becomes seamless.

Given that GST operates on a **monthly compliance cycle**, **discipline in accounting** cannot be deferred. Transactions must be recorded **on time** and with the correct **tax treatment at the point of entry**. In practice, many issues that arise during **return filing** can be traced back to **delays or inaccuracies in accounting**. What appears to be a compliance gap is often an **accounting lapse in disguise**.

The **Trial Balance** in this context becomes more than just a financial summary; it becomes a **validation tool**. Every number reported in the return, such as **output tax liability, input tax credit (ITC), reverse charge liability**, should originate from the **Trial Balance**. When this alignment exists, return filing becomes a process of **validation rather than reconstruction**.

One of the key strengths of disciplined accounting is **end-to-end transaction traceability**. Whether it is distinguishing **B2B vs B2C supplies**, tracking **advances and their adjustments**, or reconciling **ITC with GSTR-2B**, the clarity comes from how transactions are recorded. It also helps in identifying **ITC reversals, ineligible credits, and ITC reclaims**, all of which have a direct impact on compliance and reporting.

Input Tax Credit (ITC) is not merely an accounting entry; it is a **working capital lever**. Credits that are **available but not claimed, or claimed but not reflected in GSTR-2B**, often go unnoticed until much later. By then, the **cash flow impact** has already been felt. A robust accounting system ensures **early identification and timely action**.

From a **CFO's perspective**, the **Trial Balance** provides insights beyond compliance. It highlights where **cash is getting locked**, whether due to **unaccounted transactions or vendor non-compliance**. These directly affect the **bottom line and liquidity**, making accounting a key tool for **financial decision-making**.

Another often underestimated aspect is how accounting helps in **vendor compliance monitoring**. The books themselves reveal suppliers who have **filed returns** or whose invoices are **not reflected in GSTR-2B**. Since ITC eligibility depends on vendor compliance, this becomes a critical **risk management tool**.

During **scrutiny or adjudication**, the strength of accounting becomes the **first line of defense**. Authorities rely on **ledger extracts, transaction trails, and reconciliations** rather than explanations. Organizations with **clean and structured books** are able to respond with confidence, while others struggle with **data reconstruction**.

Good accounting, therefore, does more than record transactions—it builds **built-in internal controls**. It ensures that **inconsistencies are visible, gaps are identified early, and errors are corrected in time**. In conclusion, accounting should not be viewed as a **back-office function** in the GST regime. It is the **backbone of compliance, internal control, and financial efficiency**.

Case Law Analysis - Instakart Karnataka HC Case [2026 (3) TMI 1674]

Sr. No	Particulars	Details
1	Applicant / Respondent	Applicant: M/s Instakart Services Private Limited Respondents: Union of India & Others
2	In the Court of	High Court of Karnataka at Bengaluru
3	Issue / Grounds of Appeal	The case challenges the constitutional validity of Section 16(2)(c) of the CGST/KGST Act and Rule 36(4) . The main question before the Court was whether Input Tax Credit (ITC) can be denied to a bona fide buyer just because the supplier failed to deposit the tax with the Government . The petitioner argued that these provisions put an impossible burden on the buyer by requiring them to ensure that the supplier pays the tax, something completely outside their control . According to the petitioner, such conditions are arbitrary, unreasonable, and violate Articles 14, 19(1)(g), 265 and 300A of the Constitution .
4	Grounds raised by Petitioner	The petitioner contended that Section 16(2)(c) forces the recipient to guarantee something they cannot control, whether the supplier actually deposits the tax. This goes against the principle that law cannot demand the impossible. They submitted that once a buyer has a valid tax invoice, actually receives the goods or services, and pays the consideration, their right to claim ITC becomes vested. Denying ITC due to the supplier's default amounts to double taxation and unjust enrichment of the Government. It also breaks the seamless flow of credit, which is the basic idea behind GST.
5	Department Contention	The Department argued that ITC is not an absolute right but only a concession given under the statute. It is available only when all

Sr. No	Particulars	Details
		<p>conditions are fulfilled, including actual payment of tax by the supplier to the Government, as required under Section 16(2)(c).</p> <p>They maintained that this condition is necessary to protect government revenue and prevent misuse of the ITC mechanism.</p> <p>Allowing credit without actual tax payment by the supplier would defeat the purpose of the GST system.</p>
6	Court Reasoning	<p>The High Court relied on several earlier judgments, especially under the VAT regime, where it was consistently held that a genuine buyer cannot be denied credit merely because the selling dealer defaulted in paying tax.</p> <p>The Court observed that no law can force a person to do something that is practically impossible, like monitoring and ensuring tax compliance by an independent supplier. It drew a clear distinction between honest taxpayers and those involved in fraud or collusion.</p> <p>The Court held that denying ITC to a bona fide purchaser, without any fault on their part, is arbitrary and violates Article 14 of the Constitution. Instead of penalising the buyer, the tax authorities should take action against the defaulting supplier.</p>
7	Order	<p>The High Court did not strike down the provisions but read them down to make them workable.</p> <p>A recipient cannot be penalised for the supplier's default if there is no evidence of collusion, fraud, or wilful misstatement on the buyer's part. The Court directed that any recovery action, if required, should be taken against the defaulting supplier and not the compliant buyer.</p>
8	Trade Implications	<p>This judgment brings significant relief to businesses, especially those dealing with large supply chains and multiple vendors. Buyers no longer need to worry about losing ITC solely due to supplier defaults that are beyond their control.</p>

Sr. No	Particulars	Details
		<p>In today's business environment, it is unrealistic for a purchaser to keep track of every supplier's tax compliance. The ruling provides clarity and protects the working capital of genuine taxpayers by safeguarding their ITC claims.</p> <p>At the same time, businesses still need to maintain proper documentation, conduct basic due diligence on vendors, and follow compliance procedures.</p>
9	Implications for Authorities	<p>The judgment makes it clear that tax officers should primarily proceed against defaulting suppliers rather than harassing bona fide recipients. It emphasises that the law should not place impractical obligations on taxpayers.</p> <p>The authorities now need to strengthen their systems, using better data analytics, cross-verification, and ensuring timely action against non-compliant suppliers. Assessments and demands should be based on actual evidence of fraud or collusion, not merely on technical defaults by suppliers.</p>
10	RSM's View	<p>This decision takes a practical and balanced view of how GST should operate in real business conditions. The Court rightly recognised that a buyer cannot be expected to control the actions of its suppliers. By protecting genuine transactions, the judgment upholds the basic principle that tax laws must be fair and workable.</p> <p>It does not provide any protection to fraudulent deals and clearly permits action where there is collusion or evasion. The ruling helps align the GST system with its original purpose, a value-added tax that flows seamlessly, rather than becoming a tool to penalise honest taxpayers.</p> <p>Businesses should continue to maintain strong records and exercise reasonable care while dealing with vendors. Overall, this judgment sets a useful precedent that brings greater stability and fairness to the GST framework.</p>

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