

**N. D. KAPUR & CO.
CHARTERED ACCOUNTANTS**

Monthly Updates

JANUARY 2026

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(I) INDIRECT TAXATION

GSTAT DIRECTS LENIENT SCRUTINY OF APPEALS FILED ON PORTAL FOR INITIAL SIX MONTHS (TILL JULY 2026)

The GST Appellate Tribunal (“GSTAT”), vide Office Order dated 20.01.2026, has directed the Registry of each Bench to adopt a lenient approach during scrutiny of appeals filed on the GSTAT Portal in the initial phase of portal implementation. The order provides that, for a period of six months from the date of issuance (i.e., till around July 2026), the Registry shall raise only substantive defects impacting the merits of the appeal, and not procedural or form-related defects.

The order further clarifies that documents generated digitally through the GSTN system will not be required to be certified, and that scanned copies of physical documents attached with the appeal must be duly signed.

GSTN ENABLES ONLINE FILING OF OPT-IN DECLARATIONS FOR ‘SPECIFIED PREMISES’ FOR HOTEL ACCOMMODATION SERVICES

GSTN has enabled the electronic filing of declarations prescribed under Notification No. 05/2025 – Central Tax (Rate) dated 16th January 2025 on the GST Portal. This facility is available to taxpayers supplying hotel accommodation services who wish to declare eligible premises as “Specified Premises.”. Both existing registered persons and applicants for new registration can now submit the prescribed declarations online.

The facility is available to regular taxpayers (active and suspended) and to new registration applicants supplying hotel accommodation services. However, it is not applicable to composition taxpayers, TDS/TCS registrants, SEZ units or developers, casual taxpayers, or taxpayers whose registrations have been cancelled.

GSTN has made available two types of opt-in declarations on the portal. Annexure VII is meant for existing registered taxpayers opting to declare premises as specified premises for a succeeding financial year. Annexure VIII is for persons applying for new registration who wish to declare premises as specified premises from the effective date of registration. An opt-out declaration (Annexure IX) will be enabled separately in due course.

For existing registered taxpayers, Annexure VII can be filed during the window from 1st January to 31st March of the preceding financial year. Accordingly, for F.Y. 2026–27, the declaration may be filed between 01.01.2026 and 31.03.2026. For new registration applicants, Annexure VIII must be filed within 15 days from the date of generation of ARN of the registration application. Filing is permitted even before GSTIN is allotted, provided the application is not rejected. If the 15-day period lapses, the opt-in can be exercised only during the Annexure VII window.

The declaration can be filed on the GST Portal by navigating to Services → Registration → Declaration for Specified Premises. Taxpayers must select the eligible premises, complete the declaration, and submit it using EVC. Upon successful submission, an ARN is generated as acknowledgement.

A maximum of 10 premises can be selected in a single declaration. Where more premises are involved, additional declarations may be filed. Separate PDFs and individual reference numbers are generated for each declared premise. If any premises are left out, Annexure VII may be filed again for the same financial year within the eligible window. Suspended taxpayers are permitted to file the declaration, whereas cancelled registrations are not allowed.

Once exercised, the option to declare specified premises continues for subsequent financial years unless the taxpayer opts out by filing Annexure IX within the prescribed time. Filed declarations (Annexure VII / VIII) can be downloaded from the portal under Services → Registration → Declaration for Specified Premises → Download. Confirmation of successful filing is also sent via email and SMS to all authorised signatories.

It is further clarified that for the F.Y. 2025–26, these declarations were filed manually with the jurisdictional authority. However, since an online facility is now available, such taxpayers are required to re-file Annexure VII electronically for the FY 2026–27 between 01.01.2026 and 31.03.2026. Taxpayers declaring specified premises for the first time must also file Annexure VII for the FY 2026–27 within the same window.

GSTN INTRODUCES RSP-BASED VALUATION FOR NOTIFIED TOBACCO PRODUCTS FROM 1 FEBRUARY 2026

The GSTN has issued an important advisory regarding the introduction of Retail Sale Price (RSP)–based valuation for certain tobacco and tobacco-related products. Vide Notification Nos. 19/2025–CT and 20/2025–CT dated 31.12.2025, the Government has prescribed that, with effect from 1st February 2026, GST on specified goods will no longer be based on transaction value but on the RSP printed on the package.

The notified goods include Pan Masala, unmanufactured tobacco, cigarettes and cigars, other manufactured tobacco products, and certain inhalation products containing tobacco or nicotine substitutes falling under HSN 2106, 2401, 2402, 2403, and 2404. For these products, GST will now be computed on the RSP (tax-inclusive), irrespective of the actual sale price charged between supplier and recipient.

Under the new mechanism, tax is calculated using the statutory formula:

Tax Amount = $(RSP \times GST \text{ Rate}) \div (100 + \text{Applicable Tax Rate})$.

The deemed taxable value is then derived by subtracting the tax amount from the RSP. This ensures that GST liability is linked to the printed retail price rather than commercial consideration.

However, existing GST systems such as e-Invoice, e-Way Bill and GSTR-1/IFF are built on a transaction-value model. These systems validate that the sum of taxable value and tax cannot exceed the invoice value. In RSP-based cases, the deemed taxable value plus tax may exceed the commercial sale value, which can trigger system errors.

To address this, GSTN has advised taxpayers to report:

- The actual net sale value (commercial consideration) in the taxable value field,
- The tax amount strictly as per RSP-based formula, and
- The total invoice value as the sum of net sale value plus the RSP-based tax.

The same reporting method is to be followed in e-Invoice, e-Way Bill and GSTR-1/1A/IFF. Where the system auto-calculates a different tax amount, taxpayers must manually edit it to reflect the correct tax as per RSP valuation.

GSTN has clarified that this reporting mechanism is a trade facilitation measure only and does not dilute the statutory provisions. Taxpayers must ensure proper classification of goods, correct application of RSP valuation, and accurate self-assessment before filing.

Stakeholders dealing in notified tobacco products are advised to update their billing, ERP and compliance processes in line with the new valuation rules to avoid errors, mismatches and compliance issues from 1 February 2026 onwards.

GSTN ADVISORY ON INTEREST COMPUTATION AND SYSTEM ENHANCEMENTS IN GSTR-3B (EFFECTIVE JANUARY 2026)

GSTN has introduced important system enhancements in the filing of GSTR-3B effective from the January 2026 tax period onwards. These changes are aimed at aligning the portal's functionality with the provisions of the CGST Act and Rules, and at improving the accuracy of interest computation and tax liability reporting.

Enhanced Interest Computation Mechanism:

From the January 2026 return period, interest in Table 5.1 of GSTR-3B will now be calculated after giving due benefit of the minimum cash balance available in the Electronic Cash Ledger (ECL) from the due date of return filing until the actual date of tax payment (offset), in line with the proviso to Rule 88B(1) of the CGST Rules, 2017. This enhancement will apply to delayed returns of January 2026, with interest being auto-populated in the February 2026 GSTR-3B.

The revised formula for interest computation is: **Interest** = (Net Tax Liability – Minimum Cash Balance in ECL from due date to date of debit) × (No. of days of delay ÷ 365) × Applicable Interest Rate.

The interest auto-populated in Table 5.1 will be non-editable downward, as it reflects the minimum interest payable. However, taxpayers remain responsible for self-assessing their correct interest liability and may increase the amount, if required, based on their own computation.

Auto-Population of Tax Liability Breakup:

From January 2026 onwards, the GST Portal will auto-populate the Tax Liability Breakup Table in GSTR-3B for supplies pertaining to earlier tax periods but reported in the current period through GSTR-1 / GSTR-1A / IFF, where the tax is being paid in the current return. This enhancement assists in accurate period-wise reporting and aligns interest computation with Section 50 of the CGST Act, 2017.

The auto-populated values are suggestive in nature, and taxpayers may modify them upward, if necessary, based on their own records. The breakup can be viewed at:

Login → GSTR-3B Dashboard → Table 6.1 (Payment of Tax) → Tax Liability Breakup.

Flexibility in Cross-Utilisation of ITC:

From January 2026 onwards, once the available IGST ITC is fully exhausted, the portal will permit payment of IGST liability using CGST and SGST ITC in any sequence in Table 6.1 of GSTR-3B, providing greater operational flexibility.

Interest Collection through GSTR-10 for Cancelled Taxpayers:

In cases where a taxpayer's registration has been cancelled and the last applicable GSTR-3B is filed late, the interest on such delayed filing will now be levied and collected through the Final Return (GSTR-10).

These enhancements are intended to facilitate accurate reporting, ensure statutory alignment, and improve the overall compliance experience for taxpayers.

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