ALLIANCE MODEL GST COUNCIL

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AGENDA NOTE

Technology-Neutral Rationalisation of GST Rates and the Input Tax Credit Framework for Green Mobility

Field	Particulars
Agenda No.	Agenda No. 2 / 2nd Alliance Model GST Council, 2026
Sponsoring delegation	Central Government (host — Organising Committee)
Questions for decision	Four: rate treatment of strong hybrids; the inverted-duty refund base; input tax credit on green employee-mobility fleets; and a review mechanism
Principal provisions	Article 279A, Constitution of India; Sections 2(19), 2(59), 2(60), 9(1), 17(5)(a) and (ab), 18(6), 54(3) and 54(6), CGST Act 2017; Rules 89(5) and 91(2), CGST Rules 2017, and corresponding IGST, SGST and UTGST provisions; Energy Conservation Act 2001
Issued	Released for the 2nd Alliance Model GST Council. Numbering frozen at release.

AGENDA NOTE

Placed before the Council by the Central Government.

1. Background

¶1. Following the 56th meeting of the GST Council, a revised structure for taxing automobiles took effect on 22 September 2025. Battery electric vehicles remain taxable at 5 per cent. Small petrol, diesel and CNG cars, and compact hybrids, meeting the prescribed thresholds — engine up to 1200 cc petrol or 1500 cc diesel, and length up to 4000 mm — are taxable at 18 per cent. Larger cars, sport utility vehicles, and larger hybrids that exceed those thresholds are taxable at 40 per cent. The separate compensation cess on these categories was withdrawn.

¶2. The reform simplified administration, but it raises a question of policy. A large strong hybrid that consumes materially less fuel, and emits materially less at the tailpipe, than a comparable petrol or diesel vehicle of the same size is nonetheless taxed at the same 40 per cent rate as that vehicle. The rate schedule distinguishes vehicles by engine size, length, and powertrain type. It does not distinguish them by how much they actually emit.

2. Questions Before the Council

2.1 Rate Treatment of Certified Strong Hybrid Vehicles

¶3. Taxing an efficient hybrid at the same rate as an inefficient conventional vehicle of similar size protects revenue and keeps the rate schedule simple. Both are real advantages. The cost is that the tax system offers no reward for the intermediate technology that many buyers can adopt today without depending on charging infrastructure.

¶4. This sits awkwardly beside the CAFE framework, which is administered by the Bureau of Energy Efficiency under the Ministry of Power, in coordination with the Ministry of Road Transport and Highways, under the Energy Conservation Act, 2001. (The Ministry of Heavy Industries runs purchase incentive schemes such as PM E-Drive; it does not administer CAFE). CAFE rewards manufacturers for selling cleaner vehicles, counting a battery electric vehicle as three vehicles and a strong hybrid as 1.6, so that selling hybrids helps a manufacturer meet its target. GST, meanwhile, taxes that same hybrid at the highest rate. One instrument encourages what the other discourages.

¶5. There is a further consideration. The environmental advantage of a battery electric vehicle depends on how the electricity charging it was generated. On a grid supplied largely by coal that advantage narrows; on a cleaner grid it widens. Grid composition differs sharply between States, as Annexure D, Table D-1 shows. A single national rate structure cannot reflect that variation, but delegations may reasonably differ on how much weight it deserves.

¶6. Resolution 1 places two reduced rates before the Council — 28 per cent and 18 per cent — for strong hybrids that pass the certification test in Annexure F. That test is self-contained: it defines what counts as a strong hybrid, and it measures each variant's certified emissions against a reference value for its weight. The Council may adopt either rate, alter the threshold, alter the reference formula, or reject the proposal and leave the 40 per cent rate undisturbed.

2.2 The Inverted Duty Structure in the Electric Vehicle Sector

¶7. Battery electric vehicles are taxed at 5 per cent when sold, but a manufacturer buys many of its inputs at higher rates: standalone batteries and specified components at 18 to 28 per cent, and a range of services at 18 per cent. Because the tax paid on inputs exceeds the tax collected on output, credit accumulates that the manufacturer cannot use. This is an inverted duty structure. (Public charging and battery-swapping services are also taxed at 18 per cent, which affects the cost of running an electric vehicle, but it is not part of the manufacturer's credit problem discussed here).

¶8. The Council has already acted on the speed of refunds. Rule 91(2) of the CGST Rules, as amended with effect from 1 October 2025, provides for risk-based provisional sanction, and CBIC Instruction No. 06/2025-GST dated 3 October 2025 operationalises it, so that low-risk claimants receive 90 per cent of an admissible refund within seven days. Section 155 of the Finance Act, 2026 provides for putting that facility on a statutory footing by amending Section 54(6) of the CGST Act; that amendment awaits commencement by notification and is not yet in force.

¶9. These measures govern how quickly an eligible refund is paid. They do not change what is eligible, and the restriction on eligibility has two separate legal sources. Capital goods are outside the refundable base because Section 54(3)(ii) speaks of “inputs”, a term which Section 2(59) defines as goods other than capital goods. Input services are outside it because the definition of “Net ITC” in Explanation (a) to Rule 89(5) confines the refund formula to credit on inputs; in Union of India v. VKC Footsteps India Pvt. Ltd. (2021) the Supreme Court upheld that Explanation as being in conformity with Section 54(3), while observing that the formula works to the prejudice of the assessee and inviting the Council and its Law Committee to reconsider it. The practical effect is that a manufacturer's credit on research and development, software, logistics, plant and machinery is recoverable only against future output tax, and never by refund.

2.3 Input Tax Credit on Employee-Mobility Fleets

¶10. Section 17(5)(a) of the CGST Act blocks input tax credit on motor vehicles carrying not more than thirteen persons including the driver, subject to narrow exceptions for vehicles that are resold, used to carry passengers for hire, or used for driving instruction. A company buying cars to move its own employees falls outside those exceptions and gets no credit. Section 17(5)(ab) extends the block to insurance, servicing and maintenance of those vehicles.

¶11. The rule exists to stop businesses claiming credit on what are in substance personal cars, and it is deliberately blind to powertrain: it applies to conventional, electric and hybrid vehicles alike. That neutrality is its strength as an anti-avoidance measure and its weakness as an environmental instrument, because it removes any tax advantage a company might have in choosing cleaner vehicles for its fleet.

3. Interaction Between the Questions

¶12. The three questions carry different kinds of fiscal risk, and delegations should not treat them as one decision. A lower rate for hybrids produces an immediate and reasonably predictable revenue loss, offset to an uncertain degree by higher sales. A wider refund base converts credit that presently sits unused into cash paid out, which is a larger one-time effect and a smaller recurring one. Relief on fleet credit is the smallest in immediate revenue terms but carries the greatest risk of leakage, because the line between a company car and a personal car is difficult to police. They also fall differently across States, depending on where vehicles are made, how much revenue a State raises of its own, and how far it depends on transfers from the Centre.

4. Matters Placed Before the Council for Decision

¶13. **Resolution 1 — Rate.**

Whether qualifying strong hybrids now taxed at 40 per cent should stay at 40 per cent, or move to 28 or 18 per cent; and, if they move, what certification test should define the category.

¶14. Resolution 2 — Refund Base.

Whether the inverted-duty refund base for the electric vehicle sector should be widened to include input services and capital goods, input services alone, or neither; and which safeguard against leakage should apply.

¶15. Resolution 3 — Fleet Credit.

Whether certified electric and strong hybrid vehicles bought for employee transport should receive input tax credit; whether that relief should extend to insurance, servicing and maintenance; and which anti-leakage design should apply.

¶16. **Resolution 4 — Review.**

Whether to commission a review of the finally notified CAFE-III norms, the actual demand response, substitution between vehicle types, and State-wise adoption.

5. Material Placed Before the Council

¶17. Annexure A contains the Fitment Committee's costings, including the assumptions on which they rest. Annexure B sets out what each recommendation would legally require and the safeguard designs available. Annexures C and D contain the stipulated technical and sector data. Annexure E contains the operative motions and Annexure F. The Council is invited to weigh revenue stability, ease of administration, industrial transition and decarbonisation, and to vote on the Resolutions as they stand or as amended.

ANNEXURE A — REPORT OF THE FITMENT COMMITTEE

The Fitment Committee is the officials' committee, drawn from the Centre and the States, that examines rate proposals before the Council decides them. This report sets out what the options cost. It deliberately makes no recommendation: the choice belongs to the Council.

A.1 Remit and limits

The Committee was asked to cost the three substantive recommendations. Estimates are not recommendations. Unless expressly stated, the Committee has not costed dynamic substitution between vehicle types, compliance costs, or revenue leakage.

A.2 The affected segment [S]

Item	Stipulated value
Annual sales of strong hybrids above the small-vehicle thresholds	1,55,000 units [S]
Average taxable value per vehicle	₹18.0 lakh [S]
Taxable base	₹27,900 crore [S]
GST collected at 40 per cent	₹11,160 crore [S]
Average fuel consumption advantage over a comparable ICE vehicle	28 per cent lower [S]

A.3 Rate options and costings [S]

	Option A — 28%	Option B — 18%
Static revenue forgone (no sales response)	₹3,348 crore [S]	₹6,138 crore [S]
Fall in tax-inclusive price	8.6 per cent	15.7 per cent
Volume uplift at elasticity −1.2	10.3 per cent	18.9 per cent
Net revenue forgone (central case)	**₹2,540 crore [S]**	**₹5,190 crore [S]**
Net forgone at elasticity −0.8	₹2,810 crore [S]	₹5,510 crore [S]
Net forgone at elasticity −1.6	₹2,280 crore [S]	₹4,880 crore [S]

How these figures were calculated

static forgone = taxable base × (0.40 − new rate)
fall in tax-inclusive price = (0.40 − new rate) ÷ 1.40
volume uplift = price fall × elasticity
net forgone = GST at 40 per cent − [units × (1 + uplift) × taxable value × new rate]

Static figures are exact. Behavioural figures are rounded to the nearest ₹10 crore. Every input is stated above, so you can reproduce or challenge any of these numbers.

Option C — a rebate administered outside the rate schedule — was considered. It would reintroduce the administrative complexity the 56th meeting removed, and the Committee has not costed it further.

A.4 Matters the Committee draws to the Council's attention

- The price elasticity of demand is the decisive variable and is genuinely uncertain in this segment. The Committee's central figure of −1.2 [S] is an adoption, not a measurement. That is why a sensitivity range is given, and delegations are free to argue that the true value lies elsewhere within it.
- Substitution effects are not costed. Some additional hybrid sales would displace 40 per cent conventional vehicles, which loses revenue; some would displace 5 per cent electric vehicles, which gains it. The Committee treats the net effect as falling within the stated sensitivity range.
- The costings assume the certification test in Annexure F, including its per-variant basis. Both the threshold and that basis are amendable, and amending them would change the size of the qualifying category and therefore these figures.

A.5 Exposure under Recommendations 2 and 3 [S]

The Committee was able to cost Recommendation 1 in detail. For the other two the underlying data are less complete, and the following are ranges rather than point estimates.

Recommendation	Design	Exposure [S]
2 — refund base	Full expansion (input services	₹1,617 crore opening stock, being 42

	and capital goods)	per cent of ₹3,850 crore
2 — refund base	Input services only	₹1,117 crore opening stock, being 29 per cent of ₹3,850 crore
2 — refund base	Status quo	No refund cost; annual carrying cost to the sector ₹178 crore
3 — fleet credit	Acquisition credit on qualifying vehicles	₹705 crore a year at the present powertrain mix
3 — fleet credit	Associated services under 17(5)(ab)	₹96 crore a year

The ₹705 crore figure is derived from Annexure D, paragraph D.2: electric vehicles at 13 per cent of 2,10,000 units taxed at 5 per cent, plus hybrids at 6 per cent taxed at 40 per cent. Relief would raise the qualifying share over time; the Committee has not modelled that response, and has not estimated leakage, which depends on the safeguard design adopted.

ANNEXURE B — NOTE OF THE LAW COMMITTEE

The Law Committee advises on what a proposal would legally require. It does not advise whether the proposal is desirable.

B.1 Resolution 1 — Rate

A differentiated rate can be given effect by notification under Section 9(1) of the CGST Act and the corresponding State, Union Territory and IGST provisions, on the Council's recommendation. No amendment of any Act is needed. The notification must carry the certification definition itself, so that the category is capable of being applied at the point of assessment.

Two limits are worth noting. Section 9(1) caps the CGST rate at 20 per cent, which with an equal SGST rate is why 40 per cent is the ceiling for intra-State supply: no motion can set a higher rate without amending the Act. And the Council has already used technical criteria in a rate entry — the existing 18 per cent small-car entry turns on engine capacity and length — so a certification-linked entry is not novel.

B.2 Resolution 2 — Refund Base

The provisional-refund measures address the speed of disbursement only: Rule 91(2) as amended with effect from 1 October 2025, CBIC Instruction No. 06/2025-GST dated 3 October 2025, and prospectively Section 54(6) as amended by Section 155 of the Finance Act, 2026, which awaits commencement.

The restriction on eligibility has two sources and both must be addressed. Capital goods are excluded by the definition of “inputs” in Section 2(59), read into Section 54(3)(ii). Input services are excluded by Explanation (a) to Rule 89(5), upheld in VKC Footsteps. It follows that amending Section 54(3) alone would not achieve the object: coordinated amendment of Section 54, of the definitions in Section 2, and of Rule 89(5) is required, with corresponding State and Union Territory amendments. The Council may recommend such amendment; only Parliament and the State legislatures can enact it.

Safeguard options, on which the Committee expresses no preference:

- Option 1 — exclusive-use perimeter. Refund confined to registered persons whose supplies of battery electric vehicles, or of components used exclusively in making them, are at least 75 per cent of turnover. Lowest leakage risk; excludes mixed manufacturers.

- Option 2 — principal-use perimeter with proportionate refund. Refund available to any manufacturer supplying qualifying goods, limited to the proportion that qualifying supplies bear to total supplies. Wider reach; requires attribution of common credit.
- Option 3 — capital goods deferred. Input services refunded currently; capital goods refunded in equal annual instalments over the residual useful life, with reversal on disposal under Section 18(6). Addresses the risk that the whole tax on a new plant is monetised at once.

B.3 Resolution 3 — Fleet Credit

Sections 17(5)(a) and (ab) are substantive provisions of the Act. Relief cannot be given by notification or circular; it requires amendment by Parliament with corresponding State legislation, as was done by the CGST (Amendment) Act, 2018. The amending provision must state whether it covers acquisition credit only or also the associated services in clause (ab), and whether leased vehicles qualify.

Safeguard designs, on which the Committee expresses no preference:

- Design I — registered-fleet gateway. Credit only on vehicles tagged to the claimant's GSTIN in a fleet registry, with the claimant registered as owner or long-term lessee; disposal within forty-eight months triggers proportionate reversal.
- Design II — usage-proportion credit. Credit limited to the verified business-use percentage, certified annually, with reversal and interest on any shortfall. Requires a stated measurement rule — kilometres, days of deployment, or certified fleet logs.
- Design III — phased credit. Acquisition credit released in four equal annual instalments, conditional on continued registration and qualifying certification, extinguishing on transfer.

The Committee offers no preference. The Designs may be compared on leakage risk, compliance burden on the claimant, administrative burden on the department, the present value of the incentive to the buyer, and ease of verification.

B.4 Resolution 4 — Review

The Council may direct its own Secretariat. It has no power to direct the Ministry of Road Transport and Highways, the Ministry of Heavy Industries or NITI Aayog, which should be consulted or requested to furnish data. Resolution 4 is drafted accordingly.

ANNEXURE C — STIPULATED TECHNICAL FRAMEWORK

C.1 CAFE-III parameters [S]

CAFE norms apply to a manufacturer's whole fleet, not to individual models: a manufacturer must keep the sales-weighted average emissions of everything it sells below a target. Super credits let a cleaner vehicle count as more than one vehicle in that average, which is how the framework rewards electrification. The following parameters are fixed and closed for this simulation and prevail over anything notified after the release of this document.

Parameter	Stipulated value [S]
Effective from	1 April 2027
Basis of compliance	Sales-weighted fleet average of petrol-equivalent fuel consumption, against a weight-linked target curve, measured on the Modified Indian Driving Cycle
Fleet-average CO_2 target, FY 2027-28	94.76 gCO_2/km
Fleet-average CO_2 target, FY 2031-32	78.90 gCO_2/km
Super credit — battery electric vehicle	3.0 vehicles
Super credit — plug-in hybrid	2.5 vehicles
Super credit — strong hybrid	1.6 vehicles
Super credit — flex fuel	1.1 vehicles
Small-car weight concession	None
Surplus mechanism	Credit trading, or purchase of offset credits from BEE

Note. The penalty provisions of Section 26 of the Energy Conservation Act, 2001, as substituted by Act 19 of 2022 with effect from 1 January 2023, are real law, are not stipulated, and remain open to independent research. Note also that the fleet-average targets above govern a manufacturer's overall compliance; they are not the comparator used to certify an individual vehicle under Annexure F, which is self-contained.

C.2 Operational emissions model [S]

For arguments about the effect of a State's grid, the use-phase emissions of a battery electric vehicle may be estimated as:

grid intensity (gCO_2/kWh) × 0.18 kWh/km × 1.10 (charging and transmission losses)

So on a grid at 900 gCO_2/kWh the figure is about 178 gCO_2/km, and at 300 gCO_2/kWh about 59 gCO_2/km. This measures electricity generation only. It is not a lifecycle comparison: it excludes the emissions of manufacturing either vehicle and excludes the upstream emissions of producing and distributing petrol or diesel. A delegation arguing a full lifecycle case must state and defend its own assumptions.

ANNEXURE D — SECTOR AND STATE DATA

D.1 Accumulated credit in the electric vehicle sector [S]

Item	Stipulated value [S]
Total unutilised ITC in manufacturers' electronic credit ledgers	₹3,850 crore
Of which input goods (inside the refund formula)	58 per cent
Of which input services (outside it)	29 per cent
Of which capital goods (outside it)	13 per cent
Average age of the non-refundable balance	22 months
Annual carrying cost of that balance at 11 per cent	₹178 crore, being ₹3,850 crore × 42 per cent × 11 per cent

The non-refundable balance is not frozen: it can still be set off against future output tax. What it cannot be is refunded in cash. The cost to the manufacturer is therefore the cost of financing it while it waits.

D.2 The employee-mobility fleet market [S]

Item	Stipulated value [S]
Annual purchases (vehicles up to 13 seats, for employee transport)	2,10,000 units
Average taxable value	₹11.0 lakh
Powertrain mix	ICE 81 per cent; BEV 13 per cent; hybrid 6 per cent
Slab mix within the ICE share	One-fifth at 18 per cent; four-fifths at 40 per cent
GST blocked on acquisitions	₹6,470 crore
GST blocked on insurance, servicing and maintenance	₹640 crore
Of the acquisition figure, referable to BEVs and hybrids	₹705 crore
Of the services figure, referable to BEVs and hybrids	₹96 crore

D.3 Passenger vehicle sales [S]

Total passenger vehicle sales are 42.4 lakh units. Battery electric vehicles account for 4.6 per cent and strong hybrids for 3.7 per cent. The affected large-hybrid segment of 1,55,000 units is approximately 98.8 per cent of all strong hybrid sales, which reflects the fact that almost every strong hybrid sold in India exceeds the 4000 mm length threshold. Small cars in the 18 per cent slab account for 46 per cent; the remainder are other vehicles in the 40 per cent slab.

D.4 Grid emissions intensity by State [S]

All 31 State and Union Territory members, in descending order of intensity. The national figure is a generation-weighted average — weighted by how much electricity each State generates — and is deliberately not the arithmetic mean of the entries below, because generation is concentrated in the higher-intensity States.

State / UT	gCO_2/kWh	State / UT	gCO_2/kWh
Chhattisgarh	921	Goa	655
Jharkhand	903	Rajasthan	618
Odisha	866	Tamil Nadu	588
Uttar Pradesh	855	Karnataka	471
Bihar	848	Tripura	458
West Bengal	839	Nagaland	412
Madhya Pradesh	823	Kerala	402
Haryana	794	Manipur	388
Delhi	741	Uttarakhand	356
Telangana	738	Mizoram	331
Maharashtra	712	Meghalaya	301
Punjab	703	Jammu & Kashmir	247
Puducherry	702	Himachal Pradesh	214
Assam	689	Sikkim	168
Andhra Pradesh	684	Arunachal Pradesh	142
Gujarat	664	**National (generation-weighted)**	**716**

A higher grid intensity reduces the operational-emissions advantage of a battery electric vehicle against an efficient strong hybrid; a lower intensity increases it. No lifecycle conclusion follows from this table alone.

ANNEXURE E — MOTIONS BEFORE THE COUNCIL

These are the texts the Council votes on. Amendments attach to this text. Voting is by weighted majority under Article 279A(9) of the Constitution, as explained in the Guide to the Agenda Note. Bracketed elements carrying an R-number are amendable; everything else is fixed.

Resolution 1 — Rate

Resolution 1

The Council recommends that, with effect from a date to be notified, motor vehicles presently leviable to GST at 40 per cent which are certified strong hybrid electric vehicles within the meaning of Annexure F to this Resolution shall be leviable to GST at [28 / 18] per cent [rate — R.1(e)], and recommends corresponding notifications under the State, Union Territory and Integrated GST enactments.

ANNEXURE F — CERTIFICATION OF STRONG HYBRID ELECTRIC VEHICLES [S]

This Annexure supplies the certification test referred to in Resolution 1 of Annexure E. It is self-contained and is applied variant by variant. It is distinct from the fleet-average obligation in Annexure C, Table C-1, which governs a manufacturer's overall compliance.

F.1 Architectural definition [amendable — R.1(a)]

A vehicle is a strong hybrid electric vehicle only if it is a hybrid electric vehicle having (a) a stop-start arrangement; (b) an electric regenerative braking system; and (c) a motor drive in which the motor alone is capable of propelling the vehicle from a stationary condition. A vehicle having provision for off-vehicle charging of its rechargeable energy storage system is a plug-in hybrid electric vehicle and falls outside this Annexure.

F.2 The comparator

The comparator is the Annual Average Fuel Consumption Standard for the financial year 2027-28 stipulated at Annexure C, Table C-1, expressed for a vehicle of unladen mass W kilograms as:

$S(W) = [\ 0.00158 \times (W - 1229) + 3.9960\ ]$ litres per 100 km, petrol equivalent, on the Modified Indian Driving Cycle

and converted to grams of carbon dioxide per kilometre by multiplying by 23.7135. Both the certified value and the comparator are therefore expressed in gCO_2/km; no further conversion is required or permitted.

F.3 The test [threshold amendable — R.1(c)]

A vehicle satisfying paragraph F.1 is a certified strong hybrid electric vehicle if a Type Approval Agency notified under the Central Motor Vehicles Rules, 1989 certifies that the Manufacturer Declared CO_2 for the variant, measured on the Modified Indian Driving Cycle, is at least [5 / 10 / 15] per cent below S(W) for that variant's unladen mass.

F.4 Comparator values

Unladen mass W (kg)	S(W) petrol equivalent (l/100 km)	S(W) (gCO_2/km)	Ceiling at 10 per cent below (gCO_2/km)
1,100	3.7922	89.9	80.9
1,200	3.9502	93.7	84.3
1,300	4.1082	97.4	87.7
1,400	4.2662	101.2	91.0
1,500	4.4242	104.9	94.4
1,600	4.5822	108.7	97.8
1,700	4.7402	112.4	101.2
1,800	4.8982	116.2	104.5

Worked example. A strong hybrid of 1,300 kg unladen mass. $S(W) = 0.00158 \times (1300 - 1229) + 3.9960 = 4.1082$ l/100 km, which is $4.1082 \times 23.7135 = 97.4$ gCO_2/km. At a threshold of 10 per cent the vehicle must certify at or below 87.7 gCO_2/km. A vehicle certified at 85 gCO_2/km qualifies; one certified at 95 gCO_2/km does not.

F.5 Application and validity [per-variant rule amendable — R.1(d)]

Certification is granted variant by variant. Each variant must satisfy paragraph F.3 independently; a manufacturer's sales-weighted fleet average is not a substitute. Unladen mass is that recorded on the vehicle's type approval. Certification is valid for the model year and lapses on any change to powertrain, unladen mass or Manufacturer Declared CO_2.

Kerb weight (kg)	Reference value E(ref)	Certified emissions must not exceed (at 25%)
1,150	137.6 gCO_2/km	103.2 gCO_2/km
1,250	142.1 gCO_2/km	106.6 gCO_2/km
1,450	151.3 gCO_2/km	113.4 gCO_2/km
1,600	158.1 gCO_2/km	118.6 gCO_2/km
1,750	165.0 gCO_2/km	123.7 gCO_2/km
1,900	171.8 gCO_2/km	128.9 gCO_2/km

Resolution 2 — Refund base

Resolution 2

The Council, noting that the provisional-refund measures address the speed of disbursement and not the scope of eligibility, and that the amendment to Section 54(6) made by Section 155 of the Finance Act, 2026 awaits commencement, recommends to the Central Government that Parliament be moved to make coordinated amendments to Section 54, to the definitions in Section 2, and to Rule 89(5) of the CGST Rules, so that inverted duty structure refunds for manufacturers of battery electric vehicles, and of components used principally in making them [perimeter — R.2(a)], extend to [input services and capital goods / input services only] , subject to safeguards on the lines of Option [1 / 2 / 3] in the Law Committee's note [safeguard — R.2(b)]; and recommends corresponding State and Union Territory amendments.

Resolution 3 — Credit on green employee-mobility fleets

Resolution 3

The Council recommends to the Central Government that Parliament be moved to amend Section 17(5) of the CGST Act, 2017 so as to permit input tax credit (a) on motor vehicles procured, or taken on lease for a term of not less than thirty-six months, by registered persons for the transport of their personnel, being either electrically operated vehicles falling under the concessional entry for such vehicles or certified strong hybrid electric vehicles within the meaning of Annexure F; and (b) under clause (ab) of Section 17(5), on general insurance, servicing and repair and maintenance of such vehicles [scope of limb (b) — R.3(a)]; subject to safeguards on the lines of Design [I / II / III] in the Law Committee's note [safeguard — R.3(b)]; and recommends corresponding State and Union Territory amendments.

Dependency. The strong hybrid limb of this Resolution uses the certification test in Annexure F. If Resolution 1 is rejected, that limb is severed unless the Council separately adopts Annexure F. The electric vehicle limb is unaffected.

Resolution 4 — Review and verification

Resolution 4

The Council directs the GST Council Secretariat to report to the Council within two ordinary meetings [deadline and scope — R.4(a)], after consultation with the Ministry of Power (Bureau of Energy Efficiency), the Ministry of Road Transport and Highways, the Ministry of Heavy Industries, NITI Aayog and the participating States and Union Territories, and on the basis of such data as those bodies may furnish, upon (i) the CAFE-III norms as finally notified; (ii) the price elasticity of demand actually realised in the affected segment, measured against the assumption adopted at Annexure A, paragraph A.3; (iii) substitution between hybrid, conventional and battery electric volumes, which the Fitment Committee did not cost; and (iv) State-wise adoption measured against the baseline in the State-wise Impact Table.

STATE-WISE IMPACT TABLE [S]

All 31 State and Union Territory members of the Council. The Union delegation is a member in addition to these and votes as explained in the Guide to the Agenda Note. Read this table together with your own State's profile: it is the principal evidence for the position your delegation takes.

SGST exposure is the estimated annual State-level revenue forgone under Fitment Option A on a static basis, including estimated IGST apportionment; the column therefore totals more than half the national static estimate of ₹3,348 crore. Auto employment covers direct and proximate manufacturing employment. EV share is the electric share of the State's passenger vehicle registrations. Transfer dependence is the share of the State's revenue receipts coming from central transfers. Grid intensity is repeated from Annexure D, Table D-1.

State / Union Territory	SGST exposure (₹ cr)	Auto employment ('000)	EV share (%)	Transfer dependence (%)	Grid gCO_2/kWh
Maharashtra	212	385	5.9	21	712
Tamil Nadu	168	412	6.4	24	588
Gujarat	141	296	5.1	22	664
Karnataka	149	231	8.8	23	471
Haryana	118	268	4.9	26	794
Uttar Pradesh	156	154	3.2	44	855
Delhi	97	18	11.6	18	741
Kerala	74	12	7.3	34	402
West Bengal	88	41	2.9	41	839
Bihar	42	6	1.8	57	848
Rajasthan	79	58	3.6	38	618
Punjab	51	44	2.7	36	703

Chhattisgarh	28	9	1.6	46	921
Jharkhand	24	31	1.4	48	903
Odisha	33	14	2.1	42	866
Assam	26	4	1.9	52	689
Himachal Pradesh	12	8	4.2	49	214
Sikkim	2	0.4	3.8	61	168
Goa	9	3	9.1	28	655
Telangana	84	62	6.7	27	738
Andhra Pradesh	66	58	4.4	39	684
Madhya Pradesh	71	64	3.1	43	823
Uttarakhand	38	92	3.4	45	356
Jammu & Kashmir	14	3	2.2	58	247
Puducherry	6	7	5.2	31	702
Arunachal Pradesh	1	0.2	1.2	66	142
Manipur	2	0.3	1.5	63	388
Meghalaya	3	0.4	1.3	59	301
Mizoram	1	0.2	1.7	64	331
Nagaland	2	0.2	1.1	65	412
Tripura	4	0.5	1.6	60	458
All members	**1,801**	—	—	—	**716 (weighted)**

These indicators may pull a State's interests in different directions. Revenue exposure, manufacturing employment, adoption levels, dependence on central transfers and grid composition will not always point the same way. Your delegation should decide, and be ready to defend, the relative weight your State would reasonably give to each.

UNION DELEGATION — NATIONAL IMPACT NOTE [S]

The Union delegation holds one-third of the weighted vote. This note sets out the considerations bearing on the national position. No preferred Union position is stipulated.

Consideration	Stipulated position [S]
CGST forgone, Resolution 1 Option A	₹1,547 crore a year (Union share of the static estimate after IGST apportionment)
CGST forgone, Resolution 1 Option B	₹2,835 crore a year
Union share of the recurring effect of Resolution 2	₹260 to ₹390 crore a year, depending on the perimeter adopted
CGST forgone, Resolution 3	₹353 crore a year at the present qualifying share, being the Union half of ₹705 crore
Divisible pool	Revenue forgone at the Union level reduces the pool from which State transfers are made in the following year

Beyond revenue, the Union carries responsibility for industrial policy and employment in the automobile sector, for reducing dependence on imported crude, for the PM E-Drive programme and its electrification objectives, for national decarbonisation commitments in which transport is a designated abatement priority, and for the simplicity of the rate structure achieved by the 56th meeting.

SOURCE NOTE

The following are real legal materials. Except where a figure is marked [S], delegates are expected to verify the current position independently and to cite accurately.

- Constitution of India, Article 279A.
- Central Goods and Services Tax Act, 2017, and Central Goods and Services Tax Rules, 2017, as officially in force on the date of release.
- Recommendations of the 56th meeting of the GST Council, 3 September 2025.
- Notification No. 9/2025–Central Tax (Rate), dated 17 September 2025, as amended, and corresponding State, Union Territory and Integrated GST notifications.

- Notification No. 13/2025–Central Tax, dated 17 September 2025 (amendment to Rule 91(2)).
- CBIC Instruction No. 06/2025-GST, dated 3 October 2025.
- Finance Act, 2026, Section 155. Commencement status to be read with the official consolidated text of Section 54.
- Union of India v. VKC Footsteps India Pvt. Ltd., Supreme Court of India, judgment dated 13 September 2021.
- Energy Conservation Act, 2001, and the CAFE materials published by the Bureau of Energy Efficiency and MoRTH.
- Central Motor Vehicles Rules, 1989, Rule 126.
- Draft Corporate Average Fuel Economy 2027 Norms (CAFE-III)

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— End of Problem Statement —