


# GST on Services (2026) Part 2: Toll TOT Model, Reseller ITC, R&D Certificate, Coffee Curing and Seed Storage

## Description

Last updated: 19 October 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

**Quick summary**

- Upfront and periodic payments by a TOT concessionaire for the exclusive right to collect tolls are to be exempt, but only where the right is granted by the Government, a local authority, a governmental authority or a government entity.
- For O&M services under a TOT agreement, GST is to be paid when the expense is debited from the escrow account, on the actual amount debited, under a special procedure in section 148.
- Resellers of hotel rooms up to ?7,500 per unit per day, restaurant and outdoor catering, and gym or fitness services are to get limited ITC on the same category of input service.
- New exemptions are proposed for coffee curing for cultivators, storage of seeds meant for sowing, and Seamen's Provident Fund Organisation services. R&D exemption will rest on a certificate kept on record.
- These are recommendations of the 57th GST Council and apply only once notified.

This is the second post on the PIB FAQs on services of 09/10/2026. Part 1 covered e-commerce delivery, electric vehicles, helicopters and foreign shipping lines. This part covers toll roads, reseller credit and four exemptions. The context is the press release of 08/10/2026.

**These are recommendations of the 57th Council.** They apply only after notification, and the FAQ says its answers have no legal validity.

## Toll rights under the TOT model

In a Toll-Operate-Transfer project, a concessionaire pays an authority for the right to collect tolls on a highway.

| Question | Position stated in the FAQ |
|---|---|

| | |
|---|---|
| What is exempt? | Leasing services by way of grant of exclusive rights to access, use, operate, collect, demand and appropriate toll |
| Upfront payment? | Covered |
| Periodic payments instead of upfront? | Also covered |
| Rights granted by a private entity? | **Not covered.** Only rights granted by the Government, a local authority, a governmental authority or a government entity |
| Is this the same as charging users a toll to use a road or bridge? | No, that is a different service, already exempt under entry 23 of Notification No. 12/2017-Central Tax (Rate) |

## Operations and maintenance under a TOT agreement

A special procedure under **section 148** of the CGST Act is proposed for a registered concessionaire under a TOT agreement with the Government, a local authority, a governmental authority or a government entity, where it must supply O&M services for the road or highway and the cost is adjusted out of the upfront concession fee.

The reason given is that the value of O&M services is not generally determinable in such a project, since the upfront fee is adjusted for expected O&M cost.

How it works:

- **Time of payment:** GST is paid in the tax period in which O&M expenses are debited or charged from the **escrow account** kept for toll collection.
- **Value:** the actual O&M expenditure debited in that period. The FAQ's example is that if ?100 is incurred and debited, GST is paid on ?100 at the applicable rate.
- **No upfront liability:** GST on the whole O&M component is not due when the concession starts.
- **Limited scope:** it does not apply to every road O&M contract, only to a TOT concessionaire whose O&M cost is adjusted against the upfront payment.

## Input tax credit for resellers

Some services are taxed at 5% without ITC, and credit on the same category of service used as an input is blocked, which causes cascading when a service is resold. The proposal allows ITC to resellers of:

- hotel accommodation up to **?7,500 per unit per day**;
- restaurant and outdoor catering services; and
- gym and fitness services.

This is **limited credit, on the same category of input service only**. It is not ITC on everything taxed at 5%. The FAQ says it follows the relaxation already given for passenger transportation, tour operator services and renting of motor vehicles.

## New exemptions

| Service | What the FAQ says |
|---|---|
| Seamen's Provident Fund Organisation (SPFO) | Exemption for services in administering the Seamen's Provident Fund Scheme to persons governed by the Seamen's Provident Fund Act, 1966, on the lines of the existing exemptions for EPFO and CMPFO |
| Research and development | Eligible institutions certify that work is R&D and not consultancy (see below) |
| Coffee curing | Curing services provided to coffee cultivators, at a farm or a separate curing works. Not roasting or other processing |
| Storage and warehousing of seeds | Seeds meant for sowing, whether or not they are "agricultural produce" |

### The R&D certificate

The head of the Government entity, research association, university, college or other eligible institution notified under section 35(1)(ii) or (iii) of the Income Tax Act, 1961 issues a certificate that the work is research and development and not consultancy. Field formations may accept it as the basis of the exemption claim.

- It is issued as and when the exemption is claimed.
- It is **not** submitted with monthly returns. It is kept on record and produced only if the authorities ask during scrutiny, audit or investigation.
- **No specific format** is prescribed.

### Coffee curing

The FAQ describes curing as mechanical processes other than pulping, applied to raw coffee to prepare it for marketing, such as drying, hulling, cleaning, sorting, grading and polishing. The exemption benefits cultivators by reducing the cost of processing.

### Seed storage

The exemption applies to **all seeds meant for sowing**, as defined in paragraph 2 of Notification No. 12/2017-Central Tax (Rate), not only to seeds for agricultural crops. Processed products from seeds, and seeds meant for consumption, industrial use or any other non-sowing use, are not covered.

## What this means in practice

- **Highway concessionaires** should check three things: who granted the rights, whether the payment is upfront or periodic, and whether the escrow debits line up with their O&M tracking.
- **Hotels, caterers and gyms that resell** these services should work out how much credit was previously blocked.
- **Research institutions** should decide who signs the R&D certificate and keep a record for each project.
- **Coffee curers and seed warehouses** should expect to stop charging GST on these services once

notified.

## What to do now

1. **Sort your contracts** against the conditions above before looking at tax treatment.
2. **Start the R&D certificate practice**, since there is no prescribed format and it is only an internal record.
3. **Do not change invoices yet.** Wait for the notification.

## How CSM & Co LLP can help

We can review TOT and toll arrangements, advise on the section 148 procedure and escrow based valuation, quantify blocked credit for resellers, and prepare R&D certificate processes for institutions. Please reach out to our team and we will be happy to assist.

## Frequently asked questions

### Is the upfront payment under a TOT highway project exempt?

The proposed exemption covers leasing services by way of grant of exclusive rights to access, use, operate, collect, demand and appropriate toll, where the concessionaire makes the upfront payment. Periodic payments are also covered.

### Does the exemption apply if a private entity grants the rights?

No. It applies only where the rights are granted by the Government, a local authority, a governmental authority or a government entity.

### When is GST payable on O&M services under a TOT agreement?

In the tax period in which the O&M expenses are debited or charged from the escrow account maintained for toll collection. GST is paid on the actual amount debited, not on the whole O&M component at the start.

### Which resellers get ITC under the proposal?

Resellers of hotel accommodation up to ?7,500 per unit per day, restaurant and outdoor catering services, and gym or fitness services. Only credit on the same category of input service is allowed.

### How is R&D distinguished from consultancy for the exemption?

The head of the eligible institution issues a certificate that the work is research and development and not consultancy. It is kept on record and produced only if the tax authorities ask. No format is prescribed.

### What does the coffee curing exemption cover?

Curing services provided to coffee cultivators, whether done at an estate or at a curing works. It does not extend to roasting or other processing.

### Which seeds are covered by the storage exemption?

Seeds meant for sowing, as defined in Notification No. 12/2017-Central Tax (Rate), not only agricultural seeds. Processed products and seeds meant for consumption or industrial use are not covered.

## Official sources

- Press Information Bureau: FAQs on issues related to services, 09/10/2026
- Press Information Bureau: Recommendations of the 57th Meeting of the GST Council, 08/10/2026
- CBIC GST tax information portal

## Related reading

- 57th GST Council Meeting (October 2026): Arrest Powers Removed, Faster Refunds and Wider ITC

## Disclaimer

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meetsoni