

GST Classification Clarified for Sublimation Paper, Toys, the Margin Scheme and Bio-stimulants (2026): Circular No. 265/11/2026-GST

Description

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Quick summary

- Circular No. 265/11/2026-GST, dated 28/10/2026, implements four classification clarifications recommended at the 57th GST Council meeting of 8 October 2026.
- Sublimation paper is classifiable under heading 4809 at 18% GST, not under sub-heading 4810 22 - and the past period is regularised on an “as is where is” basis, so earlier disputes are not reopened.
- The GST rate entries for toys under heading 9503 are not limited to wheeled toys like tricycles, scooters and pedal cars - the word “etc.” in the notification covers the whole heading, including dolls, dolls’ carriages, scale models and puzzles of all kinds.
- Under the margin scheme for old and used motor vehicles, the no-ITC condition applies only to tax paid on the second-hand vehicle itself - dealers can freely claim ITC on spares, repair and maintenance, technology services, rent, and marketing and advertisement services used in that business.
- Sea-weed extract based bio-stimulants registered under Schedule VI to the Fertiliser (Inorganic, Organic or Mixed) Control Order, 1985 are classifiable as fertilisers under heading 3101, not as plant-growth regulators under heading 3808, with the past period again regularised “as is where is”.

Classification disputes rarely make headlines, but they decide the actual GST rate a supplier charges - and four such disputes, flagged at the GST Council’s 57th meeting on 8 October 2026, are now settled by Circular No. 265/11/2026-GST, dated 28 October 2026.

New to terms such as “margin scheme” or “as is where is”? See the technical terms explained in simple words further down.

At a glance

- **Circular:** No. 265/11/2026-GST, Tax Research Unit, CBIC, dated 28 October 2026.
- **Issued under:** section 168(1) of the CGST Act, implementing recommendations of the **57th GST Council meeting**, held 8 October 2026.

- **Covers four separate classification questions:** sublimation paper, toys under heading 9503, the old-and-used motor vehicle margin scheme, and sea-weed extract based bio-stimulants.

Sublimation paper: heading 4809, not 4810 22

The dispute was whether sublimation paper falls under heading **4809** or sub-heading **4810 22** of the Customs Tariff Act, 1975 - a distinction that affects both classification and rate. The circular clarifies it is classifiable under **heading 4809**, attracting **18% GST** (S.No. 176 of Schedule II of notification No. 09/2025-C.T.R. dated 17.09.2025).

Past period regularised: the Council has recommended regularising the earlier period on an **“as is where is”** basis - so GST already paid under either interpretation for periods before this clarification is not reopened.

Toys: “etc.” covers the whole of heading 9503, not just wheeled toys

The question here was whether the toy rate entries in notification No. 09/2025-C.T.R. apply only to the specific examples named - tricycles, scooters, pedal cars - or to the broader category of toys under heading 9503.

Entry	Coverage	GST rate
S.No. 497, Schedule I	Toys like tricycles, scooters, pedal cars, etc. (excluding electronic toys)	5%
S.No. 616, Schedule II	Electronic toys like tricycles, scooters, pedal cars, etc.	18%

Some field formations had read these entries **restrictively**, excluding toys not expressly named - creating inconsistent treatment across the trade. The circular clarifies that the word **“etc.”** is not limited to wheeled toys: it extends to **all other toys falling under heading 9503**, including dolls’ carriages, dolls, other toys, reduced-size (“scale”) models and similar recreational models (working or not), and puzzles of all kinds.

Margin scheme for old and used motor vehicles: ITC restriction is narrow

Under the margin scheme notifications (Notification No. 08/2018-C.T.R., Notification No. 09/2018-I.T.R., and Notification No. 01/2018-Compensation Cess (Rate), all dated 25.01.2018), a dealer gets a **concessional GST/Compensation Cess rate** on the supply of old and used motor vehicles, conditional on **not availing ITC**. The question was whether this no-ITC condition extends to *every* input and input service the dealer uses in that business, or only to the vehicle itself.

The circular clarifies the condition is **narrow**: it blocks ITC only on the **tax paid on the procured second-hand vehicle**. Dealers remain free to avail ITC on other inputs and input services used in the business - **spares, repair and maintenance services, technology services, rent, marketing and advertisement services**, and the like - subject to the ordinary provisions of the CGST Act.

Sea-weed extract based bio-stimulants: fertiliser, not plant-growth regulator

The dispute was whether these products fall under heading **3101** (fertilisers) or heading **3808** (plant-growth regulators). The circular clarifies that sea-weed extract based bio-stimulants, **registered under Schedule VI to the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985**, are classifiable under **heading 3101** (S.No. 237 of Schedule I of notification No. 09/2025-C.T.R.), implemented by inserting an explanation into that entry.

Past period regularised: as with sublimation paper, the earlier period is regularised on an **"as is where is"** basis.

How CSM & Co LLP can help

Getting classification right at the invoice stage avoids both an under-charge that invites a demand later and an over-charge that makes a supplier uncompetitive - please reach out to our team and we will be happy to assist with classification and rate reviews for any of these four categories, or others facing similar disputes.

Technical terms explained in simple words

Term	What it means
Classification (under GST)	Deciding which tariff heading or sub-heading a product falls under, which in turn fixes the applicable GST rate.
"As is where is" regularisation	A Council-recommended relief where GST already paid for an earlier period, under either of two competing classifications, is accepted and not reopened once a clarification settles the question going forward.
Margin scheme	A GST scheme for dealers in old and used goods (including motor vehicles) that taxes only the dealer's margin, at a concessional rate, in exchange for not claiming input tax credit on the goods themselves.
Heading / sub-heading	The numbered classification codes under the Customs Tariff Act that group similar goods together for duty and tax purposes.

Frequently asked questions

Under which heading is sublimation paper classified for GST?

Heading 4809, attracting 18% GST under S.No. 176 of Schedule II of notification No. 09/2025-C.T.R. dated 17.09.2025 - not sub-heading 4810 22, which some suppliers had argued for. The GST Council has recommended regularising the past period on an "as is where is" basis, so past classification disputes are not reopened once this clarification applies going forward.

Does the lower GST rate on toys apply only to tricycles, scooters and pedal cars?

No. Circular No. 265/11/2026-GST clarifies that the word “etc.” in the relevant notification entries covers the entire heading 9503 of the Customs Tariff Act, 1975 - including dolls, dolls’ carriages, other toys, reduced-size (“scale”) models and similar recreational models (working or not), and puzzles of all kinds - not only wheeled toys.

Under the GST margin scheme for old and used motor vehicles, can a dealer claim ITC on spares and repair services?

Yes. The circular clarifies that the condition barring input tax credit under the margin scheme notifications applies only to the tax paid on the second-hand motor vehicle itself. ITC on other inputs and input services used in that business - spares, repair and maintenance, technology services, rent, marketing and advertisement services - remains available, subject to the ordinary provisions of the CGST Act.

How are sea-weed extract based bio-stimulants classified for GST?

As fertilisers under heading 3101, under S.No. 237 of Schedule I of notification No. 09/2025-C.T.R. dated 17.09.2025 - provided the product is registered under Schedule VI to the Fertiliser (Inorganic, Organic or Mixed) Control Order, 1985. This resolves the earlier uncertainty over whether such products should instead be classified as plant-growth regulators under heading 3808.

What does “regularised on an as is where is basis” mean for the past period?

It means that for periods before this clarification, GST already paid under either classification interpretation is accepted and not reopened or re-assessed, even though the clarification now settles which classification and rate applies going forward. This relief applies to the sublimation paper and sea-weed bio-stimulant clarifications in this circular.

Official sources

- CBIC - GST Circulars (CGST)
- GST Portal

Related reading

- GST on Waste and Scrap (2026): 2% TDS and Reverse Charge for Plastic, Tyre, E-waste and Used Cooking Oil

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