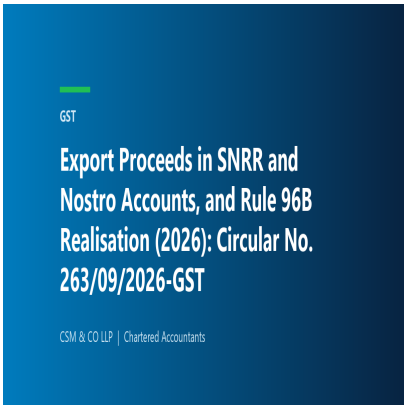

Export Proceeds in SNRR and Nostro Accounts, and Rule 96B Realisation (2026): Circular No. 263/09/2026-GST

Description

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Quick summary

- Circular No. 263/09/2026-GST, dated 26/10/2026, clarifies when payment received in INR accounts such as SNRR or Nostro counts toward the “receipt of consideration in convertible foreign exchange” test for export of services under the IGST Act.
- Payment for export of services received in any repatriable rupee account - SNRR, INR Nostro, or a similar account for repatriation of foreign exchange - now satisfies condition (iv) of section 2(6) of the IGST Act, the same as receipt in convertible foreign exchange itself.
- Stock brokers receiving payment from overseas clients (FPIs, NRIs, OCIs) through repatriable accounts such as SNRR or NRE also qualify; payment through an NRO account only qualifies once routed through a repatriable account per RBI guidelines.
- Set-off of export receivables against import payables is accepted, wherever RBI’s directions on set-off permit it, as satisfying the same condition - and reinsurance brokers settling commission by net retention against the premium remitted abroad are treated as having satisfied it too.
- On the goods side, Rule 96B’s time limit and realisation amount for export proceeds now follow the RBI’s FED Master Direction No. 16/2015-16 as amended, and no recovery is to be made where the AD Bank itself has written off the realisation requirement, wholly or partly.

Exporters of services increasingly get paid in rupee accounts rather than in a foreign currency outright - through RBI-permitted mechanisms like SNRR or Nostro arrangements - and the question of whether that still counts as “foreign exchange” for GST’s export definition has caused real uncertainty. Circular No. 263/09/2026-GST, dated 26 October 2026, settles it, and also clarifies the realisation time limit for export of goods under Rule 96B.

New to terms such as “SNRR account” or “Nostro account”? See the technical terms explained in simple words further down.

At a glance

- **Circular:** No. 263/09/2026-GST, GST Policy Wing, CBIC, dated 26 October 2026.

- **Issued under:** section 168(1) of the CGST Act.
- **Covers:** condition (iv) of clause (6) of section 2 of the IGST Act (part of the export-of-services definition), and Rule 96B of the CGST Rules (realisation of export proceeds for export of goods).
- **Builds on:** Circular No. 202/14/2023-GST, dated 27 October 2023, which first addressed Special Rupee Vostro Account (SRVA) receipts.

Why “receipt in convertible foreign exchange” needed clarification

To qualify as an “export of services” under the IGST Act, one of the conditions is that payment for the service must be received in convertible foreign exchange, or in Indian rupees wherever permitted by the RBI. In practice, a growing share of export payments arrive not as a foreign-currency remittance but through rupee-denominated mechanisms the RBI itself permits - Special Rupee Vostro Accounts (SRVA), Special Non-Resident Rupee (SNRR) accounts, and INR Nostro accounts of correspondent banks.

The core clarification: repatriable INR accounts count

Under the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 (FEMA 14R/2023), receipt for export to countries other than Nepal, Bhutan and Asian Clearing Union members may be made in INR, routed through an INR Nostro (Rupee Vostro) account or a repatriable account such as SRVA or SNRR. Since these are all **valid, RBI-permitted modes of settlement**, the circular clarifies:

> Wherever payment for export of service is received in convertible foreign exchange, **or** in a repatriable rupee account such as an SNRR account, an INR Nostro account, or any similar account for repatriation of foreign exchange, the condition under section 2(6)(iv) of the IGST Act is satisfied.

Stock brokers and NRO-routed payments

Stock brokers who provide services to overseas clients - FPIs, NRIs and OCIs - frequently get paid in INR. The circular clarifies that payment received through **repatriable INR accounts (SNRR, NRE)** satisfies the export condition. Where payment instead comes through an **NRO account**, it only satisfies the condition once it is **routed through a repatriable INR account (SNRR, NRE)**, consistent with RBI guidelines.

Set-off of export receivables against import payables

Set-off is a recognised settlement method under FEMA. Previously, RBI’s set-off guidelines carried conditions (broadly, goods against goods, services against services); with the **Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026**, effective from **1 October 2026**, those specific conditions no longer apply to such transactions. The circular confirms that wherever export receivables are set off against import payables **in accordance with RBI’s directions**, condition (iv) of section 2(6) of the IGST Act is treated as satisfied.

Reinsurance brokers: the net retention mechanism

An Indian reinsurance broker’s commission for broking services to foreign reinsurers is often settled by **net retention** - the broker retains its commission out of the premium funds before remitting the net premium abroad, rather than receiving a separate inward remittance. Under FEMA, this net retention mechanism **extinguishes** the broker’s obligation to realise and repatriate export proceeds. The circular treats this as

satisfying section 2(6)(iv) of the IGST Act as well.

Rule 96B: realisation of export proceeds for export of goods

Rule 96B requires that where sale proceeds of exported goods are not realised, wholly or partly, within the FEMA-prescribed period (including any extension), the refund already paid must be deposited or recovered to that extent, with interest - unless the RBI itself has written off the realisation requirement on merits.

The circular clarifies two points:

1. **The time limit is governed entirely by FEMA/RBI**, not a separate GST timeline - specifically, the period or extended period prescribed under **FED Master Direction No. 16/2015-16, dated 1 January 2016** (as last amended on 5 June 2026), and as amended from time to time.
2. **Where the Authorised Dealer (AD) Bank itself has written off the realisation requirement**, wholly or partly, **no recovery under Rule 96B is to be made** to that extent - the write-off need not come from the RBI directly for this relief to apply.

How CSM & Co LLP can help

Confirming that an export client's actual payment mechanism - SNRR, Nostro, set-off or net retention - genuinely falls within RBI's permitted modes is what decides whether the GST export conditions, and the refund that depends on them, hold up; please reach out to our team and we will be happy to assist.

Technical terms explained in simple words

Term	What it means
SNRR account	A Special Non-Resident Rupee account, a repatriable rupee account a non-resident can use to settle genuine transactions with India.
Nostro account	An account a bank holds in a foreign currency with a correspondent bank abroad, through which cross-border rupee or foreign-currency settlements can flow.
Repatriable account	A bank account whose balance can be freely converted and sent back out of India, as opposed to one restricted to use within India.
Set-off (in FEMA)	Settling an export receivable by adjusting it against an import payable, instead of two separate cross-border remittances.
Rule 96B	A CGST Rules provision requiring recovery of an export refund already paid where the export sale proceeds are not realised within the time allowed under FEMA.

Frequently asked questions

Does payment received in an SNRR account count as foreign exchange for GST export purposes?

Yes. Circular No. 263/09/2026-GST clarifies that payment for export of services received in a repatriable rupee account such as a Special Non-Resident Rupee (SNRR) account, an INR Nostro account, or any similar account for repatriation of foreign exchange, satisfies condition (iv) of section 2(6) of the IGST Act - the same as receipt in convertible foreign exchange.

How does this affect stock brokers who get paid in rupees by foreign clients?

Stock brokers providing services to FPIs, NRIs and OCIs commonly get paid in INR. The circular clarifies that payment received through repatriable INR accounts such as SNRR or NRE satisfies the export-of-services condition. Payment through an NRO account only qualifies once it is routed through a repatriable account, per RBI guidelines.

Can export receivables be set off against import payables for GST export purposes?

Yes, where such set-off is permitted and done in accordance with RBI's directions. The circular treats a valid set-off of export receivables against import payables, under the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, as satisfying condition (iv) of section 2(6) of the IGST Act.

How are reinsurance broker commissions treated when settled by net retention?

Where an Indian reinsurance broker's commission is settled by net retention - deducted from the premium before the balance is remitted abroad - rather than by a separate inward remittance, this is treated under FEMA as discharging the broker's obligation to realise export proceeds, and is accordingly treated as satisfying condition (iv) of section 2(6) of the IGST Act.

What time limit applies for realising export proceeds on export of goods under Rule 96B?

The time limit is whatever period, or extended period, is prescribed by the RBI's FED Master Direction No. 16/2015-16 (as amended from time to time), not a separate GST-specific limit. Where the realisation requirement has been written off, wholly or partly, by the Authorised Dealer Bank, no recovery under Rule 96B is to be made to that extent.

Official sources

- CBIC - GST Circulars (CGST)
- GST Portal

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