

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

Description

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

Update, 1 November 2026

The reverse charge half of what this post describes has been notified. Notification No. 04/2026-Central Tax (Rate) dated 27 October 2026 inserts all four items into notification 4/2017-Central Tax (Rate) with effect from **1 November 2026**: used cooking oil (HSN 1518), waste and scrap of plastics (3915), waste and scrap of tyres (4004) and electrical and electronic waste and scrap (8549), where an unregistered person supplies them to a registered person. The 2% deduction at source under section 51 is a separate measure and is not part of that notification, so it should be confirmed from its own notification rather than assumed to have started on the same date. The notified rate changes are set out in GST Rate Changes from 1 November 2026: Scrap, Isabgol and Tyres.

Quick summary

- The 57th GST Council has recommended 2% TDS on supplies of waste and scrap of plastics, waste and scrap of tyres, electrical and electronics waste and scrap, and used cooking oil, by a registered person to a registered person.
- It has also recommended reverse charge on the same items when an unregistered person supplies them to a registered person. The recipient pays the tax even if the supplier is below the registration threshold.
- The model is the one already in place for metal scrap, introduced on the 54th Council's recommendation. Buyers deduct under section 51, file GSTR-7 and issue a TDS certificate.
- The same FAQ set also clarifies sea-weed bio-stimulants, toys, sublimation paper, retreaded tractor tyres, psyllium seeds and the margin scheme for second-hand cars.
- These are recommendations. They take effect only through notifications and circulars, which will appear on the CBIC website.

Recyclers, scrap dealers and the manufacturers who buy from them have dealt with metal scrap under a special GST regime since the 54th Council. The 57th Council has now recommended extending that regime to

four more categories of waste. The detail is in the PIB FAQs on goods of 09/10/2026, read with the press release of 08/10/2026.

These are recommendations of the Council. They apply only once implemented through notifications and circulars, which will be uploaded on the CBIC website. The FAQ itself carries a disclaimer that its answers are for guidance and have no legal validity.

The four items

The recommendation covers:

1. waste and scrap of plastics;
2. waste and scrap of tyres;
3. electrical and electronics waste and scrap; and
4. used cooking oil.

The existing model they follow

The FAQ explains that this is built on the framework already in place for **metal scrap**, introduced on the recommendation of the 54th GST Council:

- TDS at **2%** under **section 51** of the CGST Act, 2017 on supply of metal scrap by a registered person to a registered person; and
- tax payable on **reverse charge** by the recipient on supply of metal scrap by an unregistered person to a registered person.

If you already comply for metal scrap, the four new categories will feel familiar.

Two situations, two mechanisms

Situation	Who supplies	Who receives	What applies
Registered to registered	Registered person	Registered person	The buyer deducts **TDS at 2%** from the payment and deposits it with the Government
Unregistered to registered	Unregistered person	Registered person	**Reverse charge**: the registered buyer pays the GST

The FAQ describes only these two situations. It does not address other combinations, so wait for the notification before assuming how they are treated.

The point that matters most for buyers

If the supplier is **unregistered and below the registration threshold**, the registered recipient **still pays GST under reverse charge**. The FAQ is direct about this: the recipient pays even if the unregistered supplier is below the threshold limit.

The supplier's own obligation is separate. A supplier must take registration when aggregate turnover crosses

the threshold under section 22 of the CGST Act. Once it has, the TDS provisions apply to its later supplies to registered persons.

So the position for a registered buyer is simple to state and easy to underestimate. Buying these four categories from small unregistered collectors creates a tax liability for you, whatever the collector's size.

What the registered buyer must do

The FAQ lists three obligations for the recipient:

1. **Deduct TDS at 2%** on purchases of the specified waste and scrap from registered suppliers, and file the TDS return in **Form GSTR-7**.
2. **Issue a TDS certificate** to the supplier as prescribed in the rules.
3. **Pay GST under reverse charge** on purchases of these items from unregistered suppliers, and report it in the return.

Other clarifications in the same FAQ

The goods FAQ covers several unrelated classification points. In summary:

Item	Position stated in the FAQ
Sea-weed extract based bio-stimulants	Those registered under Schedule VI to the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985 are classifiable under heading 3101 as fertilisers (S. No. 237 of Schedule I of Notification No. 9/2025-Central Tax (Rate)). Past cases to be regularised on an "as is where is" basis
Sea-weed extract products generally	Not all of them fall under that entry. Only registered bio-stimulants do
Sea-weed extract products containing Plant Growth Regulators	Do not qualify as bio-stimulants under the Fertiliser Control Order and so are not classified under that entry
Toys	The toy entries (S. No. 497 of Schedule I and S. No. 616 of Schedule II of the same notification) cover all categories of toys in chapter heading 9503, such as dolls, puzzles and other toys, and not only tricycles, pedal cars and scooters
Sublimation paper	Classifiable under heading 4809 (Sr. No. 176 of Schedule II). Past period to be regularised on an "as is where is" basis
Retreaded tractor tyres	The anomaly is to be corrected by aligning the GST rate with that on new tractor tyres
Psyllium seeds (Isobgul/Isobgol)	A separate entry to be created in Notification No. 10/2025-Central Tax (Rate), at nil rate, whether fresh, chilled, frozen or dried

Item	Position stated in the FAQ
Second-hand car dealers	The concessional margin scheme rate is not lost merely because ITC is availed on repair and maintenance services, spares and other inputs used in the business. ITC cannot be availed on the tax paid on purchase of the second-hand vehicles themselves if the dealer opts for the margin scheme

What this means in practice

- **If you buy plastic, tyre, e-waste or used cooking oil waste or scrap**, expect to become a TDS deductor and a reverse charge payer for these categories, with a GSTR-7 obligation if you were not one already.
- **If you sell these items**, expect your registered buyers to deduct 2% from your payment. That affects your working capital and your cash ledger, and the certificates they issue will matter.
- **If you buy from collectors and small unregistered sellers**, plan for the reverse charge cost on every such purchase.
- **Margin scheme dealers in second-hand cars** get comfort that ordinary input credits do not forfeit the concession, with the vehicle purchase itself remaining outside ITC.

What to do now

1. **Map your purchases and sales** of the four categories, split between registered and unregistered counterparties.
2. **Check whether you already file GSTR-7** for metal scrap, and if so, extend the same process.
3. **Update your vendor master** to flag registration status, which will drive whether TDS or reverse charge applies.
4. **Do not change invoicing or deduction practice yet.** Wait for the notification, which will fix the date and the exact scope.

How CSM & Co LLP can help

We can map your scrap and waste transactions against the proposed TDS and reverse charge regime, set up GSTR-7 deduction and certificate processes, advise on classification questions such as bio-stimulants, sublimation paper or retreaded tyres, and prepare for the notification once it is issued. Please reach out to our team and we will be happy to assist.

Frequently asked questions

Which items will attract 2% TDS and reverse charge?

Waste and scrap of plastics, waste and scrap of tyres, electrical and electronics waste and scrap, and used cooking oil, as recommended by the 57th GST Council.

When does the 2% TDS apply?

When a registered person supplies the specified waste or scrap to another registered person. The buyer deducts 2% from the payment and deposits it with the Government.

When does reverse charge apply?

When an unregistered person supplies the specified waste or scrap to a registered person. The liability to pay GST shifts to the registered buyer.

Does the buyer pay reverse charge even if the seller is below the registration threshold?

Yes. The FAQ states that the registered recipient must pay GST under reverse charge even where the unregistered supplier is below the threshold limit.

What must the buyer file?

The buyer deducts TDS on purchases from registered suppliers and files Form GSTR-7, issues a TDS certificate to the supplier, and pays GST under reverse charge on purchases from unregistered suppliers, reporting it in the return.

Is this already law?

No. It is a recommendation of the 57th GST Council. It will be implemented by notifications and circulars uploaded on the CBIC website.

Official sources

- Press Information Bureau: FAQs on issues related to goods, 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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Related GST reading

- GST on Services (2026): E-commerce Delivery and Transport, Electric Vehicle Rentals, Helicopter Seats and Foreign Shipping Lines
- e-Invoicing for Reverse Charge Self-Invoices: RCMDOM and RCMIMP Explained (2026)

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meetsoni