



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135/ BP/ 123/ 2025-26

March 12, 2026

To,

All AMFI Members

Dear Members,

AMFI Best Practices Guidelines Circular No.123/ 2025-26

Revision of Commission Payout Framework and GST Implementation Mechanism

We propose to introduce and revise the following framework considering the recent amendments to the Mutual Fund Regulations notified by the Securities and Exchange Board of India (SEBI) on 14 January 2026, effective 1 April 2026. These amendments reclassify the existing Total Expense Ratio (TER) limits as Base Expense Ratio (BER) and necessitate consequential changes in the commission payout structure and GST treatment,

The implications arising from the above regulatory changes were deliberated by the Association of Mutual Funds in India (AMFI) Board, and the following has been approved for uniform implementation across all AMCs.

1. Process for Implementation of GST on Distributor Commission Payments

Revised Regulated framework:

Under the amended framework:

- BER shall exclude all statutory and regulatory levies.
- Statutory and regulatory levies such as GST on expenses, STT/CTT, stamp duty, SEBI fees, exchange fees, and other trade execution-related charges shall be charged on actuals and levied over and above the permissible BER limits.

In view of the above change, AMCs are advised to note the following:

a) Commission Payment Structure

Commission payments shall henceforth be made in two components/tranches:

- **Base Commission (exclusive of GST):** To be paid to both Registered and Unregistered distributors.
- **GST Component:** GST shall be paid only to Registered distributors, subject to submission of a valid tax invoice. Since Unregistered distributors are not liable to charge GST, no GST shall be payable to them.

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b) Implementation Requirements effective from 1st April 2026:

To operationalize the above, the following actions must be carried out uniformly by all AMCs:

i. GST Accruals

- Commission rates (for both existing assets and new inflows) shall be exclusive of GST for both Registered and Unregistered distributors. This replaces the current practice of rates being inclusive of GST.
- GST on distribution commission shall be accrued over and above BER at the applicable rate, based on the commission component included in BER, using the following methodology:
 - Applicable GST rate (currently 18%) × Proportion of commission paid to Registered distributors as a percentage of total commission.
 - GST accrual on distribution commission shall be reviewed on a quarterly basis.
 - Any excess or shortfall during the year shall be adjusted prospectively by revising the GST accrual rate. Minor differences between the last quarter's accruals and actuals shall be carried forward and adjusted in subsequent periods.
- AMCs/RTAs shall actively track the GST registration status of distributors to ensure accurate accruals.

ii. Payment of Commission and GST

- Commission and GST thereon shall be paid separately as outlined below:
 - Commission payments (excluding GST), along with relevant information enabling distributors to raise invoices (clearly bifurcating commission and GST, where applicable), shall be released within the first seven days/as per the cycle followed by AMCs, of the subsequent month.
- GST Payment
 - GST on commission shall be paid only upon receipt of a valid tax invoice from the Registered distributor.
 - RTAs shall develop a system to reconcile GST paid based on invoices with GSTR-2B.
 - RTAs shall notify the AMC of any discrepancies identified during reconciliation.
 - AMCs shall incorporate an appropriate clause in their distribution agreements to enable clawback of any excess GST paid where such GST is not reflected in GSTR-2B.

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- **Timeline for Invoice Submission:**
 - The maximum timeline for submission of invoices and corresponding reflection in GSTR-2B shall be:
 - Up to the end of the subsequent quarter (e.g., for the January–March period, the deadline shall be 30 June); or
 - As per the RTA's computation/payment cycle.
 - Any differences arising shall be adjusted in subsequent months based on RTA reconciliation.

Summary

- **Registered Distributors:** Must submit a valid tax invoice including GST. Until receipt of such invoice, the computed GST amount shall remain on hold.
- **Unregistered Distributors:** Shall be paid only the base commission (exclusive of GST). No GST invoice is required or payable.

The above framework shall be effective for commission payable for the month of April 2026 (covering new assets acquired from 1 April 2026 and existing live assets as of 31 March 2026), with payment due from 1 May 2026 onwards.

Members are requested to ensure smooth, consistent, and timely implementation of the above measures in alignment with regulatory intent. This Best Practice Guidelines Circular shall be placed before the Board of Trustees and the Board of the AMC for information and necessary guidance.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Venkat N. Chalasani', is written over the 'Best Regards,' text.

Venkat N. Chalasani
Chief Executive

FAQ: Change in Commission Rate Applicability – GST

1. What is the change in the Commission rate structure?

Commission/commission rates will now be **exclusive of GST**. GST will be computed separately and not included in the base Commission rate provided by each AMCs.

2. From when will this change be effective?

The change will be effective from the commission month of April 2026 and will be payable in May 2026.

3. Does this apply to both new and existing assets?

Yes. This revision applies to:

- New acquired assets from **1st April 2026**
- Existing live assets as of **31st March 2026**

4. How will the base Commission rate w.e.f. April-2026

Base rates will be rates provided by respective AMCs

5. What will be the change in Commission payment?

Commission computed on the base rate will be released as per current cycle.

6. How will GST be handled for registered vs. unregistered distributors?

- **Registered distributors:** Must upload / submit invoice including GST amounts to RTA. Until then, GST amount computed will be on hold.
- **Unregistered distributors:** Only the base Commission (exclusive of GST) shall be paid. No GST invoice applicable as the MFD has not registered under GST Act.

7. When and how should GST invoice be submitted?

GST invoices are to be submitted latest by 15th of the month. Invoice can be uploaded using the online provision made available on the RTA website (<https://dss.kfintech.com/dssweb/Dashboard>) or by submitting the invoices to front offices of RTAs. MFDs should ensure that the invoice and GST amounts as per invoice matches with those of RTA records.

8. When will GST payment get released?

Subject to upload of valid GST invoice by 15th of the payment month, GST amount will be released by the end of the same month (for GST registered MFDs)

9. What validations will be required for GST invoices?

Invoices will be validated against:

- ARN code
- AMC code
- Invoice number & date
- Commission amount
- GST amount
- Commission payment date

FAQ: Change in Commission Rate Applicability – GST

10. Will validation on invoice submitted be based on Commission accrual month or payment date?

Validation of invoice submitted is based on the **invoice date**, i.e. the payment date.

11. How will mismatches (e.g., rounding differences) be handled?

Uploads will fail in case of mismatches.

12. How will payments be structured if multiple components are involved?

Commission payments may include:

- a) Current month Commission for existing assets.
- b) Commission for new assets acquired during the month
- c) Release of withheld Commission accrued from April 2026

For above payments- only the base commission will be released, with GST amounts withheld till submission of GST invoice.

- d) Release of withheld Commission accrued up to 31st March 2026-: no invoice is required to be submitted by distributors. Entire withheld amount shall be paid to distributors on fulfilment of regulatory compliance / AMC business rules.

13. Will distributors be able to track pending GST amounts?

Yes. A new **mail back report** will be enhanced to provide details of all GST amounts pending for payment i.e. waiting for GST invoice to be uploaded by the Distributor.

14. What are the cut-off timelines for uploading GST invoices to ensure inclusion in the respective payment cycle?

The window to upload the GST invoice is from 7th to 15th of every month.

15. How will AMCs reconcile invoice uploaded by MFD with them and amount reported in GSTR-2B?

AMCs/RTAs will download and reconcile amount as per GSTR-2B vis-à-vis the amount as per invoice uploaded by MFD to AMC.

16. What if there is difference between the amounts between invoice raised with AMC and GSTR-2B?

Any excess GST payment by the AMC (difference between invoice submitted by MFD and GSTR-2B) will be clawed back / adjusted in the subsequent Commission payment.