



# 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 1<sup>st</sup> 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**