GST officers' arrest power removed; prosecution threshold raised to ₹5 crore

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News

The 57th GST Council recommended removing GST officers' power of arrest and raising the threshold for criminal prosecution from ₹1 crore to ₹5 crore. Minimum punishment goes, the general penalty falls from ₹25,000 to ₹10,000, and no notice will issue for tax below ₹10,000. The changes take effect from 1 April 2027.

Key facts

Arrest power	Removed for GST officers (prosecution still possible where criminality exists)
Prosecution threshold	₹1 crore → ₹5 crore
General penalty	₹25,000 → ₹10,000
Minimum punishment	Removed – left to the court
Small amounts	No notice for tax below ₹10,000
Vehicle checks	Only on specific intelligence with Joint Commissioner-level approval
Effective	From 1 April 2027

Background

- Decriminalisation: minor technical lapses are settled through interest and penalties instead of jail – the same approach as the Jan Vishwas (Amendment of Provisions) Act 2023.
- Nirmala Sitharaman: 'any random GST officer cannot stop a vehicle' – inspection and seizure are limited to officers of the supplier or destination State.
- Other decisions: faceless tax administration; simpler registration for small e-commerce sellers; an officers' committee (report in 3 months) on genuine buyers losing ITC.
- Legal steps: Parliament must amend the CGST Act 2017 and related laws, and State legislatures their SGST Acts.
- Economy: trust-based tax administration improves 'Ease of Doing Business'.

Tamil Nadu link: Tamil Nadu's MSMEs – Tiruppur knitwear, Coimbatore engineering, Sivakasi fireworks and others – can work without fear of prosecution for minor lapses.

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