

## **Concerns with Anti-Profiteering Authority**

### **What is the issue?**

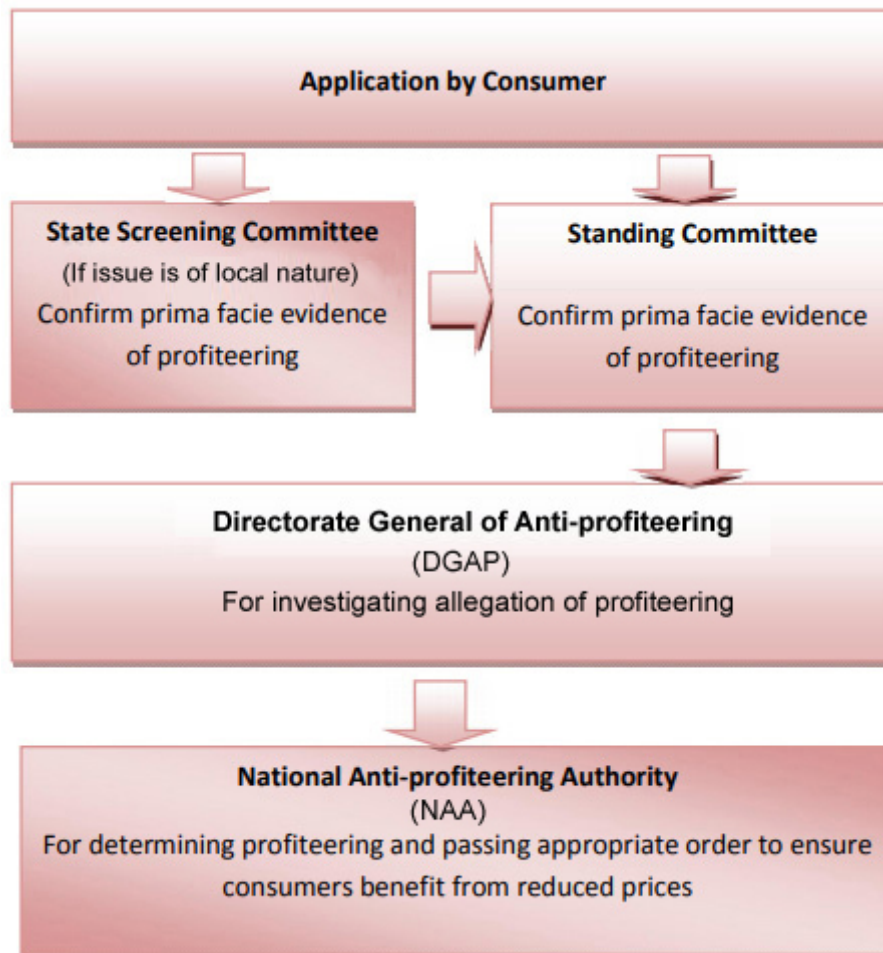
The recent cases taken up by the [National Anti-Profiteering Authority](#) (NAA) have raised concerns as to its purpose and powers.

### **What is the recent case?**

- Recently, the anti-profiteering authority found Tata Starbucks guilty of profiteering to the tune of Rs. 4.51 crore.
- Tax rates on restaurants were cut in November 2017.
- But Starbucks had raised the base price of a coffee variant in such a way that consumers paid the same amount despite the rate cut.
- The authority has also moved against at least three other large fast-moving consumer goods companies.
- It is expected to widen its scope to investigate other companies.
- Another sector that is coming under the scanner of the Directorate General of Anti Profiteering (DGAP) is the real estate.
- The DGAP might investigate as many as 50 large property developers to see if they failed to pass on the benefit of input tax credit.

### **What is the recent proposal in this regard?**

- The DGAP is supposed to have a two-year sunset horizon from the coming into effect of GST.
- But it has been reported that the government has considered extending the term of DGAP.
- This is because the GST council continues to tweak tax rates and so anti-profiteering continues to be required.
- Meanwhile, the DGAP itself has also expanded the nature of its operation.
- It earlier depended upon complaints from consumers to initiate an investigation.
- But now, it seems to begin investigations on its own recognisance.



### What are the concerns?

- **Implementation** - The anti-profiteering authority was poorly implemented in the last two years of its forming.
- This is largely because the government did not lay out details on how it would determine that profiteering had occurred.
- E.g. in Australia which made the transition to GST, it is specified how the equivalent authority should investigate the net margin on a particular good
- But in India, no such criteria have been specified other than the process to be followed.
- **Objective** - The anti-profiteering authority is also less effective in theory as to its objective/purpose.
- Companies should be free to respond to tax changes, particularly complex ones such as the GST.
- It should be driven in a manner determined by competitive dynamics and commercial considerations.
- Weak competitive dynamics and the resultant improper transmission of tax cuts are again concerns of the Competition Commission and not of anti-profiteering authority.
- **Term** - A temporary anti-profiteering authority might be required, as the purpose of the GST introduction was to minimise the effect on the consumer.

- But all future tax changes cannot be judged on the same yardstick as the initial introduction of the GST.
- They might not all be meant to lower prices for consumers, as other economic goals might also be in play.
- So the stated reason to extend the authority's term is less convincing.
- It should be wound up by the scheduled date.
- **Intervention** - A bureaucracy is created and it finds reasons to extend its own life.
- It enhances its intervention in normal commercial activity.
- This signals the creation of a new form of state intervention which is dangerous to the smooth functioning of the economy.

**Source: Business Standard**

