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

SHANKAR IAS PARLIAMENT
Information is Empowering