National Anti-Profiteering Authority

What is the issue?

- National Anti-profiteering Authority (NAA), as part of the GST Act was approved by the Cabinet recently.
- It is empowered to crack down on firms that fail to pass on the 'benefits' of the tax regime to consumers.
- The fear of NAA becoming a tool of harassment looms large among businesses.

What are the powers of NAA?

- The authority can order businesses to reduce product prices or refund the undue benefits earned back to customer.
- In extreme cases it can even impose a penalty on errant firms and cancel their registration with GST.
- If the consumers are difficult to trace, then the money attained from undue benefits will be deposited in a consumer welfare fund.
- The authority will have its own bureaucracy and a screening committee in each State that consumers can lodge complains with.
- It will also have an investigating wing and a standing committee to take up profiteering allegations with a pan-Indian impact.

What are the challenges?

- **Establishing Guilt -** Clarity on how the difference between undue profit and fair play will be ascertained is missing.
- This discretionary space available to the NAA could be misused or wrongly used by the authority.
- **Irrationality -** Companies have been urged to ensure that new MRPs are inscribed even on products that have already reached markets.
- While wholesalers can still implement this, reaching every last retailer is a challenge.
- But firms have been warned that the entire retail chain must reflect revised prices in order to avoid anti-profiteering action.
- The expectation is that there will be some exemplary action soon to make industry fall in line.

What is the way forward?

- While protecting consumer interest is important, the prospect of the government monitoring prices is not desirable.
- Asking businesses to justify pricing decisions instead of letting market forces play out is uncomforting.
- The NAA could rather partner with the Competition Commission of India and focus on select firms raising prices indiscriminately.
- This usually happens only in markets where some businesses enjoy a dominant position, or where pricing cartels are formed.
- Hence, the authority's should use its powers transparently and only where there is genuine consumer/public interest at stake.

Source: The Hindu

