

A fine balance — On the National Anti-profiteering Authority

Over four months into the troubled implementation of the goods and services tax, the Centre has operationalised a provision in the GST law that has been worrying industry. The National Anti-profiteering Authority, whose constitution was [approved by the Cabinet](#) last Thursday, is empowered to crack down on firms that fail to pass on the 'benefits' of the tax regime to consumers. The authority can order businesses to reduce product prices or refund to consumers 'undue benefits'; in extreme cases it can impose a penalty on errant firms and cancel their registration as taxpayers. Where the consumers are difficult to trace individually, the amount construed by the authority to be the extent of undue benefit will be deposited in a consumer welfare fund. The authority will have its own bureaucracy — including a screening committee in each State that consumers can complain to; a standing committee in which profiteering allegations with an 'all-India' impact can be taken up; and an investigation wing that will vet complaints 'with prima facie' merit and report its findings to the NAA. More clarity is needed on how the government will ascertain the difference between undue profit and fair play — or the discretionary space available to the NAA could enable rent-seeking.

The trigger for setting up the authority is clearly the recent large-scale reduction in tax rates on more than 300 items, of which about 200 rate changes were to [come into effect from November 15](#). The government is keen on ensuring that consumers have a better perception of the GST's ground-level impact. Union Finance Secretary Hasmukh Adhia has urged companies (especially those in the fast-moving consumer goods segment) to ensure that new maximum retail prices are inscribed on products from November 15, even on existing inventory in the market. 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; and the expectation is that there will be some exemplary action soon to make industry fall in line. Restaurant chains are also likely to face the heat for retaining price hikes; even though their tax rate has dropped, they no longer get any credits for taxes paid on inputs. Protecting consumer interest is important, but the prospect of the government monitoring prices and asking businesses to justify pricing decisions instead of letting market forces play out is unnerving. The NAA could take a cue from, if not partner, the Competition Commission of India in this, and focus on firms raising prices indiscriminately in markets where they enjoy a dominant position, or forming pricing cartels. The government must ensure that the authority's powers are used transparently and only where there is genuine consumer/public interest at stake. Else, it runs the risk of making profit itself a bad word.

Revving up infrastructure spending is necessary, but not sufficient

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