

## All you wanted to know about...anti-profiteering under GST

LOKESHWARRI SK



### **June 26, 2017:**

Even as businesses, big and small, burn the midnight oil getting ready for the GST, consumers also need to get used to the bevy of terms that form part of this tax regime. One term thrown around frequently these days is anti-profiteering.

### **What is it?**

As the name suggests, these rules prevent entities from making excessive profits due to the GST. Since the GST, along with the input tax credit, is eventually expected to bring down prices, a National Anti-profiteering Authority (NAA) is to be set up to ensure that the benefits that accrue to entities due to reduction in costs is passed on to the consumers. Also, entities that hike rates inordinately, citing GST as the reason, will be checked by this body.

The Anti-Profiteering Rules, 2017 lay down details about the selection of the members of the NAA and the other committees that will assist the NAA in investigating the complaints, the procedure to be followed in investigations and the powers given to the authority.

Once the registered entity, which has profited illegally, is identified, it can be asked to — one, reduce prices if it has hiked prices too much and , two, if price reduction due to GST has not been passed on to customers, to return to the customer the sum equivalent to the price reduction along with 18 per cent interest from the date the higher sum was collected. The authority can impose penalty on the profiteer or cancel its registration.

The rules however do not lay down the formula based on which the extent of profiteering can be determined. This task has been left to the NAA. The Authority will be relevant only in the transition phase.

### **Why is it important?**

Many countries that have adopted GST such as Singapore and Australia witnessed a spurt in inflation after implementation. Retail inflation in Australia, for instance, spurted from 1.9 per cent in the year before GST to 5.8 per cent in the year when the tax was rolled out. Malaysia was able to avoid a similar surge in inflation by effectively implementing anti-profiteering rules. A formula was laid down wherein the net profit margin in the period preceding GST was compared to the post-GST margins to see if inordinate gains had gone to the bottom-line. Gains were determined after taking in to account the supplier's cost, costs incurred for furthering business, market conditions and other relevant issues.

The Centre is also thinking along similar lines. But it is way behind schedule in forming the rules. The Authority is yet to be formed, the committees have to be selected, they have to formulate the rules to determine profiteering and then listen to complaints. It appears that quite some time will pass before these rules are effectively used in the country.

### **Why should I care?**

If a super-market you frequent is selling you grocery at a higher price stating that it is due to GST, you can file a complaint to the anti-profiteering authority. Similarly if you are aware that the cost of your toothpaste has

moved lower, but your grocery-wallah tries to pull a fast one on you by selling it to you at the old price, you know whom to complain to.

This is a tool that the Centre needs to wield effectively to keep prices under check and ensure that businesses do not pocket all the gains.

**The bottom-line**

Profit is fine, profiteering is not. Don't let someone profiteer at your expense.

*A weekly column that puts the fun into learning*

(This article was published on June 26, 2017)