

Anti profiteering provisions of GST laws

written by iasexam.com | 31/01/2024



Context:

The Delhi High Court has confirmed the anti profiteering provisions of the GST laws, which is a setback for around 50 companies including Hindustan Unilever and Nestle.

Details:

- Section 171 of the CGST Act requires businesses to pass on any tax rate reductions or input tax credit benefits to customers through a corresponding decrease in prices.
- The Competition Commission of India (CCI) now handles complaints regarding anti-profiteering measures instead of the National Anti Profiteering Authority.

Anti-profiteering provisions under GST:

- The anti-profiteering provisions under GST require businesses to pass on any reduction in the GST rate or input tax credit benefits to consumers instead of keeping the benefits for themselves.
- It is illegal for businesses to withhold these benefits and engage in illegal profiteering.
- The Anti-Profiteering Rules, 2017, aim to prevent businesses from making unfair profits by taking advantage of lower GST rates.
- The government has established the National Anti-Profiteering Authority (NAA) to identify and take action against those who engage in illegal profiteering.
- The NAA has the authority to decide how to determine if a business is involved in

unfair profiteering.

National Anti-profiteering Authority:

About:

- The National Anti-Profiteering Authority (NAA) was established in accordance with Section 171 of the Central Goods and Services Tax Act, 2017.
- The NAA was created to ensure that the reduction in prices resulting from the rate-reduction of various items by the GST Council is passed on to consumers by traders in a timely manner.

Functions

- The anti-profiteering clause is the particular section, which was incorporated under the Goods and Services Tax Act that holds that if there would be a drop in rate of the tax on goods or services or any advantage gained from input tax credit then this benefit should first of all be passed to consumers with an essence of a proportional decrease in prices for these corresponding items.
- Mainly, the role of the Authority is to prevent traders from fraudulently abusing GST by overcharging customers through its activity of scouring and investigating such profiteering activities.
- Additionally, the Authority has a power to suggest penalty measures extending up to cancellation also of registered trader's business registration.

Competition Commission of India (CCI):

- The Competition Commission of India (CCI) was set up in 2009 to promote the principles of fair competition and safeguard consumer interests in the Indian economy.
- The CCI comprises a quasi-judicial entity the finds its composition in one chairperson and six other members being appointed on behalf of the central government.
- Headquarter of CCI is in New Delhi.
- Its primary objectives are to prohibit anti-competitive measures in order to create a competitive market, rule on the interests of consumers and free trade.
- The CCI has been charged with the responsibility of enforcing and administering the Competition Act under which no form of anti-competitive collusion agreement or abuse by dominant companies is permissible.
- It also controls takeovers and amalgamation that could lead to problematic competition.
- The CCI regulates the operations of big firms to avoid them from exercising unfair advantages in the market and practicing unethical behaviors that disadvantage small business owners.

Source: Business standard