

## Anti-profiteering investigation: Mock purchases, premise visits planned to check B2B invoices

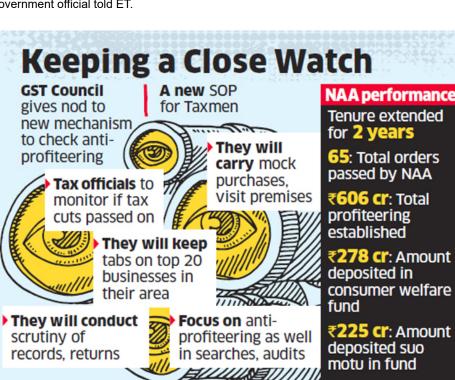
BY DEEPSHIKHA SIKARWAR, ET BUREAU | UPDATED: JUN 24, 2019, 02.33 PM IST

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NEW DELHI: Taxmen could carry out 'mock purchases', visit premises and check invoices issued by top 20 goods and services suppliers as part of anti-profiteering investigations in their respective areas under the new tightened framework under Goods and Services Tax.

GST officers conducting antievasion verification, audits, inspections or search operations may also include checks from anti-profiteering perspective, according to the new stringent monitoring mechanism for taxmen to keep a check on companies for profiteering from reduction in tax rates or availability of seamless input tax credit endorsed by the Council.

"GST Council has approved the standard operating procedures for anti-profiteering," a government official told ET.





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The Council had at its meeting on Friday extended the tenure of National Anti-profiteering Authority or NAA, ending in November this year, by two years.

As per the latest procedure approved by the Council, taxmen can undertake preliminary examination concerning profiteering post cut any in GST rate or on additional input tax credit taken by any company from its records.

They will have to identify top 20 suppliers, including manufacturers, distributors or service providers in their jurisdiction by checking their B2B invoices in their value chains for any prima facie violations of anti-profiteering provisions.

Commissioners have been authorised to conduct mock purchases to gather invoices as evidence, check fixation of stickers with revised MRP and visit any premise in case of probable profiteering after approval from competent authority.

Authorities will keep a close tab on sudden swelling up of input tac credit for quarters immediately succeeding any GST rate reduction or changes in structure of inputs or abrupt increase in net profits, any enhancement of base price or any product to deny reduction in tax rate to consumers. Input tax credit ledgers of companies may also be looked into to check for profiteering from tax rate reduction or input tax credit changes.

Tax experts caution that profiteering should not be raised in a routine manner now under the new norms.

"Its important for the Government to ensure that the question of 'profiteering' is not raised as a routine matter in every assessment or audit," said Pratik Jain, national leader, indirect taxes, PwC.

This new framework follows NAA's letter to the Central Board of Indirect Taxes and Customs on August 7, 2018 asking it to direct its field officials to keep "watchful supervision" on prices.

GST, which replaced multiple taxes and levies on goods and services, was rolled out on July 1, 2017. Tax slabs under GST vary —28%,

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18%, 12% and 5%. Shift to GST had led to reduction in overall tax incidence as they were placed in lower slabs as also due to availability of seamless input tax credit. GST rates themselves underwent reduction for many items subsequently. India set up an antiprofiteering mechanism on the lines of Malaysia and Australia to ensure consumers reap benefit of GST.

"The government's object has been that any reduction in tax incidence should benefit consumers in terms of price reductions," said another government official explaining the rationale behind the anti-profiteering mechanism. Incidentally, most countries that switched to GST witnessed rise in inflation. But, GST roll out in India did not witness such shocks.

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