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great by
deeds, not by
birth"

-Chanakya

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**Goods and Services Tax and Price Control Measures:
Lessons for India from Australian Experience**

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Abstract:

The Model Goods and Services Tax (GST) Law which would guide the implementation of GST in India has incorporated an “Anti-profiteering” clause aimed to ensure that the businesses pass on to the consumers the cost savings resulting from the adoption of GST. The responses from the businesses and commentators to the inclusion of this clause have been skeptical. In this context, the objective of this paper is to study Australia’s experience with price monitoring during the GST transition period and draw suitable lessons for India on the feasibility of implementing anti-profiteering measures in the Indian context. The paper finds that, following Australian model, it is possible to institute a comprehensive and effective price monitoring mechanism in India to ensure that consumers receive the full benefits from GST introduction in the form of lower prices expected due to tax reductions, input tax credits received by the businesses and reduction in compliance cost.

Keywords: Good and Services Tax, Price control, India and Australia

JEL Classification: H20, H25

Goods and Services Tax and Price Control Measures: Lessons for India from Australian Experience

By

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1. Introduction

As India readies for the implementation of the Goods and Services Tax (GST), a critical and long-awaited indirect tax reform, from July 1, 2017 an aspect of the reform that has not received enough attention in the public discourse has been its price impact. In fact, concerns about the inflationary impact of value added tax (VAT), a variant GST, was a characteristic feature of switch over to VAT in almost all the countries (Tait, 1988). As a result, both in the run up to and in the aftermath of VAT introduction, most countries have adopted interventionist policies not only to limit price revision but also to prevent any unjustified increase in prices by the businesses using the occasion of the changeover to VAT. The policies include (a) price freeze or control (e.g. Belgium, Netherlands and Korea), (b) price monitoring (e.g. Germany and Ireland), (c) freeze on profit margins (e.g. Netherlands and Ireland), (d) publicity campaign (e.g. Korea, New Zealand and United Kingdom), (e) enactment of counter inflation laws (United Kingdom), and (f) reduction of other taxes and subsidy payments to essential commodities (Denmark).

A careful analysis of implementation of VAT in India starting from April 1, 2005 reveals a lack of seriousness and commitment on the part of the central and state governments in addressing the crucial issue of price effect of VAT. Not only the Empowered Committee of State Finance Ministers (ECSFM)¹ has provided a wrong publicity that VAT would have no adverse impact on prices while the fact is that it would have a once and for all increase in the

¹ The ECSFM was set up by the Government of India (GoI) on July 2000 to facilitate indirect tax reforms in coordination with the state governments. The members of ECSFM are finance ministers of all the state governments and union territories; additional secretary (revenue), GoI and Member Secretary ECSFM

price level but also failed to install a system of price monitoring and control. As a result there were reports of unexplained increase in the prices of several commodities in many states after the introduction of VAT. This mainly took the form of increase in the prices of those commodities on which VAT rates were lower compared to the sales tax levied earlier.

For instance, in the state of Kerala, the prices of several consumer goods, whose rates have been reduced to an almost 50 percent in the VAT regime over the previous sales tax system, have increased significantly under the new VAT regime. To give specific examples, the price of a 100-gm baby soap of a well known company has gone up from Rs. 243.90 to Rs. 266.66 for a dozen in spite of the fact that the tax on it has come down from 23 percent under sales tax to 12.5 percent under VAT. Similarly, the tax on 1 kg pack of energy drink of a well-known brand was 23% before VAT and 12.5% after VAT. But, post-VAT, the price has gone up from Rs. 159.35 to Rs. 174.20.²

A study conducted by Comptroller and Auditor General (CAG) of India covering a basket of goods supplied by 13 manufacturers in the first three months of introduction of value added tax (VAT) revealed that none of them reduced the maximum retail price despite sharp decline in the tax rates with respect to their products (CAG, 2010). As a result, benefits worth of Rs. 40 crore was “illegally” retained by these manufacturers and the dealers across the VAT chain, which, otherwise, would have benefited the consumers by way of lower prices. According to CAG, this situation has occurred due to the absence of a system to monitor the impact of VAT on prices and to ensure that the benefits of reduction in tax rates and tax cascading were passed on to the consumers. The National Council for Applied Economic Research (NCAER) in its study on the VAT impact has concluded that VAT has not resulted in the expected decline in commodity prices.

² Authors' own calculation

In this context, the inclusion of an “Anti-profiteering” provision in the Model GST Law drafted by the GST council assumes significance. The aim of the anti-profiteering clause is to ensure that the businesses pass on to the consumers the cost savings resulting from the adoption of GST. Section 163 of the model Law states: “The Central Government may by law constitute an Authority, or entrust an existing Authority constituted under any law, to examine whether input tax credits availed by any registered taxable person or the reduction in the price on account of any reduction in the tax rate have actually resulted in a commensurate reduction in the price of the said goods and/or services supplied by him.” It continues to state that the designated authority “shall exercise such functions and have such powers, including those for imposition of penalty, as may be prescribed in cases where it finds that the price being charged has not been reduced as aforesaid.”

Responses from the industry and commentators to the inclusion of the anti-profiteering clause have ranged from caution to disapproval (Mukhopadhyay, 2017).³ Whereas some doubted the implementability of the proposal, others felt that it would take India back to the era of socialist controls and harassment - in this case by the tax authorities - which make it difficult to do business. According to the critics, the best way to prevent businesses from making undue profits is to promote competition.

Given this skepticism over anti-profiteering clause relating to GST implementation, the question that emerges is: is there an international experience with price monitoring after the introduction of the GST which could throw light on the feasibility of implementing anti-profiteering measures. Australia leads by example in this aspect. The GST implementation in Australia starting from July 1, 2000 had a transition period during which the national competition regulator and consumer law champion namely Australian Competition and

³ Also see, ‘GST transmission clause spooks industry’, *The Hindu*, November 27, 2016.

Consumer Commission (ACCC) was legally entrusted with the responsibility of overseeing the pricing responses to the GST and of taking action against businesses that adjust prices inconsistent with tax rate changes consequent to GST implementation. This was to ensure that due to GST reforms consumers (a) would fully benefit from the reduction in tax rates and tax cascading, (b) do not experience greater than necessary increases in the prices and (c) are not subject to price exploitation by the businesses.

The objective of this paper is to study Australia's experience with price monitoring during the GST transition period and thereby judging the feasibility of implementing anti-profiteering measures in the Indian context. The paper is organized as follows. Section 2 explains the theoretical factors underlying the inflationary impact of GST. The various price control measures undertaken in Australia as part of implementation of GST are explained in Section 3. The last section draws lessons for India from Australia's experience with price control measures to mitigate the impact of GST on prices.

2. Factors influencing the price impact of GST:

The validity of the concern about the inflationary impact of GST can be examined under two alternative interpretations of the term "inflationary impact." If inflationary impact is taken to mean a sustained increase in the *rate of inflation*, then the concern would be conceptually misguided. The introduction of a GST (or any tax, for that matter) can never, by itself, lead to a sustained increase in the rate of change in the price level; such a change in the inflation rate can only be produced by an expansionary monetary policy under all circumstances. If, however, the term is interpreted as a once and for all increase in the *price level* (or a one-period increase in the inflation rate), then whether the GST is inflationary in this sense would depend on a number of factors.

(a) Reduction in tax cascading:

GST can lead to an overall decline in prices due to the reduction in the (tax) cost of doing business resulting from the reduction/removal of cascading effect of taxes (Rao, 2016).⁴ This is because the GST system allows business to deduct the tax paid on their inputs/purchases from the tax payable on their output. However, this can happen only if the businesses pass on to the consumers the benefit of the cost reduction arising out of the input tax credit available to them.⁵ If the taxable business entities treat their GST liabilities on inputs as costs even after the changeover to GST and pass these on to the consumers, then prices will increase. One possible way to do so, in a mark-up pricing regime, is to magnify the mark-up rates. In a GST system, higher margins mean higher tax burden on the commodities and the resulting price increase. It is true that, if consumers respond to such price increases by way of cutting down their consumption level then it will affect the business of traders and manufacturers. However, the later can confront this by reducing their output rather than their markup rates in a bid to lower prices.

(b) Tax rate changes:

The impact of GST on inflation depends also on the change in tax rates due to the introduction of the new tax regime. The changeover from the existing tax system would result in significant corrections in the tax rates on various commodities that is, the rates on some commodities may go up and others down. Also, the limited exemptions under GST mean that

⁴ In the existing commodity tax system tax cascading is present due to (a) levy of multiple taxes at the central and state levels, (b) absence of set-off for excise duty and service taxes paid (input tax credit) while paying the state value added tax and (c) absence of a provision for availing tax credit for taxes paid in one state in another state (GoI 2015).

⁵ See, Info on pass-through of GST gains, 'a democratic right of consumers' (Cited at <http://www.thehindubusinessline.com/economy/info-on-passthrough-of-gst-gains-a-democratic-right-of-consumers/article9124940.ece>) (Accessed on October 17, 2016)

many untaxed commodities in the previous tax system would be taxed under GST. In this case, the net impact of GST on prices is determined by the relative strength of price increases/decreases of the commodities subject to higher and lower revised rates.

(c) Objective of GST:

The underlying intention behind introducing GST can influence prices. Conventionally, it is argued that if GST is introduced with the objective of replacing an existing tax in a revenue-neutral manner that is, to mobilise the same amount of revenues as under the existing tax then GST would have no impact on the aggregate price level, as the aggregate demand in this case is unchanged. This conclusion is based on the presumption that the GST induces no aggregate supply response from the private sector and, therefore, the budget constraint for the private sector remains unchanged. If, however, the VAT regime causes an increase in aggregate output owing to higher production efficiency, then there is every possibility of a downward pressure on prices. On the other hand, if the prospective GST system has a much broader base than the taxes it replaces, so that many untaxed items under the existing system will be taxed under the GST, then the introduction of GST may produce an inflationary impact.

(d) Elasticity of the product:

The price elasticity of the product influences the effect of GST on prices. Businesses selling inelastic goods would be able to pass the GST burden on to the consumers. However, suppliers of relatively elastic products may have to absorb part of the price increase (Palil and Ibrahim, 2011).

(e) Tax shifting:

Another important factor influencing prices is the extent of tax shifting. In general, manufacturers and traders attempt to shift the full GST liability forward at each stage of the production and distribution chain because, under GST, they act as tax collectors and would

wish to recoup their tax and compliance costs. Thus, if the GST liability is shifted fully forward, it would result in inflationary pressure. However, the degree of tax shifting is constrained by other factors and it may not always be possible for manufacturers and traders to pass on the tax liability fully to consumers. For instance, if consumers decide to maintain their real level of consumption, it will enable manufacturers/traders pass the tax forward fully leading, thereby, to inflationary pressure. On the other hand, if consumer demand is price elastic and the money supply rigid, shifting of GST liability forward would result in a fall in aggregate demand. GST can influence prices by triggering demand for higher factor earnings. For instance, price increases owing to GST might trigger wage-induced hikes in business costs. Of course, the ability of the workforce to secure higher wages depends on numerous other factors outside the scope of GST.

(f) Tax evasion:

In an existing tax regime in which tax evasion is widespread, businesses may incorporate the tax element which was avoided in the mark-up value and, thereby, earn abnormal profits. However, under GST, since the profit margins also come under taxation, to realise the same amount of margin earned by way of avoiding the tax payment, the businesses would have to up their mark-up rates leading, thereby, to price increases.

To illustrate, suppose a business originally fixes a mark-up of Rs. 50 on its purchase price of a commodity worth Rs. 100, which includes a 10 per cent sales tax (Rs 10) on the purchase price, then its selling price and profit after tax (if sales tax is paid) amounts to Rs. 150 (100 + 50) and Rs. 40, respectively. However, if the business manages to avoid the 10 per cent sales tax, then its profit after tax would be Rs. 50. Under a GST system, in the same situation, the GST liability of the business amounts only to Rs. 5 (Rs 15 on the selling price minus Rs. 10 on the purchase price) assuming a 10 per cent GST rate. In this case, the profits of the business after paying GST rise to Rs. 45 (50 minus 5).

However, if the business still wants to earn a margin of Rs. 50 under GST, it would have to raise the margin approximately to Rs. 55, in which case the selling price of the commodity would go up to Rs. 155.

(g) Higher profit margins

A reduction in tax rates under GST due to changes in tax rate structure would not result in lower prices if either the margins that the producers/traders are taking under GST are more than what they were taking earlier or manufacturers pass on the margin benefits of a lower GST rate to their distribution channels rather than on consumers in order to protect dealer margins and to ensure that offtake remains unaffected under the new system. Businesses would have a tendency to increase margin rates under GST if they were evading taxes under the previous sales tax regime.

(h) Tax compliance

The improved tax compliance under the GST system will increase the effective tax rates because people who evaded the tax in the past will have to pay now. If the benefit of past tax evasion was to the consumers by way of lower prices, better tax compliance could increase the prices on these goods by the quantum of the tax. This can happen in a buyer's market, where the businesses adopt every strategy to reduce prices and expand their businesses. Alternatively, if the businesses gained from the tax evasion in the past, the GST would be a tax on their rent. The actual position is likely to be somewhere in between, depending on the nature of the market.

3. The Australian Experience

Australia introduced GST on July 1, 2000 to replace a number of existing indirect taxes including wholesale sales tax (ACCC, 2000a). During the transition period the national competition regulator and consumer law champion namely Australian Competition and

Consumer Commission (ACCC) was legally entrusted with the responsibility of overseeing the pricing responses to the GST and take action against businesses that adjust prices inconsistent with tax rate changes. Several price control measures were taken as part of this oversight of pricing responses to the GST. They are the following:

(a) A New Tax System (Trade Practices Amendment) Act 1999:

As part of implementation a New Tax System (NTS), the Australian Parliament has passed *A New Tax System (Trade Practices Amendment) Act 1999* (ANTSA) with the purpose of amending the *Trade Practices Act 1974* (TPA 1974). The NTSA inserted a new Part VB into the Trade practices Act 1974, relating to price exploitation which may occur due to NTS changes (ACCC, 2000b). ANTSA was valid for a three year transition period from 1 July 1999 to 30 June 2002 (ACCC, 2001a).

(b) New Tax System (Indirect Tax and Consequential Amendments) Act 1999:

This Act was passed by parliament to modify the definition of a regulated supply. Accordingly, the goods and services supplied before the introduction of GST on 1 July 2000 was included under the purview regulated supply. This is to ensure that businesses which revise the prices upwards in anticipation of the NTS are covered under the price exploitation provisions (ACCC, 2000b).

(c) Price monitoring by ACCC:

Under Section 75AU of the TPA 1974, the government provided the Australian Competition and Consumer Commission (ACCC) with powers to monitor the prices movements/changes brought about by the implementation of the GST and to take action against businesses that adjust prices inconsistent with tax rate changes consequent to GST implementation (ACCC, 2000a, 2001a). The major aim of this measure were to ensure that due to GST reforms consumers (a) would fully benefit from the cut in tax rates, (b) do not

experience greater than necessary increases in the prices and (c) are not subject to price exploitation by the businesses (ACCC, 2001a) . Towards this end, the TPA 1974 conferred many statutory responsibilities on the ACCC. The mainly include the following (ACCC 2000a, 2001a, 2003).

- (i) Formulate guidelines about what constitutes ‘price exploitation’⁶
- (ii) Seek information from businesses to effectively monitor the price movements
- (iii) Issue notice to the businesses in case they indulge in price exploitation.
- (iv) Seek penalties before the Federal Court for breach of price exploitation provision by businesses and individuals.⁷
- (v) Fix a maximum price for a good or service in order to prevent price exploitation
- (vi) Accept undertakings from the businesses which are enforceable in a court, called court enforceable undertakings
- (vii) Investigate complaints and issues of public concern
- (viii) Provide information to both businesses and public on price exploitation provisions
- (ix) Submit quarterly report to the Minister about the functioning of the ACCC.

(d) Retail price surveys:

As part of price monitoring programme the ACCC collected prices from retail outlets and super markets for a range of goods and services both before and after the introduction of

⁶ According to the guideline prepared by the ACCC, a business is considered to be engaged in price exploitation in the process of GST implementation if (a) it regulates the supply; (b) it increases net profit margin by not reducing its prices adequately or by increasing prices excessively; (c) it charges unreasonably high prices even after taking into account supplier costs, supply and demand conditions, and exceptional circumstances like a long-term non-reviewable price contracts entered into by businesses and price regulation prevalent in an industry (ACCC 2000a, 2000d).

⁷ The Court may impose penalties of up to \$10 million and \$500 000 per offence respectively for companies and individuals. Interestingly, the advisers to businesses such as lawyers and accountants are also subject to imposition of penalties on the grounds of aiding and abetting price exploitation.

GST by way of specially commissioned monthly and quarterly surveys of retail prices (ACCC, 2001a). The main purpose of this exercise was to collect information on price changes thereby identify areas of potential price exploitation. Price details were collected in all the eight capital cities and 100 towns across Australia (ACCC 2000c). In the monthly surveys called *Monthly Supermarket Survey*, prices of a ‘basket’ of 100 branded items sold in over 300 supermarkets in the country were collected. The quarterly survey called *General Survey* collected prices for about 700 goods and services commonly consumed by households (ACCC, 2001a). This survey was conducted eight times during the GST transition period (ACCC 2000c, 2000e, 2001b and Valadkhani and Layton, 2004).⁸

Apart from retail price surveys, information gathered from other sources were used by the ACCC to study price changes and pricing behavior. These sources include wholesale and consumer price indices, independent price databases, corporates who have signed public compliance commitment, regulatory authorities of major infrastructure sectors and complaints registered by consumers in the national telephone hotline (or GST price line) (ACCC 2000c).

(e) Ban on misleading pricing claims:

To protect consumers against unethical business practices, the TPA 1974 prohibited the businesses from influencing consumer demand by making deceptive pricing claims. For instance, there were provisions in the Act to take correction action if a firm attempts to encourage consumers to make buying decisions before the implementation of GST by way of misleading advertisements such as claiming that price would increase as a result of GST introduction though in reality it might come down. Another example of misrepresentation

⁸ For more details including findings of some of the retail price surveys conducted by ACCC, see Report on ACCC Price Surveys: Pre-GST Price Changes, Report on ACCC Price Surveys: Preliminary Post-GST Price Changes, Report on ACCC Price Surveys, Report on ACCC Price Surveys (February 2001). .

would include the claim by the businesses that the increase in the prices is due to an “anticipation” of the effect of tax rate changes due to GST introduction (ACCC 2000a, 2000d).

To illustrate a real case, when a home building firm placed a “Beat the GST Offer!” newspaper advertisements claiming that the prices of new homes and land would increase by up to 15 per cent consequent to the introduction of the GST, the ACCC investigated the claim (ACCC 2003).⁹ The ACCC was of the view that a 10 per cent GST together with reductions in wholesale sales tax (WST) would result in a less than 10 per cent increase in the prices of new homes and land. The ACCC believed that the firm’s advertisements might mislead the consumers about the impact of GST and hence as a remedial measure obtained a court enforceable undertaking from the firm in which it agreed to (a) place a corrective advertisement apologising for misrepresenting facts in their earlier advertisements; (b) stop making any misleading claims on the impact of GST in the future and (c) institute a “trade practices compliance program” to ensure that misleading advertisements are not published by the firm in the future.

(f) Stricter norms for dual ticketing:

In the context of transition to the GST, dual ticketing refers to a practice of displaying two prices; one applicable until the day before the introduction of GST in Australia, i.e. June 30, 2000 and the other applicable from the date of introduction of GST, i.e. July 1, 2000 (ACCC 2000a). As a transitional mechanism retailers were allowed to adopt dual ticketing subject to following broad conditions.

⁹ Also see, <https://www.accc.gov.au/media-release/new-home-builder-to-fix-gst-representations> (Accessed on November 24, 2016).

- (a) In adopting dual ticketing consumers should not be misled. For instance, the retailer should not list a higher post-GST price for a product when there is no reasonable basis for the same.
- (b) Dual ticketing should be adopted only for a month before the introduction of GST, i.e. a month starting from June 1, 2000.
- (c) The pre-GST price has to be removed within a period of one month since the introduction of GST.
- (d) While dual ticketing retailers should display the price of all the goods whose prices would change due to the introduction of GST

Consequent to the complaint registered with the ACCC, Australia's major discount department store Big W was asked to explain the display of dual ticketing in its stores five months prior to the introduction of GST and that too indicating a 10 per cent increase in the prices. In response to the concerns raised by ACCC, Big W withdrew dual ticketing of about one million items.¹⁰

(g) Commitments by companies to comply with the guidelines:

To check price exploitation, large corporates with turnovers exceeding \$100 million were invited to offer a *Public Compliance Commitment* (PCC) to ACCC on voluntary basis, which required the CEO of a company to submit a signed commitment/statement indicating to the public that the company is committed to complying with the ACCC's price exploitation guidelines. In doing so, the company is required to provide appropriate information to ACCC in support of its commitment (ACCC, 2000a). Thirty five companies responded to ACCC's invitation and adopted acceptable PCC (ACCC, 2001a).

¹⁰ See <https://www.accc.gov.au/media-release/big-w-withdraws-dual-tickets> (accessed on December 15, 2016)

The primary objective of PCC is to provide an assurance to the consumers that businesses would not engage in price exploitation by taking undue advantage of the GST changes. However, it is to be noted that the offering of a PCC does not prevent a company from enforcement action by ACCC in case the company provides misleading information to the ACCC or violates the Trade Practices Act (Source 1).

(h) Justification to price changes:

If required, businesses were expected to justify before ACCC any change in prices due to GST introduction. While doing so, the businesses are expected to retain the official records on the basis of which pricing decisions were made by them during the GST transition period. The records may include accounting documents, invoices, minutes of directors' meeting and diary notes (ACCC 2000a).

(i) Pricing hotline and website:

A national telephone hotline was established by ACCC to deal with consumer complaints and to facilitate business and consumer inquiries. In addition, information and guidance were provided to the businesses and consumers through a website (ACCC 2000a).

(j) Information bulletins:

To enable businesses to comply with its guidelines, the ACCC issued information bulletins to deal with specific issues. For instance, a detailed compliance guide¹¹ for small businesses provided simple guidance in the transition to GST, using practical examples (ACCC 2000a). Another example is a *Small Business Pricing Kit* issued to small businesses to assist them in identifying and passing on to the consumers the cost savings resulting from GST implementation.

¹¹ The title of the compliance guide was *Price Exploitation and the New Tax System – A Compliance Guide for Small Business*.

To inform the consumers and businesses about the price changes due to GST, the ACCC widely distributed a publication titled *Everyday Shopping Guide with the GST*. The Guide contained information on expected price movements for 185 common consumer goods and services over the six months since the introduction of GST. This move was aimed at making consumers vigilant about any price exploitation practices and report the same to ACCC. For the businesses, the Guide provided assistance to set prices that were less likely to attract the attention of the ACCC (ACCC, 2001a).

(k) Profit margin rule:

As per this rule, the businesses should not make undue profits by altering their profit margin, called net dollar margin¹², after the implementation of GST. More specifically, the prices charged by the businesses can increase (decrease) by no more than the dollar rise (fall) in their costs as a result tax change (ACCC 2000a).

(l) Price rule:

As per this rule, in any event, the prices charged by the businesses should not rise by more than 10 per cent because of tax changes due to two reasons ((ACCC 2000a, 2000d). First, the net cost of inputs/raw materials used by the companies to run their business was not expected to increase beyond 10 per cent due to the price rule. Second, businesses are entitled to claim an input tax credit for the GST paid (ACCC 2000d).

However, businesses may adjust their prices to the extent of recouping the compliance costs associated with the GST such as purchase of new accounting software, staff training, and seeking advice specific to GST compliance. However, the capital expenditures (e.g. installation of a new accounting system) incurred by the businesses to comply with GST were allowed to

¹² Net dollar margin is defined as follows: Sales price – Cost of goods sold – (Operating & Selling costs)

passed on to prices over several years in line with accounting depreciation rules (ACCC 2000d).

(m) Displaying price changes in stores:

Businesses must adjust their prices as soon as tax changes including reductions take effect (ACCC 2000a, 2000d). In case of shelf prices displayed at the retail shops, they are expected to be updated within 10 days of implementation of GST. If there are any practical difficulties in meeting this requirement, then the retailers should display notices in their stores informing the customers that the displayed shelf prices have not yet been adjusted to reflect the tax changes due to GST and hence the GST-inclusive actual prices to be paid would be calculated at the time of billing (ACCC 2000d).

4. Lessons for India

During the three year transition period (July 1999 to end June 2002) the ACCC (i) took into consideration over 51000 GST-related complaints and investigated around 7000 of them; (ii) obtained refunds of around \$21 million for the benefit of around 2 million consumers, mostly on account of overcharged GST; (iii) accepted 55 court enforceable undertakings; and (iv) initiated court proceedings in respect of 11 GST-related issues. Several businesses have initiated corrective action when GST-related rule violations were brought to their attention by the ACCC. Also, the ACCC reported its enforcement activities on quarterly basis to the Minister as well as in its journal namely *ACCC Journal* throughout the transition period (ACCC 2003).

Australia's experience reveals that it is eminently possible to institute a comprehensive and an effective price monitoring mechanism to ensure that consumers receive the full benefits from GST introduction in the form of lower prices expected due to tax reductions (wherever applicable), input tax credits received by the businesses and reduction in compliance cost due

to the reformed tax system. Hence, based on ACCC's experience, nothing stops India from putting in place a robust mechanism to monitor price movements brought about by GST and undertake correction action. From a broader political economy point of view, price monitoring is required to ensure consumer welfare and public acceptance of India's biggest tax reform since independence. Also, in India's case inflation could be critical as unlike developed countries, India has several inefficiencies in supply chain in local market.¹³ The "Authority" which seems to be most suitable in the Indian context to oversee pricing responses to the GST is the Competition Commission of India whose duty, among others, is to ensure fair competition, protect consumer interest, and create public awareness.

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¹³ See India's Goods and Services Tax – A Primer (<http://www.stcipd.com/UserFiles/File/Indias%20Goods%20and%20Services%20Tax%20%20A%20Primer.pdf>) (Accessed on October 17, 2016)

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