National Anti Profiteering Authority

Relevancy

- **G.S. Paper 2, Prelims**
- **About National Anti-Profiteering Authority (NAA)**
- **Functions, utility, and constitution of NAA**

Recently

- The Government has approved the constitution of a National Anti-Profiteering Authority (NAA) – the institutional mechanism under the GST law to check the unfair profit-making activities by the trading community.
- Union Cabinet chaired by the PM decided for the appointment of a Chairman and Technical Members of the Authority.

Functions of the Authority

- The relevance of the National Anti-Profiteering Authority (NAA) is simply out of the launch of the GST. The Authority's core function is to ensure that the benefits of the reduction in GST rates on goods or services made by the GST Council is passed on to the ultimate consumers by way of a reduction in prices by traders.
- Decision about the formation the NAA comes in the background of rate reduction of large number of items by the GST Council in its 22ndmeeting at Guwahati.
- At the meeting, the Council reduced rates of more than 200 items including goods and services.
- This has made tremendous price reduction effect and the consumers will be benefited only if the traders are making quick reduction of the prices of respective items.
- There is a concern that traders are reluctant to make price cut so that they can make profit.

Utility of the authority

- The Authority's main function is to ensure that traders are not realizing unfair profit by charging high price from the consumers in the name of GST. Traders may charge high price from the consumers by naming the GST factor.
- Similarly, they may not make quick and corresponding price reduction when the GST Council makes tax cut. All these constitute profiteering.
- The responsibility of the NAA is to examine and check such profiteering activities and recommend punitive actions including cancellation of licenses.

What is profiteering?

- Profiteering means unfair profit realized by traders by manipulating prices, tax rate adjustment etc. In the context of the newly launched GST, profiteering means that traders are not reducing the prices of the commodities when the GST Council reduces the tax rates of commodities and services.
- Conventionally, several traders will have a strong tendency to quickly increase the price of a commodity whose tax rate has been increased.
- But on the opposite side, they may delay the price reduction of a commodity whose tax rate has been cut by the government.
- A delayed or postponed price reduction helps business firms to make higher profit. The losers here are the consumers.

Constitution of the NAA

- The NAA will be headed by a senior officer of the level of Secretary to the Government of India. There will be four Technical Members from the Centre and/or the States.
- The GST Act itself contains provision for anti-profiteering measures.
- The Act recommend for the setting up of an institutional mechanism to ensure that the full benefits of price reductant factors
    - The input tax credits and
    - Reduced gst rates on supply of goods or services, made from time to time will be passed on to the consumers.
- Besides the NAA, the GST law also proposes for other institutional arrangements: a Standing Committee, Screening Committees in every State and the Directorate General of Safeguards in the Central Board of Excise & Customs (CBEC). All these bodies will work together on the anti-profiteering front.
- When the NAA certify that there is antiprofiteering in a specific case, it can order the supplier/business concerned to reduce its prices or return the undue benefit availed by it along with interest to the recipient of the goods or services. If the undue benefit cannot be passed on to the consumer, it can be ordered to be deposited in the Consumer Welfare Fund. In extreme cases, the NAA can impose a penalty on the defaulting business entity and even order the cancellation of its registration under GST.

15th Finance Commission

Relevancy

- ✓ G.S. Paper 2, Prelims
- ✓ Economy, finance commission and its composition
- ✓ Challenges and role of the commission

Recently

- ❖ The 15th Finance Commission led by N.K. Singh held its first meeting this week.
- ❖ This is the first finance commission that will do its work under the new tax system.
- ❖ The tasks before it are unique in the sense that it has to make its recommendations after the rules of fiscal federalism have been profoundly reset by the introduction of the goods and services tax (GST).

What Is Finance Commission?

- The **Finance Commission** was established by the President of India in 1951 under *Article 280* of the Indian Constitution.
- The Finance Commission (Miscellaneous Provisions) Act of 1951 additionally defines the terms of qualification, appointment and disqualification, the term, eligibility and powers of the Finance Commission.
- It was formed to define the financial relations between the central government of India and the individual state governments.
- As per the Constitution, the Commission is appointed every five years and consists of a chairman and four other members..

Composition Of Finance Comission

- The Finance Commission was set up on November 27 with former Economic Affairs Secretary Shaktikanta Das, and adjunct professor of Georgetown University Anoop Singh as its full-time members and Chairman of Bandhan Bank Ashok Lahiri and NITI Aayog member Ramesh Chand as part-time members.
- A statutory body under Article 280(1) of the Constitution, it will prescribe the formula for devolution of taxes between the Centre and States for five years commencing on April 1, 2020. It is expected to submit its report by October 30, 2019.

What are the terms of reference of 15th finance comission ?

- The terms of reference of the new commission have suggested linking transfers to a range of parameters, such as efforts made to deepen GST, how quickly a state moves towards the replacement level of fertility, eliminating power sector losses, improving the ease of doing business, adoption of direct benefit transfers and progress in sanitation.
- These performance parameters are clearly a reflection of the policy preferences of the Narendra Modi government.

What are the challenges before 15th Finance comission?

- A focus on state finances is needed, especially given the recent deterioration in the fiscal parameters of the states.
- But the finance commission should also not ignore the fiscal health of the Union government, given its importance in the overall macro performance of the Indian economy.
- Every finance commission has to do a political balancing act. It needs to give more resources to the states given the growing importance of sub-national governments in the Indian political economy.
- It also needs to ensure that New Delhi is not fiscally constrained given its role in key national public goods such as defence. Federalism can flourish only when it is accompanied by a strong central agency

What new role has been confered on finance commission ?

- Apart from performing its constitutionally mandated job of deciding on the distribution of shareable central tax proceeds among centre, states and local bodies for the first time in the post GST era, the 15th Finance Commission has been asked to recommend appropriate levels of general and consolidated government debt and deficit levels for the centre and states.

Which census would be the basis of devolution of finances?

- One important change—and a tricky political issue—is the decision to use population according to the 2011 census as the base for calculating the expenditure needs of various states.
- Even the 14th Finance Commission had been explicitly asked to use the 1971 population numbers while deciding the devolution formula.
- The shift to the latest demographics is necessary since public goods expenditure by the states has to be linked to the number of citizens, but it could also be a sore point for southern states that have been more successful in reducing their rate of population growth.

Market Economy to china

Relevancy

- ✓ Economy ,G.S paper 3
- ✓ About market economy and anti-dumping duty.
- ✓ Effect on Indian Market status

Recently

- U.S. submitted a statement to the World Trade Organization (WTO) against granting China market economy status.
- The statement was made to support the European Union in a dispute with China.
- Both the U.S. and the EU make the case that China's economy has not yet transformed into a market economy due to the use of subsidies which distort market prices, a viewpoint which could potentially harm U.S.-China trade relations.

What is market economy status?

- Market economy status is a status confered on the country exporting the goods.
- The prices of the goods on which they are imported by the importing coutry are not questioned.
- On the other hand the non market economy countries don't have this privelege and the importing country can decide about the price of the commodity w.r.t some other methodology and accordingly it can impose anti-dumping duties on the country for distorting.

What is anti-dumping duty?

- Dumping is an unfair trade practice of exporting goods to another country at a price lesser than what is paid in the exporting nation or their normal production cost, thereby distorting international trade and causing injury to the domestic manufacturers of the goods in the importing country.

Why is china fighting for the recognition as a market economy?

- China is fighting the EU for recognition as a market economy, a designation that would lead to dramatically lower anti-dumping duties on Chinese goods by prohibiting the use of third-country price comparisons.

Why USA is not offering the market status to China?

- Role of state-The U.S. and EU argue that the state's pervasive role in the Chinese economy, including rampant granting of subsidies, mean that domestic prices are deeply distorted and not market-determined.
- What is the recent case filed by USA against china w.r.t alluminium foils?
- The U.S. Commerce Department has found that China dumped aluminum foil on the U.S. market and imposed duties ranging from 97 percent to 162 percent.

What will be the repercussions on India if China is offered market status?

- Many countries would lose the economic war-A victory for China before the WTO would weaken many countries' trade defenses against a flood of cheap Chinese goods, putting the viability of more western industries at risk.
- Moreover this comes against the backdrop of instances of India's manufacturers in steel, chemicals, electrical and electronics sectors being "severely hurt" by "unfairly low-priced" imports from China, and the extensive usage of anti-dumping duty by India to offset the losses caused to the local manufacturers due to dumping.

- Of the 535 cases where anti-dumping duties were imposed by India from 1994-2014, a maximum of 134 has been on goods from China.
- Once China is granted MES, it will severely limit India's ability to resort to anti-dumping as the authorities (DGAD) will have to accept the production costs and selling price in China as the benchmark

Global hunger index

Relevancy

- **G.S. Paper 2,3, Prelims**
- **About Global Hunger Index 2017 and IFPRI**
- **India's ranking on GHI**

Recently

- India ranked 100th position among 119 countries on Global Hunger Index (GHI) 2017 report released by Washington-based International Food Policy Research Institute

What is Global hunger index ?

- TheGlobal Hunger Index (GHI) is a multidimensional statistical tool used to describe the state of countries' hunger The GHI measures progress and failures in the global fight against hunger.
- The Index was adopted and further developed by theInternational Food Policy Research Institute (IFPRI), and was first published in 2006 with the Welthungerhilfe, a German non-profit organization (NPO).
- Since 2007, the Irish NGOConcern Worldwide joined the group as co-publisher

How is index calculated for 2017?

- The GHI for 2017 is calculated as a weighted average of four standardised indicators, i.e. the percentage of population that is undernourished; percentage of children under five years who suffer from wasting; percentage of children under five who suffer from stunting, and child mortality.
- Undernourishment and child mortality each make up a third of the GHI score, while child stunting and child wasting make up a sixth of the score, and together make up a third of the score.

What if IFPRI?

- TheInternational Food Policy Research Institute (IFPRI) is an international agricultural research center founded in the early 1970s to improve the understanding of national agricultural and food policies to promote the adoption of innovations in agricultural technology.
- Additionally, IFPRI was meant to shed more light on the role of agricultural and rural development in the broader development pathway of a country

How the world has fared in Global Hunger Index?

- The regions of the world struggling most with hunger are South Asia and Africa south of the Sahara, with scores in the serious range (30.9 and 29.4, respectively).
- The scores of East and Southeast Asia, the Near East and North Africa, Latin America and the Caribbean, and Eastern Europe and the Commonwealth of Independent States range from low to moderate (between 7.8 and 12.8).
- These averages conceal some troubling results within each region, however, including scores in the serious range for Tajikistan, Guatemala, Haiti, and Iraq, and alarming in the case of Yemen, as well as scores in the serious range for half of all countries in East and Southeast Asia, whose average benefits from China's low score of 7.5.

Why has india seen a decline in the ranking ?

- India's 2014 GHI rank of 55 and 2014 GHI score of 17.8, as published in the 2014 GHI report, are not comparable to the 2017 GHI rank of 100 and corresponding GHI score of 31.4. Concluding from this comparison that India slipped 45 places in the GHI ranking is not only erroneous but also a gross misrepresentation of facts.
- In addition, countries with GHI scores of less than 5 ("low") were not included in the ranking in in the 2014 GHI report. Thus, in the 2014 report, 44 countries with scores lower than India's were not included. Had those countries been included, India's 2014 ranking would have been not 55, but 99. Finally, due to data availability, different countries are included in the GHI ranking each year, again making a comparison of rankings between years inaccurate.

In the methodology used by Global hunger Index accurate to manifest hunger?

- GHI assigns 70.5% weightage to children below five who constitute only a minor population share and 29.5% weightage to the population above five, which constitutes 81.5% of the total population.
- Therefore, the term "Hunger Index" is highly biased towards undernutrition of children rather than representing the status of hunger in the overall population. It would be more appropriate to term the conceptualisation and composition of this composite index as a "Global Hunger and Child Health Index" than as a "Global Hunger Index".