ARTICLE

Sunset of Anti-Profiteering Rules under GST: Impact on Business Price Adjustments

As GST 2.0 reforms gather momentum covering rate rationalisation, correction of inverted duty structures, and targeted sectoral relief the risk of delayed or partial pass-through in concentrated markets becomes more salient. This risk places a greater responsibility on the Central Board of Indirect Taxes and Customs (CBIC) and State tax administrations to deploy real-time data analytics using e-invoice and GSTN data to monitor price behaviour at scale, and on boards and company secretaries to ensure that their organisations' pricing responses to tax changes remain principled, transparent, and well-documented.

CS Vineet Suman Darda, ACS
Co-Founder & Managing Partner
Darda Advisors LLP, Telangana
vineetdarda@dardaadvisors.com

INTRODUCTION

GST'S MATURING JOURNEY AND THE ANTI-PROFITEERING CHAPTER

When the Goods and Services Tax (GST) was introduced in July 2017, one central promise accompanying this sweeping reform was that a cleaner, unified tax system would reduce the overall tax burden on goods and services and that this relief would be faithfully shared with consumers. Section 171 of the Central Goods and Services Tax (CGST) Act, 2017 gave legislative form to this promise by mandating that every registered supplier pass on the benefit of tax rate reductions or enhanced input tax credit to recipients through a commensurate reduction in prices.

For the better part of nine years, this obligation was enforced through a layered institutional structure comprising State and Central Standing and Screening Committees, the Director General of Anti-Profiteering (DGAP), and the National Anti-Profiteering Authority (NAA). Over time, however, that structure has been steadily re-engineered first by transferring authority to the Competition Commission of India (CCI), and then by vesting it in the Principal Bench of the GST Appellate Tribunal (GSTAT), before ultimately fixing 1 April 2025 as the sunset date for the acceptance of new anti-profiteering applications.

This article traces that institutional journey and examines how businesses across key sectors like FMCG, real estate, restaurants, and cinemas have actually adjusted prices when GST rates fell, with reference to a clutch of recent decisions: *Sharma Trading Company*, *Sobha Limited*, *A J Enterprises*, *AMB Cinemas LLP*, and *Vishwanath Cinema Hall 70MM*. The article then considers the governance role of Company Secretaries in the post-sunset era and the implications for GST 2.0 rate rationalisation.

STATUTORY FRAMEWORK OF ANTI-PROFITEERING

A. Section 171 of the CGST Act

Section 171(1) of the CGST Act states that any reduction in the rate of tax on any supply of goods or services, or the benefit of input tax credit, shall be passed on to the recipient by way of a commensurate reduction in prices. Sub-section (2) authorises the Central Government, on the recommendation of the GST Council, to constitute or empower an authority to examine whether tax or credit benefits have actually resulted in such price reductions, and contains a crucial proviso allowing the Government to fix a cut-off date beyond which no new applications will be accepted.

Sub-section (3) links the authority's powers and functions to the CGST Rules, while sub-section (3A) inserted by the Finance Act, 2019 permits a penalty equal to ten per cent of the profiteered amount, subject to a thirty-day grace period for voluntary deposit. The statute also connects anti-profiteering with the Consumer Welfare Fund: where individual recipients cannot be identified, the profiteered amounts are credited to the Fund under Sections 57 and 58 of the CGST Act.

B. Rule Framework – Chapter XV of the CGST Rules

The original Chapter XV of the CGST Rules, 2017 contained Rules 122 to 137 dealing specifically with anti-profiteering. These rules governed the constitution of the authority, the functions of Committees, the DGAP's investigation procedure, hearings, orders, and compliance monitoring.

Rule 127 is the operational centrepiece: it lists the authority's functions, including the power to identify suppliers who have failed to pass on benefits, direct price reductions, order refunds to consumers with 18 percent interest, and even recommend cancellation of registration in egregious cases. Rule 133 prescribes a six-month period from receipt of the DGAP's report for passing orders and restates the same remedial powers.

C. Omission of Rules and Continuing Obligations

Notification No. 24/2022-Central Tax dated 23 November 2022 omitted Rules 122, 124, 125, 134, and 137 with effect from 1 December 2022. These rules were directly linked to NAA's constitution and tenure, and their omission signalled the formal closure of NAA's functioning.

Crucially, Section 171 itself remains unchanged and continues to impose the same obligation on suppliers. What has changed is the institutional architecture for enforcement, not the underlying duty to ensure that consumers receive the benefit of tax relief.

INSTITUTIONAL SHIFTS AND THE SUNSET ARCHITECTURE

A. From NAA to CCI to GSTAT

In its first phase, NAA operated as the dedicated anti-profiteering authority under Rule 122 of CGST Rules, supported by the Standing Committee at the national level and State-level Screening Committees. Complaints were screened, investigated by DGAP, and adjudicated by NAA, with appeals lying to constitutional courts.

The second phase commenced with Notification No. 23/2022-Central Tax dated 23 November 2022, which empowered the Competition Commission of India, established under the Competition Act, 2002, to act as the authority under Section 171(2) from 1 December 2022. This alignment with competition policy made good institutional sense: CCI already had the analytical capacity, investigative machinery, and behavioural economics perspective to assess market-wide pricing conduct.

The third phase arrived when Notification No. 18/2024-Central Tax, dated 30 September 2024, designated the Principal Bench of GSTAT, New Delhi, as the authority to examine anti-profiteering cases with effect from 1 October 2024. This notification was issued under Section 171(2) read with Section 109 of the CGST Act and integrated anti-profiteering oversight into the tribunal's adjudicatory structure. However, the GSTAT is constituted in 2026.

B. The Sunset – Notification No. 19/2024

Notification No. 19/2024-Central Tax dated 30 September 2024, issued on the same date, invoked the proviso to Section 171(2) of CGST Act to declare that from 1 April 2025, the authority would not accept any new requests for examination of anti-profiteering complaints. In practical terms:

- **All complaints filed before 1 April 2025** continue to be examined and decided by GSTAT's Principal Bench; and
- **No fresh complaints** can be initiated after that date, even though Section 171 of CGST Act continues on the statute book and the underlying obligation to pass on benefits remains alive.
- Industry commentary has confirmed this position - 1 April 2025 functions as a true sunset for filing, not for the adjudication of pending matters.

C. The Caseload in Numbers – A Nine-Year Statistical Overview

Any assessment of the sunset must be grounded in the scale of what the anti-profiteering machinery actually handled over nine years. When the NAA was constituted in November 2017, complaints began arriving almost immediately following the sharp rate cuts on 178 items that same month. By June 2019 alone, NAA had passed 67 orders, of which 26 confirmed actual instances of profiteering, with the quantified profiteered amount reaching approximately ₹600 crore. By the time NAA completed its tenure, it had issued orders in more than 100 cases, cumulatively resulting in businesses depositing around ₹600 crore in profiteered amounts.

The picture during the CCI phase (December 2022 to September 2024) was markedly different. Between December 2022 and June 2024, CCI closed only 27 cases, while nearly 140 cases remained pending, with a further 184 disputes stuck in High Courts involving major firms such as Hindustan Unilever, Jubilant Foodworks, Patanjali, Reckitt Benckiser, and Procter & Gamble. The mismatch between CCI's core mandate dealing with cartels, monopolies, and abuse of dominance and the tax-compliance nature of anti-profiteering enforcement was widely acknowledged. By mid-2024, CCI itself told the GST Council that anti-profiteering was "not its core function" and that tax authorities should oversee such matters.

Since GSTAT's Principal Bench assumed jurisdiction from 1 October 2024, it has been actively disposing of the inherited pendency, with multiple final orders being issued in early 2026 across sectors including real estate, cinemas, hotels, and retail. The case numbers reaching NAPA/238/PB/2025 in the GSTAT docket indicate that at least 238 matters were registered before the Principal Bench for disposal as part of the transition backlog. Taken together, the three institutional phases NAA, CCI, and GSTAT have collectively handled well over 500 complaints and investigation references since 2017, making India's anti-profiteering framework one of the most extensively litigated consumer-price enforcement regimes among GST jurisdictions globally.

HOW 'COMMENSURATE REDUCTION' HAS BEEN UNDERSTOOD

A. Investigation and Computation Practice

DGAP and the adjudicatory authorities have broadly adopted a three-step approach to quantify profiteering. First, the base price and applicable GST rate before the rate cut are determined, and the pre-cut cum-tax selling price is computed. Second, the reduced rate and revised credit position are applied to derive an ideal post-cut price. Third, this ideal price is compared with the actual price charged post-cut across all relevant SKUs or units of supply. Any excess collection is treated as the profiteered amount.

This methodology has had to grapple with practical complexities: changes in pack sizes, promotional schemes, varied ticket categories in cinema halls, staggered construction schedules in real estate projects, and fluctuating input cost structures. Over time, tribunals and courts have refined the understanding of what genuinely amounts to passing on benefit versus what constitutes cosmetic compliance.

B. Delhi High Court in Sharma Trading Company

In *Sharma Trading Company v Union of India & Ors*, the Delhi High Court considered a matter involving an FMCG distributor of Vaseline VTM 400 ml. After a GST rate reduction from 28 percent to 18 percent, the company retained the same MRP but increased the base price while marginally increasing the quantity of product supplied. The assessee contended that additional grammage was equivalent to a price benefit.

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The court rejected this argument firmly. It held that increasing quantity while charging the same MRP specifically to avoid reducing the price amounts to a deception of the consumer, whose ability to make an informed choice is curtailed. Relying on its earlier reasoning in *Reckitt Benckiser*, the court reiterated that promotional schemes, free material, or increased grammage do not discharge the obligation to reduce prices when GST rates fall. Transitional inconvenience is no defence: manufacturers and retailers must recalibrate pricing squarely, even if this means briefly selling below MRP.

SECTOR-WISE IMPACT ON PRICE ADJUSTMENTS

A. FMCG and Retail

The FMCG and retail sectors have witnessed some of the largest quantified profiteering amounts, given the sheer scale and frequency of GST rate changes. *Sharma Trading Company* is a prominent example where the court insisted on a straightforward price reduction rather than indirect adjustments through quantity expansion.

In other cases, covering products such as instant noodles and personal care items DGAP and GSTAT have calculated profiteered amounts by comparing pre-cut and post-cut prices for each SKU and directing deposit of unclaimed benefits into the Consumer Welfare Fund. The pattern emerging from this jurisprudence is clear: the simplest and safest route to compliance is a transparent price reduction, supported by documented computations, rather than reliance on complex scheme redesigns that are difficult to verify and easy to challenge.

B. Real Estate and Construction – Sobha Limited

Real estate matters have typically concerned projects that straddle the pre-GST and post-GST divide, raising the question whether gains in input tax credit have been shared with homebuyers. In *DG Anti-Profiteering v. Sobha Limited*, GSTAT Delhi examined allegations of non-passing of ITC benefits in Sobha's 'International City' villa project at Gurugram. The DGAP's investigation revealed that the ratio of ITC to turnover had actually declined marginally from the pre-GST to the post-GST period—from 12.26 percent to 11.02 percent indicating no incremental credit benefit that could be passed on.

Accepting the DGAP's closure report, the tribunal held that section 171 of CGST Act was not engaged where the entire lifecycle of the transaction booking, agreement, construction and payment took place after GST came into force and pricing already reflected ITC availability. Drawing on the Delhi High Court's reasoning in *Reckitt Benckiser*, GSTAT clarified that anti-profiteering provisions are primarily designed for transitional situations and do not impose an obligation on builders to separately quantify and pass on ITC benefits in purely post-GST projects.

C. Restaurants and Quick Service Formats – A J Enterprises

Restaurants experienced a rate reduction from 18 per cent to 5 per cent on most restaurant services with a simultaneous withdrawal of ITC eligibility, prompting many outlets to adjust base prices upward on the effective date of change. In *DG Anti-Profiteering v. A J Enterprises*, GSTAT Delhi examined a Subway franchisee which increased base prices of various menu items on the very day the reduced rate came into effect, thereby maintaining the previous cum-tax price in the hands of consumers.

For example, the price of an 'Aloo Patty' sandwich moved from ₹135 to approximately ₹152 and 'Hara Bhara Kabab' from ₹120 to around ₹133 on the date of transition, while GST fell from 18 percent to 5 percent. The franchisee cited increased royalty payments, lease rentals, advertising contributions, and aggregator commissions as justification. However, it failed to produce cogent evidence demonstrating that these cost increases coincided with, and were caused by, the GST rate change.

GSTAT held that the timing of the price increase, coupled with a lack of robust cost data, was sufficient to support a presumption of profiteering. It also clarified that the six-month period in Rule 133 for passing orders is directory not mandatory given the beneficial nature of anti-profiteering provisions, restricted the levy of interest to the period following the insertion of Rule 133(3)(c) of CGST Rules in June 2019, and declined to impose penalty under Section 171(3A) of CGST Act for conduct prior to 1 January 2020.

D. Cinemas and Entertainment – AMB Cinemas and Vishwanath Cinema Hall

Cinema ticket pricing sits at the intersection of State-level price regulation under entertainment laws and the central GST obligation. From 1 January 2019, GST on tickets priced above ₹100 fell from 28 percent to 18 per cent, and for tickets priced up to ₹100 it fell from 18 percent to 12 percent. In *DG Anti-Profiteering v. AMB Cinemas LLP*, GSTAT Delhi upheld the finding that the cinema had profiteered by retaining its pre-rate-cut ticket prices ₹300 for platinum seats and ₹200 for gold seats effectively ensuring that consumers received no monetary benefit from the rate reduction.

The respondent argued that ticket prices were governed by licensing authority orders under the Telangana Cinemas (Regulation) Act and the directions of the High Court, and that GST authorities could not compel price reductions. GSTAT rejected this contention, holding that CGST authorities are distinct from State licensing authorities, and that State cinema regulation merely prescribes price ceilings, not actual prices. The tribunal noted that AMB Cinemas had itself partially calculated and deposited profiteered amounts for some of the review period, which reinforced the conclusion that the rate-cut notification was within its knowledge and control.

In *DG Anti-Profiteering v. Vishwanath Cinema Hall 70MM*, GSTAT reached a substantially similar conclusion. The cinema had retained its pre-cut ticket prices by increasing base values after the GST reduction and again relied on State licensing authority orders as a shield. GSTAT reiterated that while State law may regulate the maximum permissible ticket price, Section 171 of CGST Act independently requires that any reduction in GST incidence must be reflected in what consumers actually pay. As individual ticket buyers were not identifiable, the tribunal directed deposit of the profiteered amount into the Central and State Consumer Welfare Funds and declined to impose penalty for the pre-2020 period.

E. **MSMEs and the Broader Economy**

Most reported anti-profiteering adjudications involve larger, more visible enterprises, but sectoral studies suggest that in concentrated markets, the absence of a continuing formal mechanism after the sunset creates at least some space for businesses to retain a portion of future tax benefits particularly where consumer bargaining power is limited and product markets are opaque.

For MSMEs, the case law offers a practical lesson: simple, well-documented price-adjustment practices tied to tax changes are the most effective compliance posture. In competitive markets, consumer sensitivity and the threat of reputational damage often do the work that the formal anti-profiteering machinery previously performed.

GOVERNANCE AND THE COMPANY SECRETARY'S ROLE POST-SUNSET

The readership of the Chartered Secretary Journal sits at the intersection of governance, law, and compliance. In the post-sunset environment, the focus necessarily shifts from reactively managing DGAP investigations to proactively designing internal systems that make profiteering unlikely and that render price behaviour defensible and transparent.

A useful institutional starting point is a board-approved Price Adjustment Policy that specifies how the organisation will respond to changes in GST rates or ITC structure. Such a policy should set clear timelines for price review after a rate change, require written working papers comparing pre- and post-change tax incidence, and mandate sign-off by the CFO, tax head, and the Company Secretary.

Equally important is the quality of documentation: robust files showing how prices were recalibrated, how tax and credit benefits were quantified and allocated, and why any pricing deviations were made, all supported by ERP snapshots, e-invoice data, and MRP declarations. Where prices are regulated or widely visible such as MRPs on packaged goods, cinema ticket tariffs, and hotel tariffs transparent communication with consumers reinforces trust and reduces reputational and legal risk in the event of a future challenge under consumer protection or competition law.

The Company Secretary's role here is not merely secretarial. It encompasses advising the board on compliance architecture, coordinating between tax and legal teams, ensuring that minutes and board papers capture the rationale for pricing decisions, and maintaining a compliance culture that treats fair pricing as an element of corporate integrity rather than a regulatory burden.

A GLOBAL PERSPECTIVE – HOW OTHER GST JURISDICTIONS HANDLED ANTI-PROFITEERING

India is not alone in having grappled with the challenge of ensuring that tax-side relief reaches consumers. The experiences of Australia, Malaysia, and Singapore three jurisdictions that preceded India in introducing a value-added or goods and services tax offer instructive comparisons.

Australia introduced its GST in July 2000 and simultaneously empowered the Australian Competition and Consumer Commission (ACCC) operating under what is now the Competition and Consumer Act, 2010 to conduct price surveillance, monitoring, and inquiry in relation to goods and services affected by the rate change. The ACCC was empowered to conduct price surveillance, monitoring, and inquiry in relation to goods and services. Crucially, Australia set a clear and disciplined time horizon: anti-profiteering provisions introduced during Australia's GST rollout in 2000 were phased out within two years. Australia's approach succeeded because it was accompanied by transparent consumer education campaigns and voluntary public compliance commitments from large businesses, allowing market forces to gradually take over the policing function. Unlike India, Australia stuck to the three-year transitional period prescribed and passed the appropriate consumer welfare statute.

Malaysia introduced GST/VAT in April 2015 and enacted a dedicated statute known as the Price Control and Anti-Profiteering Act, 2011 to police pricing behaviour during the transition. The Malaysian experience, however, illustrates the dangers of over-reach: Malaysia diluted the scope of its regulations over time as over-regulation and micro-management resulted in stifled growth. The compliance burden on small and medium businesses proved disproportionate, and enforcement became increasingly selective. Malaysia ultimately abolished its GST in 2018 and replaced it with a Sales and Services Tax, though the anti-profiteering statute survived in modified form.

Singapore introduced GST/VAT in 1994 and has periodically raised rates, most recently to 9 percent. Rather than relying on a dedicated anti-profiteering authority, Singapore has managed price pass-through concerns through a combination of transparent rate-change communication by the government, a robust consumer protection framework, and a highly competitive retail environment that naturally incentivises price adjustment. Countries that adopted GST such as Singapore and Australia witnessed a spurt in inflation after implementation, but Singapore's rapid containment of this inflationary impulse is generally attributed to its competitive market structure rather than regulatory enforcement.

The common thread running through these international experiences is that anti-profiteering mechanisms work best as time-limited, transitional tools not permanent regulatory fixtures. Most countries introduced the provision under anti-trust or consumer-welfare laws rather than through the parent taxation legislation itself. India's approach of embedding anti-profiteering's Section 171 within the CGST Act itself was an unusual structural choice that integrated price-control with tax law. Amidst rising concerns across the world that VAT rate reductions and exemptions do not actually result in price cuts, anti-profiteering mechanisms present a possible solution as far as the way forward is concerned. However, as the Australian and Malaysian examples show, the governance challenge lies in designing such mechanisms with a clear sunset, a workable computation methodology, and an institutional home that has both the technical expertise and the procedural capacity to handle high-volume commercial disputes efficiently.

For India, the formal sunset of 1 April 2025 broadly mirrors the trajectory followed by Australia and Malaysia, and positions the country to rely more on competition law, consumer protection, and market discipline in the GST 2.0 era which is exactly where the global consensus now sits.

POST-SUNSET ENFORCEMENT AND THE GST 2.0 HORIZON

The closure of the formal anti-profiteering pipeline for new complaints does not leave the field entirely unpoliced. Several overlapping legal frameworks continue to operate. General GST provisions under Sections 73 and 74 of the CGST Act address tax not paid, short paid, or erroneously refunded with and without fraud and could potentially be applied where pricing behaviour is linked with deliberate misstatement or evasion. Competition law addresses collusive or abusive pricing where market power is involved, while the Consumer Protection Act, 2019 can be invoked for misleading pricing practices and unfair trade practices.

Looking ahead, as GST 2.0 reforms gather momentum covering rate rationalisation, correction of inverted duty structures, and targeted sectoral relief the risk of delayed or partial pass-through in concentrated markets becomes more salient. This risk places a greater responsibility on the Central Board of Indirect Taxes and Customs (CBIC) and State tax administrations to deploy real-time data analytics using e-invoice and GSTN data to monitor price behaviour at scale, and on boards and company secretaries to ensure that their organisations' pricing responses to tax changes remain principled, transparent, and well-documented.

GST 2.0 is not merely a technical exercise in rate reform; it is also a test of the system's ability to deliver consumer welfare without the scaffolding of a dedicated anti-profiteering authority. The burden of delivering that welfare now shifts more decisively to voluntary compliance, market competition, and robust governance.

CONCLUSION

The anti-profiteering chapter of India's GST journey has produced a rich and instructive body of law and practice. Cases such as *Sharma Trading Company*, *Sobha Limited*, *A J Enterprises*, *AMB Cinemas LLP*, and *Vishwanath Cinema Hall 70MM* illustrate how adjudicators have consistently insisted on genuine price benefit for consumers when tax burdens fall, while also recognising the limits of the framework—declining to penalise pre-2020 conduct under then-nascent provisions and acknowledging that purely post-GST projects may not attract Section 171 of CGST Act at all.

The formal sunset on new anti-profiteering complaints effective 1 April 2025 reduces the risk of being drawn into fresh DGAP-initiated proceedings. But it does not reduce the expectation—embedded in both law and consumer sentiment—that tax benefits must ultimately reach the people who consume goods and services. For governance professionals and Company Secretaries, the safest path in the GST 2.0 era is to treat fair pricing as a core compliance commitment, supported by clear internal policies, meticulous documentation, and a corporate culture that views consumer welfare not as an externally imposed burden but as an integral element of long-term business credibility and trust.

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