

Supplier can't give extra grammage of product instead of reducing prices for passing benefit to consumers: Delhi HC

Facts of the case: L'Oreal India (P.) Ltd. v. Union of India - [2022] 143 taxmann.com 131 (Delhi)

The National Anti-Profiteering Authority (NAA) found that the petitioner had not only collected excess base prices from his customers after reduction in rate of tax but also compelled them to pay additional GST. The petitioner contended that instead of reducing prices, it had given extra grammage of product. However, the NAA directed the petitioner to deposit profiteered amount as it denied the benefit of tax reduction to the ordinary buyers by charging excess GST. The petitioner filed writ petition against the same.

Decision of the case:

- The Honourable High Court observed that the petitioner had not only collected excess base prices from his customers after reduction in rate of tax but also compelled them to pay additional GST and thereby failed to grant commensurate reduction in prices.
- Under Section 171 of CGST Act, 2017, any benefit of reduction in rate of taxes or benefit of input tax credit on any supply of goods or services can only be by way of commensurate reduction in prices. The Court noted that when a statute clearly provides for a manner in which something is to be done, and a duty is cast upon supplier to extend benefit of rate reduction by way of commensurate reduction in prices, then the supplier can't insist that instead of reducing prices, he will give extra grammage of product.
- Therefore, the Court held that the petitioner had acted in contravention of provisions of section 171(1) and directed to deposit principal profiteered amount after deducting GST imposed on net profiteered amount in six equated instalments.