Research Paper
Impact Factor: 6.462
Peer Reviewed & Indexed Journal
www.ijmsrr.com

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

THE EFFECT OF GST ON E-COMMERCE IN INDIA: A STUDY

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Abstract

India being a developing country celebrated its 75th anniversary of its independence in the year 2022. The government's goal is to expect for India a USD 4.0 trillion economy when we celebrate the platinum jubilee of our independence. Towards this Government is strategizing many plans like Sustainable development goals, Make in India concept, and Digital India etc., as a roadmap for faster economic development. Besides, the transformation in Indirect tax policy made by introduction of GST is one concept brought out to simplify the tax procedures and tax collection. The new GST has affected many business sectors, including Ecommerce. Ecommerce sector is one segment with tremendous business growth of high turnover generating more revenue for the economy growth. The Indian e-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017, growing at an annual rate of 51 per cent, the highest in the world. Therefore, a study is taken to understand the effect of GST on Ecommerce.

Introduction

Goods and Service Tax was implemented on 1 July 2017, has subsumed 17 indirect taxes. GST as giant of indirect tax structure designed to support and enhance the economic growth of a country, more than 150 countries have implemented GST so far. However, Vajpayee government in the year 2000 mooted the idea of GST in India and the LokSabha passed the constitutional amendment for the same on 6th May 2015. GST is essentially a consumption tax and is levied at the final consumption point. The principle used in GST taxation is Destination Principle. It is levied on the value addition and provides set offs (1) As a result, it avoids the cascading effect or tax on tax, that increases the tax burden on the end consumer.

The Goods and Service tax as a new model has been framed to resolve the current tax issues faced by various industrial sector and to simplify the taxation procedure in order make Industry friendly. India has adopted a dual GST that is imposed concurrently by the Centre and States. States have the power to tax intra-State sales and States are empowered to tax services. GST stretches out to the entire of India including the Territory of Jammu and Kashmir. Over all GST known as beneficial to both the purchaser, Business and Government. As the GST venture advanced, there was a developing acknowledgment of its sweeping effect. Industry faced various challenges, ranging from new and unique concepts, like documentation, tax rates of certain goods and services, treatment of several common transaction etc.,

Goods and Services Tax Network (GSTN)

Goods and Services Tax Network (GSTN) has been registered under Section 25 of the Companies Act, 1956 (not for profit) as non-government, private limited company. It was incorporated on 28 March 2013.It has been decided to make GSTN 100 percent Government company in the 27th GST council

IJMSRR
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meeting held on 4th May 2018. GSTN has been setup primarily to provide IT infrastructure and services to the central and State Government, taxpayers and other stake holders for the implementation of the GST in India. GSTN is developing a common GST portal and application for registration, payment, return and MIS reports. The strategic control of the government over GSTN is ensured through measures, such as composition of the Board, mechanism of Special Resolution and Shareholders Agreement, induction of government officers on the deputation and agreements between GSTN and the Governments,

Products not fall under GST:- All categories of products is covered under GST except the products like Alcohol, petroleum products, in the coming days these products are also fall under GST rate.

GST Rates: - Essential items- 0 %, commonly used Goods/Services- 5%, Products/Services which are basic necessities - 12%, Standard Goods – 18%, Demerit Goods/Services including luxury – 28%.

GST Model: - India has implemented dual GST. In Dual GST regime, all the transactions of goods and services made for a consideration attracts to levies that is CGST and SGST, IGST, UGST.

Input Tax Credit:-

Input tax credit is the backbone of the GST. Input tax credit is the credit given for the supplier for the tax paid at the time of receipt of goods or services or both will be eligible for set-off against the tax payable on the supply of goods or services based on the invoices with special emphasis on actual payment of tax by the supplier. Under GST rule, the supplier is eligible to have seamless flow of credit in the whole scheme of taxation without any misuse. It is the provision of input tax credit that make GST a value added tax, that is collection of tax at all points in the supply chain after allowing credit for the inputs/input services and capital goods.

Literature Review

Swethe Parthasarathy (2018) in Article "Impact of GST on e-commerce with reference to Coimbatore city" says that within short span e-commerce has changed the Indian business scenario with attractive and convenient shopping options to the consumers. E-commerce industry offers the power to create innovative, sustainable and seamless experience across all channels. The findings are, the GST rates on products preferred are high, consumers do not have much awareness about price change after GST, and there is a need for further simplification of rules and regulations of GST.

V. Sai. Nikhilla K Meghana (2017) in her article "a revolutionary change in India GST and Sectoral impact states concluded that the GST imposition eliminates cascading effect of tax and removes corruption of tax and consumers are more aware on the taxable amount and the exact amount of tax and hidden taxes in products. The Article also states there is a need to bring other products like petroleum, stamp duty, customs duty, entertainment tax ,electricity into GST brackets as they bring more revenue to the GDP and economy growth.

Joseph Benedict Malar GVJ (2018) in his thesis "The effect of GST on Indian E-commerce Industry " stated implementation of GST is a boon and blessing, as GST legislation frame work assist the removal of state barriers, made free flow of goods around the Indian nation. Removal of entry tax in logistics given clarity and certainty of the registration for compliance burden to tackle corruption in tax administration. The GST is applicable on transaction between seller and buyer and between seller

IJMSRR
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ISSN -2349-6738

and market place, as GST is applied in e-commerce on the basis of business model adopted by the e-commerce company.

Yashmen Sulthan (2018) in his article concludes that Make in India and eight core infrastructure sectors which are vital in the growth of the country are Coal, Crude Oil, Natural Gas, Refinery Products Fertilizers, Steel, Cement and Electricity. Official data regarding eight core sectors exhibited registered growth of 8 percent in 2017 compared to last year. But GST as one of the proposed reforms thus leading to manufacturing synergy in India. The impact of new GST regime would be a modern tax reform where some sector like IT industry shows negative impact the reason is major IT products are export oriented under GST council the export products are exempted, which will usher in opportunities for business in India. There are high hopes that the new GST system will lead to manufacturing sector by changing the cascading tax system to the goods and services tax. In addition, all major business dynamics will have to be thoroughly analysed to review the impact of GST on business.

Shubham Borkar ,Anushree Saxena and Khurana, in their article on Goods And Service Tax And E-Commerce viewed in spite of increased compliance under GST for the E-commerce (for example law is not clear on reverse charge mechanism) industry still it improves the market for the local suppliers as they can sell in any state with same tax rates. This will promote more sellers to go online and provide the best service to the customers.

Dr. Jayashree, R Kotnal Impact of ‘GST’ on e-commerce and Indian economy International Journal of Advanced Research and Development Volume 2; Issue 6; November 2017, article states that the implementation of GST results in eradicating the confusion of taxes that are prevailing in the country’s current scenario. Through the roll out of GST may lead to greater compliances for E- commerce players, its implementation could bring in significant benefits, such as: Removal of cascading taxes The e-commerce sector will gain significantly from the removal of restrictions on cross utilization of credits. Currently, traders are denied credit of service tax paid on input services such as warehousing, logistics, commission of marketplace and service providers are not allowed to claim credit of VAT paid on goods that are used for providing output services. However, GST rates at both the Central and State levels are expected to be uniform. Mostly foreign investors have complaints about taxation policies. Now, after implementation.

Dr. Manish Shindhe (2019) in his article viewed that the GST introduction in is a positive tax reforms made by the government which removes the economic distortion and contributes to the development of common national market.to have, but need to focus on giving awareness on GST adoption, its functioning to the business and to the consumers.

Rajesh Garg, Manghal Sain (2022) researcher made a study on the impact of GST on Indian economy. The article makes an analysis of the GST impact on various sectors in India and concluded that the government introduce of GST is to increase revenue not from charging high prices for consumers rather to decrease the tax evasion. No distinction made for Industry, manufacture, or service at the levy of GST. The aim of introducing GST is to promote the economic progress by collaborating state economics and GST has got the overall acceptance by all business merchants in all sectors.

Statement of the Problem
E-commerce is one of the fast-growing sectors in today's world. The scope of ecommerce is significant and consistently expanding. Due to the dynamic and complex business model in which e-commerce players operate, the treatment of various ecommerce transitions under indirect taxes is fraught with ambiguity and disputes. In order to overcome the complexities Government of India has come out with new indirect tax regime Goods and Service Tax on 1 July 2017, is all new for all stakeholders with slight changes in taxation model. GST business model for ecommerce being a new and challenging one, various business sector started aligning their business plan to move with GST. The present study "The Effect of GST on Ecommerce in India":-A Study is focused to understand the benefits of E-commerce and also to analyze the GST effect on E- commerce.

Objectives of the study
To understand the effectiveness of GST on E-Commerce

Research Methodology
The Sources of data required for the study of effectiveness of GST on Ecommerce is processed through the Secondary sources, the literature review and necessary information needed for the study is collected from books, magazines, articles, national and international journals.

Who are all E-Commerce operator
As per Section 43B(d) of the Model GST Law, E-Commerce is defined – Electronic Commerce means the supply of goods and or services, or both including digital products over digital or electronic network. Now the question arises, who are all E-commerce operator?

E-Commerce Operator: Amazon and Flipkart are e-commerce Operators because they are facilitating actual suppliers to supply goods through their platform (popularly called Market place model or Fulfillment Model).

Not an E-commerce Operator: Amazon and Flipkart will not be treated as e-commerce operators in relation to those supplies which they make on their own account (popularly called inventory For example –Tata Groups (Tanishq) market its jewelry through its own website would not be considered as an e-commerce operator for the purposes of this provision.

Under the GST law, marketplace/E-Commerce operators are made compulsory to deduct a percentage amount as the GST liability of seller and remitted with government. This mechanism is being termed as "Tax Collection at Source (TCS)" beneath the GST law. Subsequently the marketplace marketer will have to file monthly return under GST to claim the credit of TCS collected by the marketplace operator.

This creates extra burden and affects the liquidity and income of those sellers. After the introduction of GST in a stretch of three years, market place operators looking for GST law simplification from the government to make ease of business. The supplier supplying good and services through e-commerce operators will receive payment after deduction of TCS @ 1%.

The GST effectiveness of on e-commerce

1. **No trade barriers:-**one nation one tax is the aim of new GST model. Under the old tax regime, there was multiplicity of tax imposed in different states with different rates and therefore every state had complexity in understanding the taxation procedure. GST made tax easier with common tax rates to all states as one nation one tax, the barrier of arbitrage taxation and entry taxes were abolished.
2. **Tax collection at source (TCS):-** All e-commerce operators compulsorily should deduct the Tax Collected at Source at the rate of 1% on every transaction made by the supplier through the E-Market Place. The collected TCS will be deposited within 10 days from the end of the month of supply to the government.
3. **Increase in compliances for e-commerce operators: -** The e-commerce operators should report to the tax authorities on all supply transaction done by seller through ecommerce operator and TCS collected TCS thereof on a monthly basis. Further e-commerce operators are required to register in each state and acknowledge the reports separately on a monthly basis. All the process increases the tax compliance and more expensive to run the business.
4. **Compulsory registration and no composition scheme benefit:** - GST mandates that all sellers supplying through an ecommerce operator need to be registered under GST irrespective of the threshold limit of Rs.20 lakh. These sellers cannot opt for composition scheme, where they pay a flat tax at the rate of one percent and do not maintain details of each product sold. In this scenario, it is not feasible for small businesses to maintain a detailed record of purchases and sales and pay higher rate of tax. Because of this, many small retailers may not prefer to work with an e-commerce company, which impacts the business for e-commerce
5. **Increase in credits: - Input Tax** Credit (ITC) can be used by online sellers to reduce their tax burden. The seller has to pay the difference of output and input tax they paid at the time of inward supply to the government; this helps the online sellers to have more tax savings in his credit.

Conclusion

GST is one of the positive tax reform of the government introduced to overcome the economic barriers and contributes to the development of common national market. GST contributed for overall sectoral growth and for effective fiscal policy management, high return, high growth prosperity generating more employment opportunities and GDP growth. Ecommerce business is enjoying the advantage of no trade barriers, one common tax rate in all states and benefit of input tax credit, with the demerits of compulsory registration and composition scheme. Market place operators looking for GST law simplification from the government to make ease of business.

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