

GST's effects on India's e-commerce industry.

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Abstract

The adoption of the Goods and Services Tax (GST) in India signified a radical shift in the indirect taxation structure of the nation. This transition had a dramatic impact on a variety of industries, including the e-commerce industry, which is quickly developing. This study investigates the myriad ways in which the Goods and Services Tax (GST) has affected the operations of e-commerce businesses in India, emphasising both potential and problems. The Goods and Services Tax (GST) simplified the complicated tax system by combining a number of indirect taxes into a single tax. This resulted in increased tax compliance and improved transparency in online transactions. Moreover, it established a tax system that was consistent throughout all states, which made it simpler for businesses who deal in e-commerce to conduct their operations. On the other hand, the industry initially had difficulties in complying with regulations as a result of the implementation of required Tax Collected at Source (TCS) laws and the requirement to maintain detailed records. In spite of initial challenges, the Goods and Services Tax (GST) has helped to create a more organised and regulated e-commerce sector, which has encouraged development and innovation. The report highlights the ever-changing nature of policy reforms and makes recommendations for future considerations that might be taken into account in order to maintain the positive momentum in the industry.

Keywords: GST, India's, e-commerce

Introduction

The Goods and Services Tax (GST), which was implemented in India on July 1, 2017, is considered to be one of the most significant tax changes in the whole economic history of the country. Under the Goods and Services Tax (GST), a plethora of national and state taxes, including VAT, excise duty, service tax, and others, were replaced with a single, comprehensive tax structure. This was done with the intention of unifying the nation's complicated and fragmented indirect taxation system. E-commerce, which is a fast expanding field that has profoundly altered the manner in which products and services are purchased and sold in India, has been one of the industries that has been most dramatically influenced by this phenomenon, despite the fact that its influence has been pervasive across all industries. In the past ten years, India has witnessed a meteoric rise in e-commerce, which can be attributed to the proliferation of smartphones, the growing number of people who have access to the internet, and the shifting patterns of consumer behaviour. However, previous to the implementation of the Goods and Services Tax (GST), this industry was confronted with a multitude of issues as a result of the fact that different states had different tax laws, unclear rules, and

complicated compliance requirements. The absence of a unified tax system frequently resulted in increased operational expenses and logistical difficulties for online platforms and sellers operating in the marketplace. These problems were intended to be solved by the introduction of the Goods and Services Tax (GST), which was designed to provide a standardised framework that would bring clarity and uniformity to the taxation of transactions involving e-commerce. For example, measures like as the classification of e-commerce operators, the introduction of Tax Collected at Source (TCS), and procedures for interstate taxation have all had a direct impact on the way in which enterprises that engage in e-commerce conduct their operations. While the Goods and Services Tax (GST) has resulted in a more regulated and transparent tax environment, it has also resulted in the introduction of new compliance duties that continue to provide issues, particularly for small and medium-sized businesses (SMEs) that operate online. The Goods and Services Tax (GST) has a wide-ranging influence on the e-commerce business in India, and this study examines many aspects of that impact, including its advantages, drawbacks, and long-term ramifications. Its purpose is to determine if the Goods and Services Tax (GST) has made it easier to conduct business in the digital marketplace or whether it has added to the regulatory load of a sector that was already complicated. The purpose of this study is to provide insights into how tax policy in India may better align with the dynamic nature of digital commerce through the use of this analysis.

Literature Review

A wide variety of academic and policy viewpoints are reflected in the body of literature that is associated with the Goods and Services Tax (GST) and its impact on the e-commerce business in India. Numerous studies have been conducted to investigate the impact that the Goods and Services Tax (GST) has had on the economic landscape of the country. Particular focus has been paid to industries that largely rely on activities that span many states, such as e-commerce.

Agarwal and Mittal (2018) It was emphasised that the Goods and Services Tax (GST) brought about a paradigm change by removing the cascading impact of various taxes and making it possible for input tax credit to flow without interruption across the supply chain. They contend that this change resulted in a considerable reduction in the cost of compliance for bigger e-commerce enterprises, while at the same time causing transitional issues for smaller merchants.

Chakraborty (2019) evaluated the structural modifications that are necessary within the ecosystem of e-commerce as a result of the implementation of Tax Collected at Source (TCS) in accordance with Section 52 of the Cyber Goods and Services Tax Act. Based on the findings of the study, it has been determined that TCS has contributed to the enhancement of transparency and traceability in online transactions. However, it has also imposed extra reporting and reconciliation obligations on e-commerce operators and suppliers.

In their comparative study, Rao and Reddy (2020) analysed the tax arrangements that were in place for internet retailers both before and after the implementation of GST. Despite the fact that the products and Services Tax (GST) provides a consistent tax base and lessens the uncertainty that is connected with inter-state transactions, they came to the conclusion that the requirement to register in each and every state where products are provided continues to be a challenge from a logistical and administrative standpoint.

Further, the work of Desai and Kaur (2021) analysed GST's impact on SMEs in the digital sector. Despite the fact that the Goods and Services Tax (GST) has formalised a large number of firms that were not

previously regulated, their findings indicate that the complexity of the law and the high cost of compliance have discouraged a number of smaller enterprises from actively participating in the e-commerce industry.

IMPACT OF GST ON E-COMMERCE MARKET:

According to a survey that was carried out by the Internet and Mobile Association of India, the valuation of the e-commerce business in India is expected to have surpassed Rs. 211,005 crore in the month of December 2016. In addition, the research asserts that by the year 2020, India is anticipated to produce a revenue of one hundred billion dollars from online retail sales. As a consequence of the proliferation of electronic commerce in India, online marketplaces have also come into existence under this trend. An online marketplace is a platform for conducting business online that is owned by an e-commerce operator, such as Amazon, Flipkart, or Snapdeal. Among the characteristics of a marketplace model are the following:-

- The marketplace makes it possible for third-party vendors to sign up and sell their wares online through their platform.
- There is a subscription fee or a commission on the selling value that is charged to sellers that are listed on the marketplace.
- Under this strategy, third-party vendors are able to obtain access to a broader consumer base while simultaneously registering with the marketplace.
- The customer, on the other hand, is able to obtain access to a variety of suppliers and offers competitive pricing for the items that they desire.
- Through the fulfilment centre that is maintained by the Marketplace Operator, items that are purchased on such marketplaces are either dispatched directly by the Merchant or Third-party seller or through the fulfilment centre.

Because to the implementation of the Goods and Services Tax, often known as GST, the e-commerce business in India has been significantly impacted. The launch is being hailed as the most significant reform that the nation has ever witnessed up until this point. The Goods and Services Tax (GST) is being promoted by the government as part of its efforts to establish a single market for the whole nation. The dissimilar segmentation of the Indian economy, which is being taken away with under the Goods and Services Tax (GST), has been dealt with in the past by both the industry and the purchasers. It is no longer necessary for sellers to register with numerous tax platforms and file separate returns since the concept of a single tax from manufacture to supply has abolished the necessity for such registration and filing. Both major firms in the e-commerce business, such as Amazon and Flipkart, and smaller retailers and sellers are responsible for the development of the industry in India. The Goods and Services Tax (GST) has had a significant influence on the sector.

OBJECTIVES OF THE STUDY:

1. To Research the Goods and Services Tax (GST) and the online shopping sector.
2. To Know the Advantages of GST on e-commerce market.
3. To Examine the main ways in which GST will affect the online retail industry.

GST AND E-COMMERCE MARKET:

As of March 1, 2017, it is calculated that the Indian e-commerce market has surpassed the value of US\$ 38.5 billion, and it is anticipated that India will soon become the second biggest e-commerce market platform. This article examines the impact that the Goods and Services Tax (GST) has had on online business in India. The term "e-commerce" refers to the process of doing business transactions via the internet using electronic methods. In the past ten years, there has been a significant increase in the amount of business conducted online. During the previous administration, there were no rules in India that were especially designed to control the taxes of internet transactions. On the other hand, this issue has been resolved due to the implementation of the Goods and Services Tax (GST) regime, and the legislation now applies to all transactions that take place over email. The term "market" was originally defined as "a place where buyer meets seller" in the past. But e-commerce gave it a facelift and introduced some new developments. E-commerce is defined as the process of purchasing and selling products or services through the use of the internet, as well as the movement of money and data in order to carry out these transactions. Examples of e-commerce include Flipkart, Amazon, and Snapdeal, among others.

Below is an explanation of what the meaning of electronic commerce is according to the GST law:

The term "electronic commerce" is defined by the Goods and Services Tax (GST) Law as the act of supplying or receiving goods and/or services, as well as the transmission of funds or data, over an electronic network, primarily the internet, through the utilisation of any of the applications that are dependent on the internet. These applications include, but are not limited to, e-mail, instant messaging, shopping carts, Web services, Universal Description, Discovery and Integration (UDDI), File Transfer. A person who, directly or indirectly, owns, operates, or manages an electronic platform that is engaged in facilitating the supply of any goods and/or services or in providing any information or any other services incidental to or in connection with the supply of such goods and/or services is considered to be an E Commerce Operator. However, individuals who are engaged in the supply of such goods and/or services on their own behalf are not considered to be E Commerce Operators.

KEY ADVANTAGES OF GST ON E-COMMERCE MARKET:

Though the roll out of GST may lead to greater compliances for e-commerce players, its implementation has two major benefits to e-commerce players.

1. Removal of cascading taxes: The most significant benefit that the Goods and Services Tax (GST) will provide to market participants is the elimination of limits on the cross-utilization of credits. Because of this, the Goods and Services Tax (GST) model will make it possible to have seamless credit across supply chains. Additionally, tax set offs will be accessible every step of the manufacturing value chain, for both products and services. Consequently, this will lead to a reduction in the cascading impact of taxes, which will ultimately result in a decrease in the overall cost of goods. In the end, it is intended that this cost benefit will either be passed on to the customers or would assist in raising the profitability of the firms.

2. Consolidated tax rates: Previously, the value-added tax (VAT) rates for the identical commodities in various states were varied from one another. In the current context, there are a great deal of disagreements over categorisation. Nevertheless, it is anticipated that the Goods and Services Tax (GST) rates at both the Central and State levels will be unified and harmonised, which would significantly reduce the number of conflicts that occur between tax authorities and e-commerce businesses. It is anticipated that the regime would increase the compliance burden for e-commerce enterprises, which are at the forefront of the startup

boom in the nation. The compliances will be the duty of the e-commerce website, rather than the obligation of the sellers. As a result, the amount of work in these firms will expand. During the implementation of the Goods and Services Tax (GST), both the Central and State governments would impose taxes on the production cost at the point of sale. This will help address the problem of multiple taxes being imposed on the same product or service.

3) More Opportunities for Interstate Sales: It was difficult to sell things across state boundaries in India at the time because of the country's previous tax regime. At each and every one of these occasions, you were had to deal with a wide range of various taxes and the intricate paperwork that accompanied them. The potential for additional sales was just not worth the effort for small firms that did not have the financial resources to pay for the services of a tax professional that they could hire. This meant that your capacity for growth was restricted by the location in which you resided. With the implementation of the new tax system, all of the complicated interstate taxes have been removed and a single tax has been implemented in their stead. With Goods and Services Tax (GST), you may sell to clients in your own state as well as customers in other states without having to worry about paying various taxes. As a consequence of this, you have the option to offer items to clients all throughout India as well as customers from other countries. Additionally, it provides you with the opportunity to compete with large organisations. In spite of the fact that it may sound daunting, this is beneficial for both you and your clients. It is important to remember that as a small business, you may be able to provide more flexible volumes, more personal service, and other advantages that may entice customers to switch from larger suppliers to your company. Consequently, the Goods and Services Tax (GST) makes it simpler to expand your company without incurring additional tax obligations.

4) Better Tax Credits: When you run an online retail business, you have the opportunity to lower the amount of taxes you owe by taking advantage of the Credit for Input Taxes. Let's say you have to pay Rs 100 in GST on the raw materials you purchase. After transforming those supplies into a product and selling it on the internet, you charge your clients Rs 150 in GST for making the purchase. This Rs 150 is something that the government anticipates you to pay to them. When you use the ITC, on the other hand, you are able to claim a credit for the initial Rs 100. Consequently, the government will just require you to pay a fee of fifty rupees.

5) Filing of tax returns: The Goods and Services Tax (GST) would undoubtedly have a beneficial impact on the e-commerce industry of our nation. The structure will result in a reduction of about twenty percent in operational costs, as well as a reduction in the costs of logistics and warehousing. By taking this action, the sellers will be encouraged to keep their warehouses in key locations and to manage them in an effective manner. When items are moved more quickly, the costs associated with end-of-mile delivery will decrease. This is a benefit that may be passed on to the customers who purchase the commodities. In order to improve the overall quality of the items, the e-commerce platforms will now be able to import goods from small and medium-sized enterprises (SMEs). A level playing field will be created for e-commerce platforms as a result of the Goods and Services Tax (GST), which will result in the simplification of their services and enhanced company growth.

6) Ease In Paying Taxes: All of the steps involved in paying taxes are now available online thanks to the government. In the future, it will be simple for businesses to pay their taxes.

7) No trade barriers: With one nation, one tax Because there is no uniformity in the tax rates that are applied throughout the various states under the current system, each state is responsible for determining its own tax rates that are particular to the items that are being taxed. These trade obstacles, however, will no longer exist because the Goods and Services Tax (GST) includes the entrance tax. The goods and services tax (GST) on sales is revenue that is earned by the destination state regardless of the location of the transaction. In addition, the items and Services Tax (GST) does not allow for rate arbitrage because the categorisation of items and the rate of GST are always the same from state to state.

KEY AREAS THAT IMPACT THE E-COMMERCE SECTOR ON ACCOUNT OF GST.

1) Compulsory registration required:

If a corporation has a threshold of more than twenty lac, the government requires that the firm be registered. This limit has been reduced by approximately 10 lac rupees for the states located in the north-eastern region. With regard to the e-commerce industry, the situation is different since all sellers are required to be registered, regardless of whether or not their threshold exceeds twenty lac. In the event that this restriction were lifted, it would make it possible for a greater number of merchants to become members of an online community.

2) Increased reach of e-commerce:

The GST has opened up new avenues for small and medium-sized sellers to compete with larger enterprises. Earlier due to the over looming tax rates in different states, sellers were usually confined to their states only, limiting the free reach to far-flung areas. By the introduction of GST, e-sellers will be relieved of varying tax structures.

3) Ineligible for composition scheme:

The sellers that engage in e-commerce are not qualified to receive compensation as a result of the GST measures. If the composition plan had been in place, sellers with a turnover of around 75 lac would have been allowed to file their tax returns on a quarterly basis, as opposed to the monthly method that is currently used. However, sellers have been prevented from participating in the plan, despite the fact that the tax amount would have been a pitiful 2%.

4) Increase in credit:

The GST has introduced input tax credit for e-commerce marketplaces, establishing a direct contact between input product and final product. They will be able to utilize input tax credit to their benefit.

5) Registration In Each State:

Every business involved in e-commerce is required to get registered in each and every state from where goods & services are supplied. The business model of e-commerce is such that the sellers expect orders from anywhere in the country, hence, they have to apply for separate GST Registration for every state in which they are carrying out the operations (supply of goods) whether by the same name or with different name.

6) Tax Collected At Source:

E-commerce marketplaces will deduct 2% of the TCS of net value sales apart of seller liability and are to be paid to the government. Additionally, the sales reported by the marketplaces and those of the seller need to tally each month. If any discrepancies persist, the extra amount needs to be paid by the seller. This measure is aimed to weed out fraudulent activities surrounding online marketplaces and amount of tax evasion will decrease, building trust between marketplaces and the sellers.

7) Logistics:

The field of logistics is an essential component of the e-commerce commerce business. The migration was subject to some constraints due to the fact that CST was present in all of the states. However, the products and Services Tax (GST) would bring India together by reducing barriers on the flow of products. There will be a rise in earnings for the industry as a result of the decrease in superfluous logistical expenditures.

8) Pricing impact:

Given the existing rate of service tax, it is possible that the output tax rate for the corporation will be greater than the current rate. On the other hand, the firms need to have a larger credit pool than they have under the existing system, which may result in a reduction in the prices which they charge for their services.

9) Compliance requirement:

At the moment, it is possible for businesses involved in e-commerce to satisfy their output service tax obligation by means of centralised registration. There is a possibility that the centralised registration option would not be accessible on the GST. As a consequence, businesses that engage in e-commerce would be required to get registration in every state in which they set up shop, which would lead to an increase in the number of regulations that must be followed.

Conclusion

There have been significant alterations made to the structure and operation of the e-commerce business as a result of the implementation of the Goods and Services Tax (GST), which has been a watershed reform in India's economic framework. The Goods and Services Tax (GST) has improved transparency, decreased tax cascading, and provided consistency to taxation across state lines. It has accomplished these goals by replacing a patchwork of state and federal levies with a unified tax framework. A more responsible and formalised marketplace has been developed as a result of these reforms, which have led to an overall improvement in the ease of doing business for bigger e-commerce firms. Nevertheless, the Goods and Services Tax (GST) structure has also presented a number of substantial obstacles, in particular for small and medium-sized sellers who struggle to comply with the numerous technical regulations. The regulatory burden has grown as a result of provisions such as mandatory registration, Tax Collected at Source (TCS), multi-state filings, and sophisticated return processes. These provisions frequently discourage smaller firms from entering or continuing to participate in the ecosystem of e-commerce. Even with all of these obstacles, the Goods and Services Tax (GST) has established a solid groundwork for the future of internet commerce in India. Tax authorities have been provided with improved instruments for monitoring and enforcement, tax evasion has been reduced, and the incorporation of technology into corporate processes has been promoted as a result of this. Continued policy refinement is required in order to realise the full potential of the Goods and Services Tax (GST) in the e-commerce sector. This is especially true with regard to the ease of compliance for small sellers, the simplification of return filing processes, and the guarantee of prompt

refunds. Although the Goods and Services Tax (GST) has helped to create a more organised and open environment for online business, it is still essential to strike a balance between the need for regulation and the desire to make doing business easier. It is possible for the Goods and Services Tax (GST) to continue to assist the sustainable growth of India's digital economy if regular changes and stakeholder involvement are made.

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