

# REGULATORY FRAMEWORK AND GST COMPLIANCE FOR E-COMMERCE IN INDIA

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## Abstract

*E-commerce in India has experienced exponential development over the past decade, driven by digital innovation, greater internet penetration, and changing customer behaviour. This growth has been fuelled by the country's growing internet usage. For the purpose of regulating this rapidly developing field, the government of India has put in place a comprehensive legislative and regulatory framework, with a special emphasis on the Goods and Services Tax (GST) regime. The purpose of this study is to investigate the existing regulatory environment that governs e-commerce businesses in India. This includes the laws that are pertinent under the Information Technology Act, the Consumer Protection (E-Commerce) Rules, and the Foreign Direct Investment (FDI) policy. In addition to this, it offers a comprehensive examination of the GST compliance requirements that must be met by e-commerce operators and sellers. These requirements include obligatory registration, responsibilities to collect taxes at the source (TCS), and periodic deposit of returns. The research sheds light on the most significant difficulties that stakeholders are confronted with, such as the complexity of compliance and the technological integration with the GST Network (GSTN). In addition to this, it investigates current efforts introduced by the government with the purpose of boosting regulatory clarity and making it easier for businesses to operate. In its conclusion, the report makes recommendations for changes that would streamline compliance systems and enhance the regulatory ecosystem in order to promote the economic expansion of the e-commerce business in India from a sustainable perspective.*

**Keywords:** Current, GST, Compliance, E-Commerce

## Introduction

Because of the tremendous growth of the e-commerce sector in India, the method in which businesses work and the way in which customers purchase has been completely transformed. The proliferation of technology, the widespread use of smart phones, the availability of inexpensive internet connection, and the development of digital payment methods have all contributed to the emergence of online marketplaces as strong platforms that link consumers and sellers from different geographical locations. As of the year 2025, India is one of the e-commerce sectors that is expanding at the quickest rate worldwide. It is anticipated that the size of the Indian market would reach USD 350 billion by the year 2030. This rapid expansion, on the other hand, brings up opportunities as well as issues at the regulatory level. Recognising the revolutionary potential and

complexity of digital commerce, the government of India has gradually built a regulatory framework to ensure fair competition, consumer protection, and tax responsibility. This framework was developed in order to promote revenue accountability. Among the most important aspects of this regulatory landscape is the implementation of the Goods and Services Tax (GST) in 2017, which brought about a substantial change in the tax compliance environment for firms that engage in e-commerce. A uniform national tax structure was implemented by the Goods and Services Tax (GST), which contained special regulations that were applicable to e-commerce operators and online merchants. This was in contrast to the former indirect tax system, which differed from state to state. E-commerce operators, which are defined as businesses that manage digital platforms for the purpose of enabling the provision of goods or services, are subject to special compliance obligations under the Global Goods and Services Tax (GST) framework. These include the need to collect Tax Collected at Source (TCS), the responsibility to file regular returns, and the obligation to maintain records in forms stipulated by the GST Council. All of these are mandatory registrations regardless of the turnover of the business. Furthermore, sellers that use e-commerce platforms are required to comply with registration and reporting standards, even if their turnover is lower than the typical threshold level that is applicable to offline firms. In addition to the Goods and Services Tax (GST), the regulatory environment for e-commerce in India includes provisions from the Information Technology Act of 2000, the Consumer Protection (E-Commerce) Rules of 2020, and Foreign Direct Investment (FDI) policies that are governed by the Department for Promotion of Industry and Internal Trade (DPIIT). These frameworks have the overarching objective of regulating data privacy, promoting ethical business practices, protecting consumer rights, and ensuring equal competition in the digital economy. Despite these efforts, stakeholders continue to confront difficulties in adjusting to new compliance demands. This is particularly true with regard to the integration of technology with the Goods and Services Tax Network (GSTN), legislation governing cross-border e-commerce, and uncertainty in Total Cost of Service deductions. These worries highlight the necessity of both the refining of policies and the establishment of support mechanisms in order to improve the ease of conducting business and to foster innovation within the sector. The objective of this paper is to investigate the existing regulatory and tax compliance framework for e-commerce in India, to investigate the practical issues that are currently being faced, and to investigate policy proposals for a more robust and growth-oriented e-commerce ecosystem.

### **E-Commerce in India: Growth and Regulatory Need**

The phenomenal rise of the e-commerce sector in India has been the subject of a number of studies, which have shed light on the implications that this growth has for regulatory control. India's digital commerce industry has seen exponential growth, as stated by NASSCOM (2022) and IBEF (2023). This growth has been driven by several factors, including increasing digital penetration and changing customer behaviour. The disruptive aspect of e-commerce on traditional business models is emphasised by academics such as Bansal and Gupta (2019), who also advocate for the establishment of rigorous regulatory mechanisms to guarantee transparency, consumer protection, and tax compliance when it comes to e-commerce.

### **GST and E-Commerce: Structural Shifts**

India's indirect taxation system underwent a sea change when the Goods and Services Tax (GST) was implemented in July of 2017. In accordance with Rao and Mukherjee (2018), the Goods and Services Tax (GST) was designed to establish a single market by including a number of indirect taxes and removing cascading effects. E-commerce was recognised as a separate business category under the Goods and

Services Tax (GST) regime, which resulted in the incorporation of particular provisions for electronic commerce operators (ECOs) in Section 9(5), Section 52, and Section 24 of the Central Goods and Services Tax Act of 2017. These laws require the obligatory registration of ECOs and the collection of Tax Collected at Source (TCS), both of which were thoroughly investigated by Chakraborty (2020), who analysed the difficulties that arise when trying to reconcile TCS with seller invoices.

### **Compliance and Operational Challenges**

While the Goods and Services Tax (GST) does simplify the overall tax system, it does raise the burden of compliance for small e-commerce firms, according to research conducted by Srinivasan and Roy (2021). These vendors are confronted with challenges that are associated with required registration, prohibitions on transactions between states, and submission of several return forms. Furthermore, according to a research by FICCI and Deloitte (2020), small businesses who sell their products on platforms such as Amazon and Flipkart typically have a tough time adapting to the real-time invoice matching and data reconciliation processes that are implemented by the GST.

### **Legal and Consumer Protection Frameworks**

In addition to the reforms that were implemented in the taxation system, the government of India also created the Consumer Protection (E-Commerce) Rules, 2020 in order to regulate digital trade. It is stated by Desai and Sharma (2021) that these guidelines impose obligations for e-commerce platforms. These responsibilities include limits on unfair trade practices, explicit grievance redressal systems, and transparency in pricing. The guidelines have been analysed as a start towards aligning India's digital commerce norms with global best practices; nevertheless, researchers warn against over-regulation, which may inhibit innovation. The rules have been adopted as a step towards this alignment.

### **International Comparisons and Best Practices**

Comparative studies, such as those conducted by the OECD (2021) and the United Nations Conference on Trade and Development (2022), provide insights on the taxes and compliance procedures of global e-commerce. It is noted in these works that although India's TCS system is somewhat unique, it shares the aims of tax base preservation and greater compliance tracking with the systems in the European Union, Australia, and Singapore. These works compare and contrast India's Goods and Services Tax (GST) framework with these systems. Nevertheless, these comparisons further bring to light the necessity of simplifying compliance procedures, particularly for digital enterprises that are small and medium in size.

### **Technology and GSTN Integration**

By utilising the Goods and Services Tax Network (GSTN), technological integration has proven to be an essential component in the process of ensuring compliance. Studies conducted by Agarwal et al. (2020) shed light on the potential benefits as well as the difficulties associated with real-time data collection, electronic invoicing, and returns processing through GSTN. The barrier of connecting platform APIs with government portals continues to be a significant problem, as does the discrepancy that exists between the data that sellers submit and the data that TCS files.

### **GST Returns to be Filed**

In accordance with the Goods and Services Tax Act, suppliers are required to submit the following returns:

The Goods and Services Tax Return (GSTR) 1 is a monthly return statement of outward supplies that must be provided by the registered provider of either goods or services, or both. The Quick Response Management Program (QRMP) was initiated by the government in order to streamline the process of filing GST returns for small enterprises. If a registered e-commerce seller chooses to participate in the QRMP system, they are able to submit Form GSTR-1 on a quarterly basis:

- 1) Over the course of the preceding fiscal year, the revenue generated by such a registered e-commerce vendor was less than five crore rupees.
- 2) If the total revenue of such a registered e-commerce seller is greater than five crore rupees during any quarter of the current fiscal year, then that e-commerce seller will no longer be eligible for this Scheme beginning with the next quarter.

Every month, the 11th of the next month is the deadline for submitting your GSTR-1 declaration. On the thirteenth of the month that follows the quarter, the deadline for filing quarterly returns is imposed. Companies who pay their taxes on a quarterly basis have the option of submitting their sales information through an Invoice Furnishing Facility (IFF) for the first two months of the quarter by the thirteenth of the month that follows.

The Goods and Services Tax Return (GSTR) 3B is a consolidated summary of inbound and outward supplies that a registered e-commerce seller is required to file on a monthly or quarterly basis, depending on their yearly turnover. It is possible for the QRMP program to be filled on a quarterly basis if the e-commerce seller has chosen to participate in it and does not have an annual revenue of more than Rs. 5 crore.

The last date to file the GSTR-3B is the 20<sup>th</sup> of the following month viz. February 20<sup>th</sup>, 2022, is the due date for January 2022 for the registered e-Commerce sellers with turnover exceeding Rs.5 crore.

The last date to file the GSTR-1 is the 22<sup>nd</sup>/24<sup>th</sup> (depending on the state or UT) of the next quarter, viz. for October 2021 to December 2021. The last date is 22<sup>nd</sup>/24<sup>th</sup> January 2022, for registered e-Commerce sellers with an annual turnover below Rs.5 crore.

The Goods and Services Tax Return (GSTR) 9 is an annual return that must be submitted by an e-commerce vendor if their yearly sales is equivalent to or more than two crore rupees. The deadline for submitting your GSTR-9 for the current fiscal year is the 31st of December, which is the period of time that follows the fiscal year that is relevant. For example, the deadline for submitting your GSTR-9 for the fiscal year 2021-22 is the 31st of December in 2022.

On the basis of self-certification, every registered e-commerce seller whose turnover during the fiscal year is greater than five crore rupees is required to provide a reconciliation statement in the form of GSTR-9C.

GSTR-9C must be submitted by the same date as GSTR-9, which is the same date. Therefore, the GSTR-9C needs to be submitted on or before the 31st of December following the completion of the relevant fiscal year that is being audited.

## **Taxation Of E-Commerce Transactions In India: Regulatory Framework And Challenges**

As a result of the explosive rise of e-commerce in India, a comprehensive regulatory framework has become necessary in order to guarantee the efficient taxation of transactions that take place online. The regulatory framework is made up of a number of distinct components, including as the Goods and Services Tax (GST), income tax, and customs duty. Each of these components is meant to handle a particular area of the operations of your online store. The industry is confronted with a number of issues, including the difficulty of compliance, tax evasion, and the ever-changing nature of the digital economy, despite the fact that these policies are in place.

### **Regulatory Framework**

1. GOODS AND SERVICES TAX (GST): The Goods and Services Tax (GST), which went into effect on July 1, 2015, is a fundamental revamp of India's indirect tax framework. Its primary objective is to consolidate the numerous state and national levies into a single system. The fundamental goal of the Goods and Services Tax (GST) is to streamline the administration of taxes and to improve compliance.

a. Implementation: The implementation of the Goods and Services Tax (GST) was a significant change that was designed to simplify the tax system throughout India. By incorporating a number of different taxes, including VAT, service tax, and central excise duty, the Goods and Services Tax (GST) establishes a unified tax structure that is applicable in every state. By ensuring that firms operate under a similar tax framework, this consistency makes the management of different taxes less complicated and minimises the complexity of the process.

b. Tax Collection at Source (TCS): As a result of their provision of Tax Collection at Source (TCS), e-commerce operators play an essential part in the framework of the Goods and Services Tax (GST). The legislation governing the Goods and Services Tax (GST) mandates that e-commerce platforms to collect a tax credit of one percent (TCS) on the net value of taxable supplies that are made through their platforms. The use of this method guarantees that tax is collected at the point of transaction, which not only improves compliance but also decreases the likelihood of tax evasion. After that, the TCS that was collected is sent to the government, and the provider is able to make a claim for credit for the TCS that was paid.

c. Registration: E-commerce operators and suppliers are required to register under the Goods and Services Tax (GST), regardless of their annual revenue. This is one of the key obligations that the GST imposes. When compared to typical firms, where registration is required only if the turnover amounts to more than a specific level, this is a significant departure. Enhanced transparency and compliance are achieved by the implementation of obligatory registration, which guarantees that all transactions involving e-commerce are brought under the tax net.

d. Input Tax Credit (ITC): Input Tax Credit (ITC) is a tax credit that may be claimed by businesses for the tax that they have paid on purchases that are used for business purposes. This implies that e-commerce operators and suppliers are able to deduct the Goods and Services Tax (GST) that they have paid on inputs from the GST that they have received on sales. This provision guarantees that there is a continuous flow of credit throughout the supply chain, which in turn reduces the burden of taxes and promotes the efficiency of corporate operations.

2. INCOME TAX: The rules governing income tax have been modified in order to handle the one-of-a-kind issues that the digital economy presents, particularly with regard to transactions that take place through e-commerce.

a. Permanent Establishment (PE): In order to accurately calculate the amount of taxes that foreign e-commerce businesses are required to pay, the notion of Permanent Establishment (PE) is required. Based on the regulations governing income tax in India, a foreign entity is subject to taxation on the income that may be attributed to its PE in India. Whether or not a foreign company has an established place of business or a significant economic presence in India is one of the factors that must be considered while determining whether or not a PE is present in the country. Because of the virtual nature of enterprises that engage in e-commerce, this may be a difficult task. The establishment of a PE, on the other hand, guarantees that foreign businesses that contribute to the Indian market are subject to the proper taxation on their revenue that originates in India.

b. Equalization Levy: The Equalisation Levy was implemented in India in order to take into account the difficulties that digital transactions provide in terms of taxation. It was initially imposed in 2015 at a rate of 6% on online advertising services that were given by non-residents. In 2015, it was extended to include a 2% tax on the consideration received by non-resident e-commerce operators from online sales of products or services to Indian residents. Even if the service provider does not have a physical presence in India, the Equalisation Levy is intended to guarantee that digital transactions are taxed in an equitable manner.

3. CUSTOMS DUTY: When it comes to the regulation of the import and export of products through e-commerce platforms, customs duty laws play a crucial role.

a. Import of Goods: In order to preserve domestic industries and guarantee that imported products do not avoid paying taxes, customs duty is imposed on items that are imported through commercial e-commerce. Imports made through online commerce are subject to a customs charge that is determined by the value of the items, which takes into account the expenses of shipping and insurance. The practice of undervaluation, in which the claimed value of products is lower than their true worth in order to decrease the amount of customs tax responsibility, is the subject of recent changes that try to put a stop to the practice. Not only does this practice result in a loss of money, but it also gives imported goods an unfair edge over their domestic counterparts in the market.

b. Export of Goods: The government has streamlined the customs processes in order to encourage the exportation of goods through online commerce. It is the intention of these measures to lessen the burden of documentation and compliance that is placed on exporters, so making international trade more streamlined. Simplified procedures include clearance processes that are completed more quickly and a reduction in the amount of documentation required. These are particularly advantageous for small and medium-sized businesses (SMEs) who are trying to expand their market reach on a worldwide scale.

### **Cybersecurity and Data Protection**

In 2023, India's efforts to tighten its regulatory framework around data privacy reached a significant milestone with the passing of the Digital Personal Data Privacy legislation. This legislation included provisions for the protection of personal data. This act was enacted with the intention of providing a solution to the mounting challenges that have arisen as a result of the intensifying digitalisation of personal data. The

Act includes a comprehensive set of guidelines for the collection, utilisation, transfer, and storage of personalised information. In line with this statutory framework, e-commerce businesses are required to establish reliable mechanisms for alerting users of data breaches, get explicit authorisation from users, and adopt transparent data processing practices. In the fast developing digital world, the Act preserves people's right to privacy by providing them with increased control over the manner in which they handle their personal information. As the e-commerce business continues to expand, it is becoming increasingly important to have robust cybersecurity safeguards. In line with the Digital Personal Data Protection Act and any other regulations that may be relevant, businesses that engage in e-commerce are required to implement stringent cybersecurity measures in order to safeguard the integrity and confidentiality of the data that they own and administer. This necessitates the establishment of secure payment gateways, the use of encryption technologies, and the performance of regular security audits in order to protect sensitive financial data. In addition, the aforementioned regulation requires the establishment of data protection officers inside these organisations, which ensures that a focused effort will be made to maintain the resilience of cybersecurity. Because of the vast amount of personal information that is processed on a daily basis in the realm of e-commerce, concerns over privacy are a major source of concern. E-commerce businesses need to take preventative efforts to address these concerns by incorporating the concepts of privacy-by-design into their operations through the implementation of these principles. This means incorporating issues regarding privacy into the process of developing products and services at every stage, from the conception of ideas to the actualisation of those ideas. In addition, in order to comply with data protection regulations, users are required to get privacy policies that are crystal clear and adequately describe the extent and purpose of data processing. The allocation of resources to staff training efforts that develop a culture of privacy and data security is something that e-commerce enterprises need to do in order to avoid the potential risks that might arise from data breaches.

### **Cross-Border E-Commerce**

As e-commerce spreads beyond national borders, businesses that engage in transactions that span international borders are required to have a comprehensive understanding of the complexities of international trade legislation. Treaties and other international trade agreements have a significant influence on the legal framework that governs e-commerce across international borders in India. In order to determine India's strategy for international electronic trade, it is essential to take into consideration the principles of the World Trade Organisation (WTO), which include non-discrimination and accessibility to information. Furthermore, the conditions under which international e-commerce transactions can take place are impacted by bilateral and international trade agreements. These agreements include those that can be found in the Free Trade Agreements (FTAs) or the South Asian Association for Regional Cooperation (SAARC).

The framework of taxes that governs transactions involving internet commerce that take place across international borders in India is a complicated blend of international agreements and domestic tax regulations. One of the primary areas of concentration in the realm of international e-commerce taxes is the Goods and Services Tax (GST), which is comprised of specific regulations that are designed to address the challenges that are posed by digital transactions. Having a thorough understanding of the consequences that the Goods and Services Tax (GST) has on imported digital services and intangible commodities is essential for both domestic and foreign e-commerce businesses. The determination of a Permanent Establishment, which is also frequently referred to as a taxable presence, is an essential component of the process of taxes that occurs across international borders. To determine whether or not an e-commerce firm is sufficiently

present in a foreign country to be liable to taxes, it is necessary to have this determination made. Transfer pricing, double taxation, and the dynamic nature of digital business models are all among the challenges that are related with taxes that are calculated across international borders. A number of regulations, such as the Base Erosion and Profit Shifting framework, have been enacted in India in an effort to address these challenges. These laws restrict various methods of tax evasion. In order to preserve an open and equitable system that encourages international trade while preserving the interests of all stakeholders, the legal framework for taxation has to be modified as cross-border e-commerce evolves. This ensures that the system can continue to function effectively. Continuing international discussions on the taxation of the digital economy and efforts to establish an agreement on a single plan to tackle these difficulties are crucial to the future of cross-border e-commerce in India. This relationship is critical since it will determine the future of the industry.

### **The GST Act: Key Provision and Objectives**

The implementation of the Goods and Services Tax (GST) Act, which took effect on July 1, 2017, represents a revolutionary shift in the tax system that is in place in India. The fragmented system of indirect taxes was replaced with a unified one as a result of this intervention. For the purpose of simplifying the tax system, unifying tax rates across the country, and eliminating the cascading impact of taxes, the Goods and Services Tax (GST) was implemented. Both possibilities and problems have been presented to the e-commerce industry as a result of the Goods and Services Tax Act (GST Act), which is founded on the foundation of digital operations and seamless interstate transactions. The primary provisions of the Goods and Services Tax Act (GST) are explored in this part. More specifically, the definitions of "goods," "services," and "supply" in the context of e-commerce are discussed, along with the overarching objectives of the GST.

### **Definitions Under the GST Act: Goods, Services, and Supply**

In addition, the Goods and Services Tax Act (GST Act) provides particular definitions for the terms "goods," "services," and "supply," which serve as the fundamental components. According to the Central Goods and Services Tax (CGST) Act, the term "goods" is defined as "every kind of movable property other than money and securities but including actionable claims, growing crops, grass, and things attached to or forming part of land which are agreed to be severed before supply or under a contract of supply." This definition applies to all types of movable property, with the exception of money and securities. Because of the comprehensive nature of this definition, it is possible to assure that actual objects that are offered on e-commerce websites are included within its scope. under a similar vein, the definition of services under Section 2(102) is "anything other than goods," which includes intangible items such as subscriptions to internet streaming services or software downloads. This all-encompassing definition encompasses the concept of the growing digital economy, in which e-commerce platforms typically serve as intermediates for services such as ride-hailing or food delivery. The Goods and Services Tax (GST) is applicable to the concept of supply. In accordance with the provisions of Section 7(1), the term "supply" encompasses any amount of sale, transfer, exchange, barter, lease, or disposal that is carried out for a consideration in the course of business related activities. This clause stipulates that the products and Services Tax (GST) applies to all transactions, regardless of whether they involve products or services, for businesses that engage in e-commerce. In addition, the CGST Act has a Schedule I that outlines some supplies that are taxable notwithstanding the fact that they are done without consideration. One example of this is the transfer of goods between two branches located in different states. In accordance with the provisions of Section 9(5) of the CGST Act,

online stores that function as intermediaries or aggregators are obligated to pay and recover GST on behalf of their suppliers for certain categories of goods or services. These categories include transportation services provided by passenger vehicles and room reservation services. At the same time that it makes matters simpler to comply with for smaller-scale providers, it imposes onerous administration fees on large-scale portals like Amazon and Flipkart.

### **Interaction Between GST and E-commerce Regulation**

A substantial change in the regulatory environment occurred in India with the implementation of the Goods and Services Tax (GST), which was particularly crucial for the e-commerce industry. The junction of technology, business, and government regulation is where e-commerce works. It is one of the businesses that is expanding at the quickest rate, and it is anticipated to have a market value of \$136.47 billion by the year 2026. In its interaction with pre-existing legislation governing e-commerce, the Goods and Services Tax (GST) regime has brought about both synergies and conflicts, so influencing the way businesses operate while simultaneously posing important legal concerns. This section provides an analysis of these relationships, with a particular emphasis on synergies such as easier compliance and conflicts that arise from the classification of e-commerce transactions as either "goods" or "services."

### **GST and E-commerce: An Overview**

The e-commerce sector in India has been seeing exponential growth due to rising internet penetration, smartphone usage, and digital adoption. However, this growth came to a halt on July 1, 2017, when the Goods and Services Tax (GST) was introduced. Simplifying compliance, enhancing transparency, and reducing the cascading impact of taxes were the goals of the unified tax system that replaced several indirect taxes including VAT, service tax, and excise duty with GST. Online retailers have reaped several benefits from GST, but they have also faced new regulatory hurdles. This section offers a comprehensive analysis of the GST's interaction with the e-commerce industry, namely its effects on tax rates, compliance obligations, the input tax credit (ITC), and interstate transactions. The Goods and Services Tax (GST) divides online sales of goods and services into five distinct tax bands: 0%, 5%, 12%, 18%, and 28%. Inconsistencies, such as different VAT rates for different states under the pre-GST regime, are now gone thanks to this unified tax system. To illustrate how GST simplifies pricing methods for e-commerce businesses, consider a product taxed at 12%. This product will attract the same rate nationwide. Nevertheless, the desire for online sales of particular products, such as sin goods or luxury goods, is affected by the increased tax rates imposed by GST. Online retailers with long supply chains also have to pay GST on logistics and delivery services at the appropriate rates, which drives up operational expenses. The requirements for e-commerce businesses to comply with GST have been substantially heightened. No matter how much money a platform makes, it still needs to register in every state it does business. Companies doing business in more than one state face additional administrative hurdles as a result of this required registration, which promotes consistency. Additionally, under Section 52 of the Central Goods and Services Tax (CGST) Act, e-commerce providers are required to collect Tax Collected at Source (TCS) on taxable supplies made through their platforms at a stipulated rate. Small sellers' cash flows have been affected since they depend on prompt refunds to preserve liquidity, even if TCS guarantees transparency in tax collection and reduces revenue leakage. In addition to keeping precise records of all e-commerce transactions, sellers are required to provide thorough returns. Among the many advantages of GST for online retailers, input tax credit (ITC) on taxes paid on business inputs stands out. Taxpayers who have registered can offset their output tax with

input tax credits under Section 16 of the CGST Act. For instance, a business that runs an online store and pays GST on advertising might use that money to offset the taxes that customers pay. Businesses may increase their profits and decrease operating costs with this approach. However, sellers must keep precise invoices and make sure they file by the dates in order to qualify for ITC claims. When operators' reported ITC claims don't line up with small sellers' own filings, the refund process might be lengthy.

Because e-commerce platforms enable sales across state borders, interstate transactions are an essential part of the e-commerce business model. Interstate supplies are subject to Integrated GST (IGST) as per the dual structure of GST, which includes Central GST (CGST), State GST (SGST), and others. When input credit was not allowed under the pre-GST regime, CST was imposed on interstate transactions, creating a domino effect. This is now eliminated. By making it easy for states to transfer credits to one another, IGST streamlines the taxation of transactions that take place across state lines. If an online retailer in Maharashtra were to sell items to a customer in Karnataka, they may be able to deduct the input GST they paid while purchasing those goods from their output obligation in Karnataka. But now companies selling digital services or intangible goods face a new obstacle: disagreements over place-of-supply regulations. Both advantages and disadvantages may be seen in the interaction between GST and the online retail industry. Businesses have seen operational simplification and cost reductions as a result of GST's ITC system and uniform tax structure. However, small sellers are bearing an unfair share of the administrative expenses caused by increasing compliance requirements, such as TCS regulations and the need to register in more than one state. With projections showing that India's digital economy would reach \$136 billion by 2026, it is crucial that authorities implement focused reforms to tackle these difficulties as the sector continues its fast expansion. A regulatory environment that encourages innovation and long-term growth in India's thriving e-commerce sector may be achieved by further streamlining compliance procedures and offering clarification on controversial matters, such as place-of-supply regulations.

## Conclusion

A thorough regulatory and taxing structure has to be put in place to guarantee openness, equity, and responsibility for income in order to deal with the growing e-commerce industry in India. With its particular measures designed to address the intricacies of online trade, the Goods and Services Tax (GST) was a major step towards national simplification of indirect taxes. Regardless of their sales, online merchants must to comply with stringent regulations, such as registering, paying Tax Collected at Source (TCS), and filing regular returns. In order to encourage the formalisation of the digital economy, level the playing field, and combat tax evasion, certain measures have been put in place. All the while, consumer rights, ethical business practices, and data protection in the online marketplace are supported by regulatory instruments such as the Consumer Protection (E-Commerce) Rules, 2020 and rules under the Information Technology Act, 2000. The goal of these legislative requirements is to promote innovation while also protecting the interests of all parties involved. Nevertheless, difficulties continue, especially for SMEs, notwithstanding the forward-thinking aim of these rules. The ongoing challenges to technology integration, uncertainty in TCS reconciliation, the difficulty of GST compliance, and the frequency of changes to tax filing rules all work together to make conducting business more difficult. Improving digital infrastructure assistance, education, and handholding for sellers—particularly those operating from rural or semi-urban regions—is also urgently needed, as is more clarity in interpreting the e-commerce requirements under GST. In order to secure the long-term success of the e-commerce industry in India, the government must now focus on streamlining regulations, promoting technology interoperability, and engaging stakeholders. In order to tackle new

problems as they arise and promote digital economy growth, inclusiveness, and trust in India, a more flexible and responsive policy framework is needed. This framework should be supported by effective methods for resolving grievances and by real-time compliance support.

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