

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

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Abstract

Among the major changes in the economic crisis across the world, India being a developing nation has developed a ray of hope with major growth targets which are supported by various schemes like Make in India and Digital India campaigns. The GST or Goods and service tax is another effort that is going to provide the major changes in economic growth in India by giving a transformation to the existing policies of indirect taxation for various goods and services. It is considered to eliminate the flowing effect of taxes. India will be playing a very, major role in the world economy in years to come.

Introduction

GST or Goods and Service tax is an indirect tax that was first implemented in France and later adopted by many other countries. Pranab Mukherjee, President and Narendra Modi, Prime Minister implemented GST in India on the midnight of 1st July, 2017 which is applicable to the whole of India. The GST council whose chairperson is the finance minister of India, Arun Jaitley. The decision taken was one of the midnight sessions that were held by the parliament- the others include the declaration of India's independence on 15th August, 1947 and the silver and golden jubilees of the same.

Why GST got implemented in India?

Goods and Service tax was introduced in India to replace a bunch of indirect taxes with a single tax. In addition, GST implementation helped in widening of the tax base and increasing tax collections. GST is also helping in curbing domestic black money.

How GST is Helping?

Due to the frequent use of PAN card and Aadhar card for the purpose of filing GST returns; the income tax department has gotten a huge help in tracking the transactions, which was not so easy earlier. Getting alcohol, land and buildings and precious minerals like gold in which amendment of GST has helped in removing a large amount of immoral money source in these sectors. The structure of double monitoring that has been introduced under GST, involving state and centre level has also helped in removing income tax dodging. Real estate is the sector in which maximum amount of black money gets generated; GST's uniform tax structure has enhanced tax conformity by all investors, dealers, users, constructors and builders.

Introduction to E- Commerce

E-commerce may be a dealing of shopping for or commerce on-line. Electronic Commerce appeals to automations like Electronic Fund Transfer (EFT), web promoting, online dealing process, Automatic Information Assortment System (AIAS), Electronic Data Exchange (EDI), and

Inventory Management System (IMS) etc. For at least one part of the life cycle of transaction the popular electronic commerce uses the globe wide internet. It also uses different technologies like e-mail. Typically used e-commerce generally operates under the already available books like Amazon and for the purchase of music, iTunes is used, and online personalized package store inventory services are also used.

Electronic Commerce with relation to India

India's internet user base as of July 2017 was 450 million which is equivalent to four hundredth of the population of the country. Even though India comes with the second largest internet users in world after China which has a user base of 650 million which equals to forty eighth of its population, the seepage of electronic commerce is very low in comparison to US markets, 266 million with 84%, and France, 54 million with 81%. Anyhow, Indian market is growing drastically at an unimaginable rate of half-dozen million users who are new every month. Indian customer's favourite payment method has been observed to be Cash on Delivery (COD); this accumulates to 75th of the online seller's activities. The year 2015's biggest electronic commerce firms in India were Flipkart, Snap deal, Paytm and Amazon.

Literature Review

The main USP of this tax policy is that it is a simple tax which leads to very convenient application and enforcement in various areas. The main advantage of GST is basically understanding the reduction in the total tax paid by the consumer. It contains almost free movement of goods from one state to another and it also reduces paperwork in a large number. . (Seema Shokeen *, Vijeta Banwari, Pooja Singh Volume 11, Issue 7, July 2017 , Indian Journal of Finance.)

We can think that already proposed GST Act is not actually beneficial as per the older act because no matter it has lot of benefits it takes time for any new system to work and be accepted by all the people. It is likely to make people understand and fulfil all the major issues related to tax and in the coming scenario GST will be considered to be the best tax payment system in India. (Kashif Ansari, Garima Jain, International Education and Research Journal, Vol 3, No 5(2017)

Marketplaces have created various retailers which are having additional sales targets by various channels which is not possible for any physical shop to sell. Many marketplaces claim to have large number of sellers associated with this platform with many SKU's. The maximum no sellers have increased their business with proper guidelines and specification Under GST, India would become a common market and drive uniformity, reduce compliance costs. Due to restrictions on cross utilization of input of central taxes against state taxes there is price escalation due to taxes sticking to products sold.

A number of e-commerce transactions are also undefined in tax laws (Ex: e-wallet, gift vouchers, drop shipments, advance receipts, COD etc.). With interstate transactions becoming tax neutral vis-à-vis local sales under GST, the warehousing strategy of ecommerce companies would also need reengineering to meet client proximity needs and not be driven by tax consideration. (Quora .com)

The objective of GST is majorly to understand the change and to change the current tax policies like value added tax, sales tax, service tax , excise duty etc.

The consumer should also be having lots of advantages by having goods and services at a less price as due to this the various series of taxes paid are reduced to one. The revenue and sales taxes of both the central and state government will also be increased in later stages. In the future it is considered to think about using this system and to erase the impressions of earlier indirect taxation system.

The best way to come across the implementation of various methods of GST is to make everyone aware of the use and benefits of the same .(SSRN April 11,2017)

Benefits of Electronic Commerce

- **Convenient and Easy**

For the majority of the world's population, Electronic Commerce has become one among the most liked ways in which browsing through they get happiness from their on-line for it being quite easy and convenient. They get to shop for merchandiser services from their comfort at any hour of the day and it is available to them 24*7.

The best thing about it is that one can buy what they like, according to their choices fast, convenient and easy with the option of transferring funds online through net banking, debit cards, credit cards and other ways owing one's convenience, shoppers can save their precious time and a lot of money that will possibly get wasted if they go to buy things manually.

- **Offered Product's Details**

Customers also get detailed description from an internet product catalogue about the product they are interested in buying. For the customers, it is very important to get details regarding the good/service irrespective of the hour of the day or day of the week. Through the provided information, the buyers decide to whether or not they want to buy that product.

- **Programme visibility helps in attracting customers**

The programme visibility helps in attracting new customers. We all have a tendency to grasp the physical retail.

- **Information Comprised is Guaranteed**

Irrespective of one trying to decide on together with information that is guaranteed with product's description that is associated with datasheets that is provided in an e commerce handcart, one would like to form positive response that consumers should keep in mind the necessary terms and conditions that is quite related to their purchase.

- **Reducing the value of Inventory Management**

In electronic commerce business, the sellers normally reduce the price while they manage the inventory of the goods being sold that they will adjust the inventory management exploitation in web based management system (WBMS). Additionally, they will be able to save some operational costs.

- **Keeping an eye on customer's shopping habits**

The best thing about electronic commerce retailers constantly on their customer's shopping for interests and habits to alter their supply to necessities of their customers. When they satisfy their customer needs perpetually, you will be able to improve customer relations and build long lasting relationships.

- **Competency**

To run an effective online business the transactions associated should be conducted with economical and competent methods. Value setting up is exceptionally less in comparison to rise in your business. Very less licensing and permitting is needed for starting and electronically operated business in comparison to the requirements in a physical store. One is able to save a lot of money by employing fewer workers to perform certain operations like managing inventory, cash counter person and helpers, the saved money can be employed in other places for business expansion.

- **Taking Help of Satisfied and Happy Customers in selling your Products**

It is a well-known fact that happy customers equals to a flourishing business. The happy and satisfied customers can give reviews and rate the products so as to let other customers know about their satisfying experience with the product so that the new customers can go ahead to buy that product because a customer trusts other customer more than the seller. Doing little things like this can increase the sales as that would make a new customer realize that your merchandise is effective and smart?

- **Selling your products across the world**

Running a physical store means that geographic area can restrict you and you will only be able to serve consumers of a certain area. Whereas, you will be able to sell your goods and services across the world with the help of e Commerce websites. While selling through a website you can have the whole playground unlike when you will use a physical store for the same purposes.

- **Time doesn't limit you, you can sell 24*7**

One of the biggest advantage of electronic commerce is that time cannot stop you from selling your product. E commerce websites run 24*7*365 and because there is no limit to the timing, the number of sales is more than what it is in a normal business. In addition to this, purchasers find it to be very helpful as they can buy whatever they want to buy, whenever they want to buy.

Some possible questions that are usually considered:

- **A study to find out how e-commerce is compatible to current GST norms**

E-Commerce is a means to understand the flow of funds in products and services through internet is not restricted to email or instant messages but the government has other schemes as well like Universal description discovery and integration (UDDI), File transfer protocol etc.

As per the current GST norms transactions are comparatively easy And it is creating an additional benefit to specially e-commerce business.

- **What do you understand by an e-commerce operator?**

Electronic Commerce Operator is a person or software that is managing this electronic platform and also facilitates any new service or product. Alternatively, any individual providing data or service for his own account is not considered as an operator.

E-Commerce Operator	Not an Ecommerce Operator	Not an Ecommerce 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)	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 Model).	Titan 78 supplying watches and jewels through its own website would not be considered as an e-commerce operator for the purposes of this provision.

- **All e-commerce operators are registered**

As per the norms it is necessary for operators in any kind of offer given to them.

- **Ecommerce operator of goods and services can be entitled for exemption**

Under the provisions it is clearly mentioned that any exemption is not given to any supplier and they all are required to be registered in case of any offer provided to them.

- **What is an aggregator**

It is a person who manages an electronic platform by the help of a communication device and provides help and support to people of a specific kind or service.

- **An aggregator should be registered under goods and service tax or not**

It is mandatory for an aggregator to be registered.

- **What do we mean by Tax Collected at Source or (TCS)?**

The e-commerce operator is required to conduct a quantity due to various products or services created by them. The number which is collected is named as tax collection at source (TCS).

- **What is the process of tax deductions at source**

There are majorly two sources,

- 1) The credit time of any quantity with a provider of products and services.
- 2) The payment mode can be in cash or any other mode by the provider.

- **By what time interval TCS can be overcome by an e-commerce operator to govt account and the operator has to file any return for the same**

The quantity collected by the operator at various government intervals within ten days at the top of the month was collected. The statement contains the names of suppliers.

The same statement would contain the names of the particular supplier(s), details of several provide created by them and also the quantity collected on their behalf. The shape and Manner of the same Statement would be prescribed within the GST Rules.

- **How are the actual suppliers supposed to claim credit of this TCS?**

Such TCS that is deposited by the operator into government account are going to be mirrored within the money ledger of the particular registered provider (on whose account such assortment has been made) on the idea of the statement filed by the operator. An equivalent is used at the time of discharge of liabilities in respect of a particular provider.

- **Did electronic operators are required to submit any statements. Discuss the main points?**

As per the norms the operator is required to prepare an electronic statement collected throughout the period at an interval of 10 days. The statement shall contain a print out of the quantity in lieu of every provider of products and services.

- **How can we relate e-commerce with our current process?**

It is related in all aspects by the operator as the statement of interest should match with the corresponding details which are required to understand the validity of the document where the tax has been collected and it should also match with the major details discussed by the provider where any change in the data should be communicated by every person.

- **If the main points are difference from others?**

An offer regarding payment in respect and the discrepancy in offer is communicated and should be corrected by the provider for a period of one month. The provider under whose liabilities there is any discrepancy, and then the discrepancy is communicated to pay the tax in respect of such offer to fulfil value added services.

Effects of GST on E- Commerce

Indian market of electronic commerce is estimated to own approximately Rs. 211,005 large amount in Dec 2016 according to the study that was held by Web and Mobile Association of India (WMAI). The study report claims India to get another \$100 billion online retail credit in the next four years that is by 2020.

As the Electronic Commerce evolved in India, the Indian market saw adoption of on-line marketplaces. A 'marketplace' here can be defined as an electronic commerce stage in hand by its operator like Snap deal, Amazon and Flipkart.

A lot other marketplace model are:

- Third party sellers are allowed to get registered and sell on the online already available portal also termed a marketplace.
- The said portal or marketplace charges a certain amount of fee or commission from the third party sellers for the sale they have made.
- The small sellers who sell their products on these big online marketplaces get access to a larger client base that is already registered with the portal.

Buyers also get benefitted because of the same as they get access to a larger seller base because of which they get to buy the desired product at comparatively cheaper price because of the high competition.

The items that are purchased by buyers from these online portals, gets shipped to them either by the third- party marketer directly or by the center operated by the portal marketers.

The government has also permitted Foreign Direct Investments (FDI) lower than this model to introduce electronic commerce in India.

These online portals have given the small third party sellers a bigger platform to sell their goods and services and earn a lot more than what an offline seller could earn.

Majority of the online marketplaces like Flipkart, Amazon, Snap deal and Paytm claim to be having a lot of third party sellers attached with them. The number of sellers and their business has improved a lot in comparison to what it was earlier, GST has specifically obsessed marketplaces and begins with rules & rules specific to the present section. Introducing the said set of rules necessities has allowed the online sellers community to embrace GST regime. A number of this compliance is:

- **No threshold for Goods and Service Tax registration**

Government of India has given a specific threshold limit for all the businesses. A company is at stake of registration as of under the Goods and Services Tax (GST) once such threshold limit gets violated. However this kind of limit is not applicable just for online sellers. All the businesses running in the electronic commerce activity area unit needs to get themselves registered under GST irrespective of the profit they earn.

No profit under the Composition Scheme:

Government of India has launched a composition theme under the new Goods and Service Tax (GST) law. This theme is aimed to take off the burden of compliance over small and medium scale industries. Under the newly introduced theme, businesses are required to file GST returns for times in a year (quarterly) instead of doing so monthly and pay twenty percent more taxes than the nominal rates. Although, the Goods and Service Tax law has excluded the online businesses from this theme.

Tax Collection at supply by Portal Operator:

Under the recent tax regime, e- commerce operators are obliged to reduce a share quantity because the Goods and Service Tax liability of the merchant and depositing the same to the government. This procedure is being described as “Tax assortment at supply (TCS)” under new the Goods and Service Tax law. Slowly the online platforms merchants can get to file returns on a monthly basis under Goods and Service Tax to say the credit of TCS collected by the online operator. This may also jointly impact the liquidity and earnings of the people selling their goods online. While the entire online market operators have already completed the first/basic stage of analysing the impact of Goods and Service Tax on their day to day working, some online sellers are still not aware of the implemented rules. Keeping alert is something which is the need of the hour for the online sellers. Also, such sellers need to currently start coming up with their transition strategy for the new GST regime.

Some of the essential things that need to be unbroken in mind are

- Get your Good and Service Tax enrollment done on time.

- Proper planning should be done for the logistics and warehousing activities.
- Adopt such platforms, technologies which are able to modify your business to be GST compliant.

Conclusion

As per the above discussion, it is clear that GST will create some negative impact on e-commerce in India, but majorly it is one of the most and highly acceptable advanced sector for which the government is actively promoting digital economic activities.

Government has introduced various business activities towards the advancement and growth of various sectors and helps in the growth activities.

This law will provide an effective environment which overcomes various suppliers and operators.

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