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Impact of gst on e- commerce industry in india

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Abstract: *The success of the e-commerce sector is largely dependent on the increasing number of retail entrepreneurs, who fall in the unorganised retail sector category. The Government has included such players in the ambit of GST with an intention of broadening the tax base and has introduced specific provisions for the e-commerce companies. The present study identifying the impact of GST in ecommerce industry and advantages and disadvantages of GST for e-commerce.*

Key Words: e-commerce, Government, impact and GST

INTRODUCTION

India is assured to become the world‘s second-largest Internet market after China. A huge proportion of the population, especially millennial‘s, are overtaking the computer era and directly embracing smart phones. Digital is changing the rules of customer engagement in India as the availability of affordable smart phones and wireless Internet is fostering the growth of a new breed of digital-knowledge consumers who demand personalised and seamless experiences. At the forefront of this digital revolution is e-commerce, especially the online marketplace sector, which has seen substantial growth in the past few years and is fundamentally, changing the way business is done, particularly in the consumer services industry. While the number of sellers and their business have increased significantly, GST has specifically taken up marketplaces and has come out with rules and regulations specific to this segment.

IMPACT OF GST IN E-COMMERCE INDUSTRY

- **NO TRADE BARRIERS - ONE NATION ONE TAX**

In the present regime, there is no uniformity in the tax rates among the different states and therefore every state determines its own tax rates specific to the products.

E-commerce operators have set up distribution centers only in certain locations and collect the VAT applicable on sales made from such centers. In order to compensate for the loss of VAT revenue, many states have recently imposed entry tax on goods coming from other states, which discourages sales made from other states. The entry tax acts as a trade barrier, restricts free movement of goods from one state to another and increases the cost for traders.

However, such trade barriers will cease to exist as GST is inclusive of entry tax. The destination state earns the revenue from GST on sales regardless of where the sale was made.

Further, there is no rate arbitrage under GST because the classification of goods and rate of GST is common across states.

- **TAX COLLECTION AT SOURCE (TCS)**

It is mandatory for all e-commerce operators to collect tax at the rate of two percent as TCS on the net value of sales made by suppliers through e-commerce operators. Such TCS has to be deducted in each state and deposited accordingly. This brings in significant compliance challenges to sellers and may discourage sales through marketplace model. However, this may not be applicable for inventory based models, where the e-commerce operator makes the sale from its own inventory. The key purpose of this provision is to encourage compliances under GST and provide a mechanism for the government to track suppliers who sell through e-commerce operators.

- **INCREASE IN COMPLIANCES FOR E-COMMERCE OPERATORS**

The e-commerce operators should report all supplies made by the seller and the TCS collected thereof on a monthly basis. The sales reported by the e-commerce operator will have to match with the sales declared by the supplier himself at the end of every month, and any difference will be added to the turnover of the supplier and consequently be liable to discharge GST on such additional turnover.

The e-commerce operator has to report the product/service code and the applicable rates for each item level individually. This requires them to map every sale done by the dealer and ensure TCS is deducted at the right value. The implementation of compliance is cumbersome for both e-commerce operator and the supplier.

Additionally, the e-commerce operators will have to register in each state and file the reports separately on a monthly basis. This process increases the challenges in compliance and costs of running the business.

- **MANDATORY REGISTRATION OF SELLERS AND UNAVAILABILITY OF COMPOSITION SCHEME**

GST mandates that all sellers supplying through an e-commerce operator need to be registered under GST irrespective of the threshold limit of Rs 20lakh. These sellers cannot opt for composition scheme, where they pay a flat tax at the rate of two 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 operators

INCREASE IN CREDITS

The GST law has extended the meaning of ‗input tax' to cover any goods/services used by the company in the course of business, which has widened the ambit of input GST credits. This has removed the requirement to establish the direct nexus of inputs/input services with the final product/service provided by companies. For e-commerce operators and sellers, the unavailability of credit towards excise duty and VAT on goods and service tax on certain services adds to the cost of running the business, which would be avoided under GST on account of increase in credits.

ADVANTAGES AND DIS ADVANTAGES OF GST FOR E-COMMERCE

1.	GST will replac**e** 17 indirect taxes which will reduce the cost and provide a common market.	Dual control on every business by central and state government.
2.	Standard tax rates for each product, bringing offline sellers to the same level in terms of costing and pricing.	States may lose autonomy to change their tax rates.
3.	TCS will be handed over as collection towards GST to the government	Retail businesses may oppose because their taxes will go up.
4.	E commerce will be effectively used in all the states.	Small businesses may find it difficult to use the online connectivity with GST network.
5.	Logistics, inventory costs will fall and reduction in number of warehouses.	Service sector may oppose because they have to register in every state they want to cater.

CONCLUSION

GST will have a positive impact on e-commerce sector. Both the suppliers and the consumers will be benefited. It will be easier for the supplier to supply goods in other states. Burden of tax collection and payment to the government is removed from the consumers and suppliers through e-commerce and put squarely on the shoulders of the e-commerce operators.

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