



IMPACT OF GST ON E-COMMERCE BUSINESS

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ABSTRACT

E-Commerce Business is developing very rapidly day by day. At this time, it occupies third position in the world after China and US. Previously, indirect tax laws created many perplexities and litigations and acted as a hindrance in the growth of E-Commerce Business in India. Government as well has lost a lot of revenue due to improper linkages of various indirect taxes and tax evasion. GST is hypothetical to curb the loopholes existed in earlier indirect tax laws, simplify the tax structure, lower overall tax rate. However impact of GST will be different for E-Commerce sector from the other sectors of the Economy. The main objective of this paper is to estimate the impact of GST on E-Commerce Business from the point of view of every interested party.

KEYWORDS: Registration, VAT, CST, Return, Service tax.

INTRODUCTION

India's E-Commerce industry is third largest industry in the world after China and US. It is growing at an average growth rate of 40%-50% per annum. Major E-Commerce companies in India are Amazon, Amazon India, Flipkart, Snapdeal, Myntra, FirstCry.com, Home Shop 18, Shop Clues, Jabong, ebay India, Naaptol, Yep me, Ola, Uber etc. The old indirect tax structures in India were acting as obstacles in the growth of E-commerce industry. In fact old laws were not framed keeping in mind the on-line business. The leviability of VAT, Service tax, CST was creating confusions and litigations. In spite of huge growth of E-Commerce business in India, the growth in tax revenue to the Government from this sector was not taking place. In the mean time respective State Governments were also revise their VAT laws to plug the loopholes and leakages in revenue. The new GST law has been framed keeping in mind the requirements of on-line business. It is expected to remove confusions and litigations, plug the loopholes and increase the Government tax revenue from this sector.

LITERATURE SURVEY

Akanksha Khurana and Aastha Sharma (2016), suggested that all sectors of Indian economy will be benefitted by GST but its implementation needs concentrated efforts of all stake holders Jaspreet Kaur (2016) regarded GST as a positive change but added that it will have different impacts on prices of different commodities. Dr. R. Rupa (2017) focused on overall GST model and added that GST model even though effective for our economy but State Governments will face a lot of issues and challenges in initial days. Girish Garg (2014), stated that GST is a logical step of Government to divide the overall tax burden and lower the tax rates. Raj Kumar (2016), viewed that GST model will bring improvements in different sectors of our Economy, by simplifying the tax structures and removing the cascading effect Research department, The

institute of Cost Accountants of India (2015) concluded that provisions of GST should be clear to avoid any confusion and further added that Government should devise effective mechanism for settlements of litigation Monika Sehrawat and Upasana Dhanda (2015), came to a conclusion that effective implementation of GST will be a great challenge Lourdunathan F and Xavier P (2017), concluded that GST will provide relief to both producers and consumers and at the same time will result in revenue gain to the Government.

INDIRECT TAX LAW FOR TAXABILITY OF E-COMMERCE BUSINESS

E-Commerce business normally involves both supply of goods and provision of services. Thus, in the past E-commerce business was liable to State Value Added Tax (VAT) on supply of goods within a State, Central Sales Tax (CST) on supply of goods from one State to another State and Service tax on provision of services by E-Commerce operators to suppliers and customers. E-Commerce Business broadly involves four models:

- 1) First Model: Where first sales are made by Suppliers to E-Commerce operator and second sales by E-Commerce operator to the buyer. Thus, two transactions are involved in this model and VAT/CST is levied on both the transactions. Here, the consideration is collected by E-Commerce operator and thereafter remitted to the supplier after deducting its commission.
- 2) Second Model: Where E-Commerce operators sell their own goods to buyers. In this model, since E-Commerce operator acts as an ordinary dealer, it is liable to VAT/CST on the supply of their own goods to the buyers depending on the fact whether the sales are intra-state or inter-state. Sales tax being origin based tax; the tax is collected by the State from where the goods are delivered.
- 3) Third Model: Where E-Commerce operator acts as mediator or agent between supplier and customer. When buyer makes on line orders, the same is communicated to the supplier who arranges for delivery to the buyer. Under this model, since E-Commerce operator is only acting as agent it is not liable to pay VAT/CST. The liability to pay VAT/CST only arises to the supplier. However, liability to pay service tax arises to E-Commerce operator since it is providing services. The service tax is liable to be payable on commission and listing fee charged by E-Commerce operators from the suppliers.
- 4) Fourth Model: Under this model, the supplier stores their goods at the premises of E-Commerce operator to reduce delivery time and ensure quality check. The supplier declares the premises of E-Commerce operator as additional place of business. Supplier is liable to VAT/CST. In this model also on liability to pay service tax arises to E-Commerce operator since it is providing services. The service tax is liable to be payable on commission, rentals and listing fee charged by E-Commerce operator from the supplier.

CONCLUSION

In a nut shell, to survive in GST regime, the E-Commerce business will have to reformulate its business model and redefine its business strategies and processes. GST law is supposed to stop revenue leakages as existed in earlier indirect tax law as the tax evaders will be caught easily. It will also eliminate cascading effect by ensuring seamless flow of credit from manufacturer to the trader. Since entry tax will also be subsumed in GST, overall tax burden will come down. Being the tax rate same in all states, the transportation and storage cost will come down. However, benefit of threshold limit is neither available to E-Commerce operators nor to the suppliers. It will increase compliance burden of registration, returns, records and payments on the both E-Commerce operator and supplier. Further provision of TCS and high sales returns as a normal feature of e-commerce business will increase working capital requirement for small suppliers.

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