

**"ASSESSING THE INFLUENCE OF GOODS AND SERVICES TAX (GST) ON E-COMMERCE:
IMPLICATIONS FOR ONLINE CONSUMERS - WITH SPECIAL REFERENCE TO SHORANUR
MUNICIPALITY"**

Sabitha R, Ph.D Research Scholar, Department of Commerce, Sree Narayana Guru College, K.G. Chavadi,
Coimbatore-641 105.

Dr.R.Sathya devi, Associate professor & Head, Department of Commerce (CA), Sree Narayana Guru
College, K.G.Chavadi, Coimbatore-641 105.

ABSTRACT

In the digital era, the landscape of commerce has evolved dramatically, with e-commerce encompassing any transaction conducted online. This modern mode of commerce not only offers consumers unparalleled convenience but also presents a myriad of benefits, including access to a wider array of goods at competitive prices and significant time savings. E-commerce can be broadly categorized into two primary domains: E-merchandise, which involves the online sale of goods, and E-finance, encompassing digital financial transactions. Utilizing contemporary communication channels such as the Internet, telephone, fax, e-payment systems, and data interchange, e-commerce transcends traditional boundaries, facilitating business interactions on a global scale. Industries ranging from financial services to travel and entertainment, and even groceries, are poised for exponential growth within the realm of online commerce. The distribution and evolution of global e-commerce are influenced by a multitude of factors, including economic dynamics, political landscapes, cultural nuances, and supranational forces, shaping the trajectory of this transformative phenomenon.

In India, a myriad of indirect taxes are levied by both central and state governments on goods and services. GST aims to streamline this complex tax structure by amalgamating various taxes into a single unified tax system, thereby fostering seamless Input Tax Credit (ITC) across goods and services. Taxes such as excise duty, special additional duty, service tax, and VAT will be replaced by GST, which will consist of three components: Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), and Integrated Goods and Services Tax (IGST). CGST will absorb central taxes like excise duty, while SGST will encompass state taxes such as VAT. IGST, on the other hand, will apply to interstate transactions. This unified tax regime will eliminate the need for multiple tax calculations. The synthesis of various research studies on the impact of GST on E-commerce reveals several aspects, including the absence of a threshold for GST registration, the exclusion of benefits under the Composition Scheme, and the introduction of Tax Collection at Source by Marketplace Operators. Ultimately, the transition to a single tax system promises to propel the Indian economy forward rapidly, offering new opportunities for both traditional businesses and E-commerce ventures alike. This paper examines the impact of GST on Ecommerce and also studies its implications on online consumers.

Keywords: E-commerce, GST, impact, online consumers

1.1 INTRODUCTION

The e-commerce market in India has witnessed remarkable growth, surging to an estimated value of over Rs. 211,005 crore by December 2016, according to a study conducted by the Internet and Mobile Association of India. Projections indicate that India is poised to generate \$100 billion in online retail revenue by the year 2025. This surge in electronic commerce has given rise to online marketplaces, owned and operated by e-commerce giants such as Flipkart, Snapdeal, and Amazon.

A marketplace serves as an e-commerce platform where third-party sellers can register and sell their products online. These marketplaces typically charge subscription fees or commission on the sale value from the listed sellers. For sellers, this model provides access to a broader customer base, while customers benefit from access to multiple sellers and competitive prices for desired products. Transactions on such marketplaces may involve direct shipping by the merchant or third-party seller, or fulfillment through a center managed by the marketplace operator. To foster the growth of e-commerce marketplaces in India, the government has permitted Foreign Direct Investments under this model. Marketplaces have emerged as an additional sales channel for retailers, offering unprecedented reach compared to traditional offline selling. Major marketplaces boast millions of sellers and SKUs, reflecting the scale of their operations.

However, with the proliferation of e-commerce marketplaces, the introduction of Goods and Services Tax (GST) has brought about specific regulations tailored to this segment. These regulatory requirements have compelled the online seller community to adapt to the GST regime. Notably, there is no threshold for GST registration, meaning businesses must register under GST once their turnover exceeds a certain limit, underscoring the evolving landscape of e-commerce taxation. In accordance with Section 24 (ix) and (x) of the Central Goods and Service Tax Act, 2017, all e-commerce dealers, traders, and aggregators, except those within exempted categories, are mandated to register for GST. They are required to collect and remit a 1% tax on each transaction, divided into 0.5 percent CGST and 0.5 percent SGST. Understanding the eligibility criteria for GST necessitates comprehension of Tax Collected at Source (TCS) and Tax Deducted at Source (TDS) on GST, alongside Section 2(44) and Section 2(45) of the CGST Act, 2017, which define e-commerce businesses and operators.

Tax Collected at Source (TCS) responsibilities fall upon e-commerce operators (ECOs), as outlined in Section 52(1) of the CGST Act, 2017. ECOs are tasked with collecting up to 1% of the net value of taxable goods or services from suppliers transacting through their online platforms. ECOs operating through their own websites and vending their own products register for GST under the "taxpayer (normal)" category. Conversely, if ECOs source supplies from external suppliers to sell on their platforms, they register under the "tax collector (e-commerce)" category.

The GST framework distinguishes between two models for e-commerce: registration for ECOs and registration for individuals supplying through ECOs.

- Tax Deducted at Source (TDS) under GST, governed by Section 51 of the CGST Act, 2017, mandates a deduction rate of 2% (1% CGST + 1% SGST) on payments exceeding ₹2,50,000, applicable to specific categories like central and state government departments, local authorities, and governmental agencies.
- Tax Collection at Source (TCS) under GST primarily applies to e-commerce operators, acting as intermediaries in buyer-seller transactions. E-commerce operators must register under GST regardless of their turnover and comply with tax collection obligations. Calculating the net value of taxable supplies involves determining the difference between the total value of monthly taxable supplies through the ECO and the total value of monthly taxable supplies returned to suppliers, as per Section 52(1) of the GST Act.

For entities supplying online information and database access or retrieval (OIDAR) services from outside India to customers in India, GST registration is mandatory. OIDAR service providers must initiate the registration process online, comply with tax regulations, and fulfill their tax obligations within India

1.2 REVIEW OF LITERATURE

Manjushree Yewale and Trupti Kalyankar (2017) The GST revolutionizes India's economic landscape, benefiting consumers, businesses, and the government. By consolidating various indirect taxes into a single transparent system, GST streamlines transactions for goods and services. This comprehensive review examines GST's impact on e-commerce, covering registration thresholds, the composition scheme, and marketplace operator regulations, ultimately underscoring its role in India's rapid economic growth.

Anand Nayyar and Inderpal Singh (2018) GST, a monumental tax reform implemented in 2017, aims to unify India's diverse indirect tax structure. This paper discusses GST's inception, its objectives, and its impact on GDP growth and corruption reduction. It compares India's GST rates with global standards and delves into sector-specific benefits and implementation challenges, providing valuable insights into India's post-GST economic landscape.

Sachin Abda (2017) Amidst India's complex tax system, GST emerges as a transformative solution to create a unified national market. Although initiated in 2000, GST's constitutional approval faced hurdles. This paper emphasizes the necessity of a robust GST framework to address VAT deficiencies, outlining GST's objectives, historical context, and potential for driving economic growth.

1.3 OBJECTIVES FOR THE STUDY

1. To study the impact of GST on E commerce
2. To understand the impact of GST on online consumers

1.4 RESEARCH METHODOLOGY

The research gets information based on the collection and analysis of the data. The primary and secondary data were used in this study. Primary data is collected through questionnaire from 50 respondents using convenient sampling technique .

1.5 IMPACT OF GST ON E COMMERCE

- **Compliance Challenges:** The implementation of GST has brought about significant compliance requirements for e-commerce marketplace sellers, necessitating GST registration, filing returns, and meticulous record-keeping. These intricate procedures pose a substantial administrative burden, particularly for small and medium-sized sellers with limited resources. Moreover, e-commerce marketplace sellers are obligated to obtain a unique GST identification number (GSTIN) and prominently display it on their websites. Failure to adhere to these requirements can lead to severe penalties and fines.
- **Taxation Strain:** Under GST regulations, e-commerce marketplace sellers are mandated to pay an additional tax of 1% on their gross turnover, in addition to the GST levied on the products they sell. This additional tax imposition amplifies the tax burden, particularly for sellers dealing in low-priced items, exacerbating financial pressures on small and medium-sized marketplace sellers.
- **Compulsory Registration and Exclusion from Composition Scheme:** Under GST regulations, all sellers operating through e-commerce platforms are mandated to register for GST, regardless of their turnover, and are ineligible to opt for the composition scheme. This scheme, offering a flat tax rate of two percent and relief from detailed transaction documentation, is not accessible to them. Consequently, small businesses face challenges in maintaining comprehensive records of their transactions and coping with the higher tax rate. This restriction may deter many small retailers from collaborating with e-commerce platforms, thereby affecting the business operations of these platforms.
- **Expansion of Input Tax Credits:** The GST legislation broadens the definition of 'input tax' to encompass any goods or services utilized by companies in their business operations, thereby expanding the scope of input GST credits. This eliminates the necessity to establish a direct correlation between inputs or input services and the final product or service offered by companies. However, for e-commerce operators and sellers, the inability to claim credit for excise duty and VAT on goods, as well as service tax on certain services, increases the operational costs of running their businesses
- **Increased compliance cost-**The implementation of GST has necessitated e-commerce businesses to invest in upgrading their systems for compliance, including GST

registration, filing returns, and maintaining detailed records. These changes often incur additional costs for businesses.

- **Taxation structure changes:** With the introduction of GST, the taxation structure for e-commerce transactions has undergone significant changes. This may have impacted pricing strategies for e-commerce platforms and their profitability
- **Impact on SMEs:** SMEs operating in the e-commerce sector, particularly those selling through online marketplaces, may have faced challenges in adapting to the new tax regime. Compliance requirements and increased tax burdens could have put financial strain on these businesses.
- **Supply chain costs:** GST has streamlined the supply chain process to some extent by eliminating multiple layers of taxation. However, businesses may have incurred initial costs in adjusting to the new supply chain dynamics.
- **Consumer spending patterns:** Changes in taxation could have influenced consumer spending patterns on e-commerce platforms. This may have resulted in fluctuations in sales volumes and revenues for e-commerce businesses.
- **Overall economic impact:** The overall impact of GST on e-commerce would also be influenced by broader economic factors such as GDP growth, consumer confidence, and regulatory changes beyond taxation.

1.6 THE IMPACT OF GST ON ONLINE CONSUMERS

1	AGE	NO. OF RESPONDENTS	PERCENTAGE
	Below 30 years	18	36
	Above 30 years	32	64
	TOTAL	50	100
2	GENDER	NO. OF RESPONDENTS	PERCENTAGE
	Male	12	24
	Female	38	76
	Other	0	0
	TOTAL	50	100
3	ANNUAL INCOME	NO. OF RESPONDENTS	PERCENTAGE
	Below RS.250000	12	24
	Rs.250000-Rs.500000	18	36
	Rs.500000-Rs.1000000	9	18
	Above Rs.1000000	11	22
	TOTAL	50	100
4	DIGITAL PLATFORM USERS	NO. OF RESPONDENTS	PERCENTAGE
	Yes	42	84

	No	8	16
	TOTAL	50	100
5	SECTOR	NO. OF RESPONDENTS	PERCENTAGE
	Sale of goods	10	20
	Hotel Aggregator	18	36
	Cab Aggregator	12	24
	Housekeeping service Ag.	10	20
	TOTAL	50	100
6	IMPACT OF GST ON BUYING DECISIONS	NO. OF RESPONDENTS	PERCENTAGE
	Increase in price	38	76
	Decrease in price	10	20
	Select a substitute	2	4
	TOTAL	50	100
7	AWARENESS OF GST CHANGE OF PRICE POSTGST	NO. OF RESPONDENTS	PERCENTAGE
	Yes	34	68
	No	16	32
	TOTAL	50	100
8	DO YOU THINK GST IS BURDEN?	NO. OF RESPONDENTS	PERCENTAGE
	Yes	18	36
	No	32	64
	TOTAL	50	100
9	ANY REQUIREMENTS OF CHANGE IN GST SLABS ?	NO. OF RESPONDENTS	PERCENTAGE
	Yes	32	64
	No	11	22
	No idea	7	14
	TOTAL	50	100

From the above table most of the respondents are above 30 years of age. Most of the respondents are female. Most of the respondents have an annual income of up to Rs.250000-Rs.500000. majority of the respondents are digital platform users. Majority of the respondents opine that GST has led to increase in price. Most of the respondents do not think GST as a burden and they require change in GST slabs

1.7 SUGGESTIONS

- Online companies can explore innovative strategies to enhance their consumer base.
- Conducting consumer surveys can provide valuable insights into customer preferences and needs for online companies.
- Consideration could be given to reducing GST tax rates on products favored by low-income individuals, potentially stimulating their purchasing power
- Online businesses might consider offering targeted promotions or discounts to attract a broader range of consumers.
- Implementing personalized marketing campaigns based on consumer behavior can help online traders to improve customer base.

1.8 CONCLUSION

The analysis underscores the adverse effects of GST regulations on the e-commerce sector. Given India's rapidly expanding e-commerce landscape and the government's emphasis on digital transformation, the imposition of cumbersome compliance requirements constrains industry growth. Regulatory frameworks should prioritize fostering business expansion rather than imposing hindrances. The anticipated GST bill aims to create a conducive environment to incentivize e-commerce operators and suppliers. As the nation has stepped into this significant tax reform, the market is inundated with a plethora of new GST regulations governing goods and services.

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