



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Comprehensive Study on Impact of GST on E-Commerce with special reference to Mumbai City

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ABSTRACT:

Electronic commerce or e-commerce is just another way to sustain or enhance existing business practices. Rather, e-commerce is a paradigm shift. It is a “disruptive” innovation that is radically changing the traditional way of doing business. It is showing tremendous business growth in our country. Increasing internet users have added a lot to its growth. Ecommerce has helped industries in many ways and added a new sales avenue through online retail industry in our country. The present study has been undertaken to describe the present status of E-Commerce in India after the impact of GST that rolled on July 1st 2017 .GST has created a huge havoc in many sectors, this study would enable us to understand its impact and problems on E-Commerce industry and its consumers in India.

KEYWORDS: E-Commerce, GST, Internet Users and Online Retail.

I. INTRODUCTION:

The cutting edge for business today is E-Commerce. E-Commerce means dealing of goods and services through the electronic media or internet. The vendor create websites and usually sells products or services directly to the customer using a digital shopping cart or basket system and allows payment through credit card, debit card or EFT (Electronic fund transfer) payments and Cash on Delivery .E-Commerce in overnight has become a dominant online activity. The effects of e-commerce can be seen in all areas of business, from customer service to design of an innovative product. It facilitates new types of information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service. In now days E-commerce uses the WWW at least some point in transaction lifecycle. It can also reduce costs in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services. For developing countries like India, e-commerce offers considerable opportunity. In India it is still in nascent stage, but even the most-pessimistic projections indicate a boom. There has been a rise in the number of companies' taking up e-commerce in the recent past. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. Many sites are now selling an in-numerable of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers, etc. With stock exchanges coming online the time for true e-commerce in India have finally arrived.

1.1. GST IN INDIA:

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017.

In other words, Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

1.2. GST COUNCIL:

GST Council is the governing body of GST having 33 members, out of which 2 members are of Centre and 31 members are from 28 state and 3 Union territories with legislation. The council contains the following members (a) Union Finance Minister (as chairperson) (b) Union Minister of States in charge of revenue or finance (as member) (c) the ministers of states in charge of finance or taxation or other ministers as nominated by each states government (as member). GST Council is an apex member committee to modify, reconcile or to procure any law or regulation based on the context of goods and services tax in India. The council is headed by the union finance minister Nirmala Sitharaman assisted with the finance minister of all the states of India. The GST council is responsible for any revision or enactment of rule or any rate changes of the goods and services in India.

1.3. GOODS AND SERVICES TAX NETWORK (GSTN):

The GSTN software is developed by Infosys Technologies and the Information Technology network that provides the computing resources is maintained by the NIC. "Goods and Services Tax Network" (GSTN) is a nonprofit organization formed for creating a sophisticated network, accessible to stakeholders, government and taxpayers to access information from a single source (portal). The portal is accessible to the Tax authorities for tracking down every transaction, while taxpayers have the ability to connect for their tax returns.

The GSTN's authorized capital is ₹10 crore (US\$1.4 million) in which initially the Central Government held 24.5 percent of shares while the state government held 24.5 percent. The remaining 51 percent were held by non-Government financial institutions, HDFC and HDFC Bank hold 20%, ICICI Bank holds 10%, NSE Strategic Investment holds 10% and LIC Housing Finance holds 11%. However, later it was made a wholly owned government company having equal shares of state and central government

Before the Goods and Services Tax could be introduced, the structure of indirect tax levy in India was as follows:

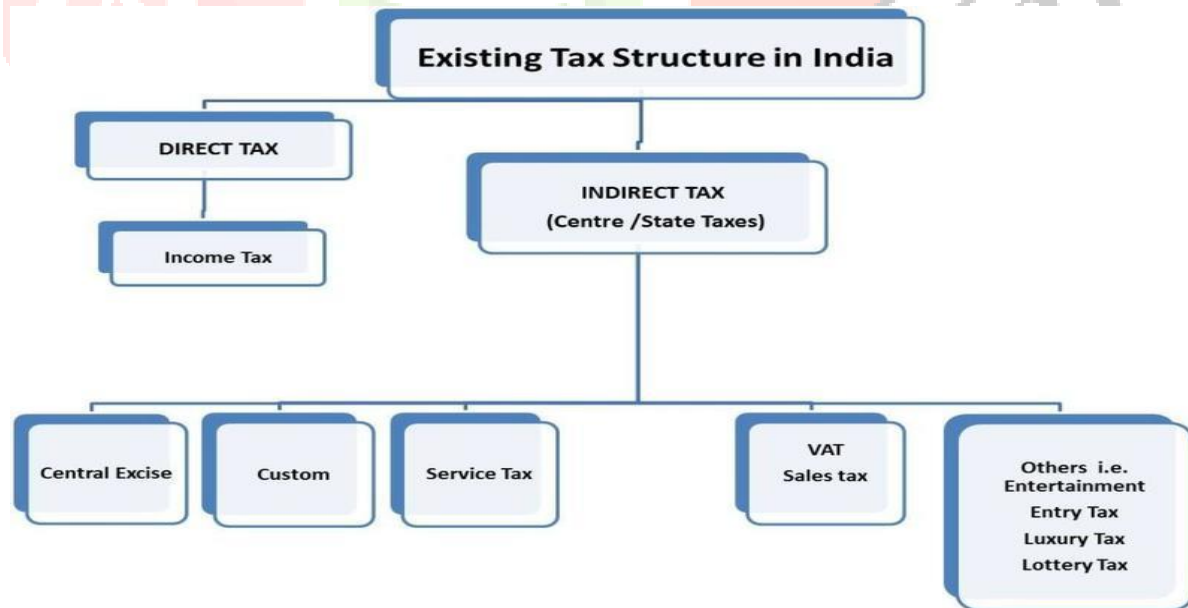


Figure 01

1.3. IMPACT OF GST ON E-COMMERCE MARKET:

The proposed goods and services tax (GST) is perceived as the single biggest indirect tax reform in India and is expected to bring in a simpler tax structure with a seamless credit chain. The 'one tax, one market' concept on which GST is a welcome step for online marketplaces. To create clarity in terms of the tax treatment of online marketplace sector transactions, sector-specific provisions should be introduced in the GST regime. This is quite important but is only the first of the two steps. The next key step is for these provisions to be respected by the authorities. Moreover, enforcement action that is contrary to these provisions should not be undertaken. The companies will have to follow the 'whole of business' approach for GST impact assessment and implementation, where tax and business advisory teams work together to provide a seamless service to clients that covers all necessary business aspects. Only then will the sector be able to utilize its potential in this market.

The proposal of GST law is to make marketplaces collect a portion of the tax from the sellers and deposit it with the government. This is not the first time that tax authorities have tried to differentially tax marketplaces. Place of supply in case of B2B transactions would be the location of the service recipient: It will be important to examine whether there would be rules to define inter-state service or intrastate service. This could be important to understand additional compliance requirement for e-commerce companies.

Currently, E-Commerce companies discharge their output service tax liability through centralized registration. Under GST, the centralized registration option is not be available. Hence e-commerce companies would need to obtain registration in each state where they have their place of business, resulting in increased compliances. Industry experts said the major pain point would be tax collection at source, which would create a rift between sellers and e-commerce companies

1.4. GST IN INDIA: A BENEFIT OR BARRIER FOR THE E-COMMERCE SECTOR?

GST has de-shackled India of its complex indirect tax structure and enable a single unified indirect tax structure subsuming majority of the indirect taxes in India, which has reshaped the India's indirect tax structure. Economists and tax experts see it as the biggest tax reform in independent India Tax cost on 'goods'

The indirect tax cost on most goods was on the higher side before GST. This is for the reason that most goods (for e.g. beauty products, most consumer electronics, and non-luxury automobiles) attract an excise duty of 12.5% and a VAT of 12.5% to 15% depending on the State. Further, there were numerous cascading of taxes on account of levy of GST, input tax credit retention under the VAT laws, levy of entry tax/ Octroi / local body tax, etc. till the time the product reaches the end customer.

A combined effect of the same leads to an effective indirect tax rate 25% to 30% in the hands of the end customer. Now the standard rate of GST is 18%, which led to significant reduction of goods. This reduction in indirect tax cost can lead to reduction in production cost and increase in base line profits, giving headroom for reducing prices and benefiting end-users. However, for some other goods (for e.g. textiles, edible oil, and low value footwear) the rate of excise duty is nil whereas VAT in most States is 5%. Thus, the overall tax cost for these kind of goods (after factoring the non-creditable taxes) is about 8 to 9%. If these goods are kept at the standard GST rate of 18% then there would be significant increase in cost for the end customers. Even if these goods are kept at the lower GST rate of 12% there would be an increase in cost for the end customers.

For an end customer, on the face of it there appears to be an increase in indirect tax cost. However, on a closer analysis, what comes out is that today (for e.g. telecom services) there is 15% tax cost on the output side plus there are whole lot of non-creditable taxes on the procurement side for e.g. VAT / CST paid on all the goods (for e.g. the telecom towers, networking equipment, etc.) that this industry purchases to render the services. In GST the output tax has increased from 15% to 18%, but all the non-creditable taxes on the procurement side today would become creditable which should largely annul the increase tax rate on the output side.

As we can see, the GST law may have a negative impact on the e-commerce sector. Given that e-commerce sector in India is one of the most rapidly advancing sectors and the government is vigorously promoting digitised economy, the introduction of such cumbersome compliances cringes the growth of this sector. Statutory framework introduced by the government should be towards the advancement of business rather than creating obstacles. The GST law should provide an enabling environment that encourages e-commerce operators and suppliers.

II. LITERATURE REVIEW:

2.1. Manjushree Yewale and Trupti Kalyankar (2017):

The Goods and Services Tax or GST, as it is known, will change the rules of the game for the Indian economy. Generally, it is known to be beneficial to both the consumer and business and government. In India, central and state governments charge different

indirect taxes on goods and services. GST intends to include all these taxes in one tax with transparent ITC and applies to both goods and services. Therefore, excise duties, excise duties, service taxes, VAT to name a few will be repealed and added to the GST. For this, GST will have 3 parts CGST, SGST and IGST. Central taxes such as excise duties will be included in the CGST and state taxes such as VAT in the SGST. This will apply to all transactions of goods and services, only one tax will be applied, which is the GST which includes CGST and SGST. The IGST would be applied in place of the SGST for interstate transactions. Entry credit for all these fees will be available for all respective products. This document is the result of a review of several research studies conducted on the impact of GST on e-commerce. This document examines several aspects such as No threshold for GST registration, No advantage under the settlement scheme, Collection at source by the market operator. Finally, in conclusion, a country and a tax will help the IndiansThe economy is growing rapidly.

2.2. Anand Nayyar and Inderpal Singh (2018):

The Goods and Services Tax (GST), implemented on July 1, 2017, is considered a major tax reform to date implemented in India since independence in 1947. The implementation of the GST was planned in April 2010, but was postponed due to political issues and conflicting interests of stakeholders. The main objective behind the development of GST is to include all kinds of indirect taxes in India, such as central consumption tax, VAT / sales tax, service tax, etc. and implement a tax system in India. The GST-based tax system provides more transparency in the tax system and increases the GDP rate from 1% to 2% and reduces tax theft and corruption in the country. The paper highlighted the context of the tax system, the concept of GST along with significant work, comparing the rates of the Indian GST tax system with other world economies, and also presented in-depth coverage on the benefits for various sectors of the economy. Indiana after applying the GST and described some challenges of implementing the GST.

2.3. Sachin Abda (2017):

The current Indian tax system is very complex as it includes cascading tax effects. GST, being a single indirect tax regime for the whole nation, will seek to make India a united common market. GST known as the Goods and Services Tax is an important tax regime developed to achieve economic growth. However, the GST proposal had already been initiated in 2000 by the Vajpayee government. Although the constitutional amendment was approved by Lok Sabha in May 2015, Rajya Sabha has yet to ratify it. India needs a strong and defined GST system to overcome VAT shortages. This document highlights GST's benefits, goals and history.

III. OBJECTIVE:

1. To study the impact of e-commerce on the Indian market.
2. To analyse the consumers attitude towards GST.
3. To understand the impact of GST on E-Commerce Sector and Online Consumers.
4. To analyse the buying behaviour of consumers post GST.

IV. RESEARCH METHODOLOGY:

Redman et al (1923) defines the information gathered newly by a regulated attempt. The research gets information based on the collection and analysis of the data. The primary and secondary data were used in this study.

4.1. PRIMARY DATA

Primary data was collected for the research paper. The samples were selected from the population of Mumbai city.

4.2. SECONDARY DATA

Secondary data was collected. Several magazines and newspapers have been used for this, as it is a conceptual document. Therefore, the goal is to better understand the concept, its application and the impact on the economy through other parameters. Therefore, qualitative and quantitative data were used.

Indian Online Seller spoke with every day online sellers for a feel of the actual impact of GST in e-commerce. Here are the results we uncovered with insights from online sellers after a month of GST:

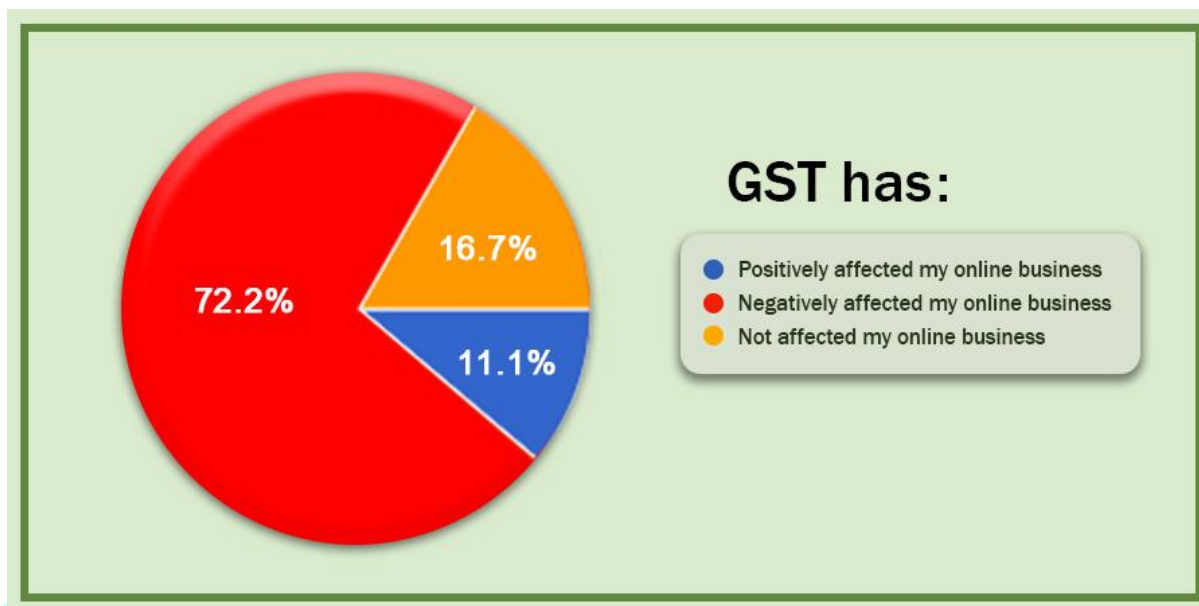


Figure 02

4.3. ANALYSIS AND INTERPRETATIONS:

In this section the analysis and interpretations of 50 respondents selected from Mumbai city is presented.

4.3.1. PERCENTAGE ANALYSIS:

AGE	NO OF RESPONDANTS	PERCENTAGE %
Below 25 years	20	40
Above 25 years	30	60
Total	50	100

ANNUAL INCOME	NO OF RESPONDANTS	PERCENTAGE %
Below Rs.500000	15	30
Above Rs.1000000	35	70
Total	50	100

ONLINE SHOPPERS	NO OF RESPONDANTS	PERCENTAGE %
Yes	50	100
No	0	0
Total	50	100

PREFFERED APPS	NO OF RESPONDANTS	PERCENTAGE %
Amazon	25	50
Flipkart	6	12
Snapdeal	10	20
Myntra	6	12
Others	4	8
Total	50	100

PREFFERED PRODUCTS	NO OF RESPONDANTS	PERCENTAGE %
Electronics	16	32
Books	23	46
Fashion Accessories	5	10
Others	6	12
Total	50	100

AWARENESS OF GST TAX ON PRODUCTS	NO OF RESPONDANTS	PERCENTAGE %
Yes	33	66
No	17	34
Total	50	100

AWARENESS OF CHANGE OF PRICE POST GST	NO OF RESPONDANTS	PERCENTAGE %
Yes	39	78
No	11	22
Total	50	100

IMPACT OF GST ON BUYING DECISION	NO OF RESPONDANTS	PERCENTAGE %
Increase in price	27	54
Decrease in Price	2	4
Forced to select a substitute product	15	30
No Changes	6	12
Total	50	100

REQUIREMENTS OF CHANGES IN GST	NO OF RESPONDANTS	PERCENTAGE %
Yes	47	94
No	3	6
Total	50	100

4.4. FINDINGS & SUGGESTIONS:

- New strategies can be followed by online companies to increase their consumers.
- GST Tax Rate on products preferred by low income people may be reduced.
- GST can be levied on luxury products.
- Rules and Regulations in GST can be simplified.
- The online companies may conduct a survey for knowing the consumer need and preference.

V. CONCLUSION:

E-commerce entered Indian market around 2007, but within a short span has transformed the way business done in India. With attractive and convenient shopping options at the core of the consumer facing business, the e-commerce industry offers the power to create innovative, sustainable, consistent and seamless shopping experience across all channels. This market has attracted quiet a lot of investors who have been actively investing in India since then. It has been predicted that close to 329.1 million people will buy goods and services online in India by 2020. This means that about 70.7 percent of internet users in India will have purchased products online by then. Seeing this as a spontaneous opportunity to develop our economy it's under the hands of the government to support this market and revise the tax rates.

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