



A Study On Impact Of GST On E- Commerce Sector

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INTRODUCTION

Background of the topic: The Goods and Services Tax (GST) is an indirect tax introduced in India in 2017 to simplify the tax structure and eliminate the cascading effect of taxes. The introduction of GST has had a significant impact on the e-commerce industry in India. In this article, we will discuss the impact of GST on the e-commerce industry. Previously indirect taxation was divided into several different taxations depending on the nature of the transaction. The sale of retail and wholesale goods attracted sales tax. The manufacture of goods attracted excise duty. Import of goods attracted costume duty. And the provision of services attracted service tax. This simplistic way of having different taxes for different kinds of transactions had caused a lot of confusion, especially for organizations that engaged in more than one activity and hence were subject to the provisions and regulations of several different taxes causing a considerable strain on the time and resources of the company in just managing the compliances.

For companies operating in the e-commerce sector, GST has brought both opportunities and challenges. On one hand, it has created a level playing field for all e-commerce players, irrespective of their size or location. On the other hand, the implementation of GST has led to certain challenges for e-commerce companies, especially small and medium-sized enterprises (SMEs).

One of the significant impacts of GST on e-commerce companies is increased compliance requirements. E-commerce companies need to be registered under GST and file regular returns to be compliant. This has increased the burden of compliance for small e-commerce businesses that may not have the necessary resources or infrastructure to comply with the new regulations.

GST has also led to an increase in prices of goods sold online, as businesses must pass on the tax burden to the end consumer. This has impacted the purchasing power of consumers, and e-commerce companies have had to rethink their pricing strategies to remain competitive.

NEED OF THE STUDY: The study of the impact of GST in the e-commerce sector is essential. for several reasons: Understanding the effects of GST: The implementation of GST has brought significant changes to the taxation system in India. By studying. its impact on the e-commerce sector, we can gain insights into the effects of GST on businesses and consumers. This can help in refining. the GST system and making it more effective. Identifying challenges and opportunities: The e-commerce sector has become an essential part of the Indian economy. By studying the impact of GST on the sector, we can identify the challenges and opportunities. that have arisen. This can help in developing policies and strategies to address these challenges and maximize the opportunities.

THEORITICAL IMPLICATION OF IMPACT OF GST ON E-COMMERCE SECTOR

1. **Taxation Theory:** The implementation of GST has simplified taxation in the e-commerce sector by replacing the complex system of multiple taxes with a single tax system. This has implications for taxation theory, as it demonstrates the benefits of a uniform tax system that reduces the compliance burden on businesses.
2. **Digitalization Theory:** The e-commerce sector is heavily reliant on digital technologies, and the implementation of GST has encouraged digitalization in the sector. E-commerce businesses have had to update their IT systems and register with the GST network, which has led to an increase in digitalization. This has implications for digitalization theory, as it demonstrates how taxation policies can encourage the adoption of digital technologies in business.
3. **Compliance Theory:** The implementation of GST has led to an increase in compliance in the e-commerce sector. E-commerce businesses are now required to register with the GST network, update their IT systems, and file regular tax returns, which has led to a reduction in tax evasion and improved revenue collection for the government. This has implications for compliance theory, as it demonstrates how taxation policies can incentivize businesses to comply with regulations.

LITERATURE REVIEW:

1. **Antonia Toris and Laura Gattu (2010)** - This paper show that a caliginous view of public finance's involvement in meeting and dispersing the costs of transitioning from a command to a request frugality is correct. In conclusion, the experimenters state that, while pertaining to the specific situation of Albania, the structural reform indicator model allows them to debate alternate perspectives on the nature and causes of the financial miracle's impact on the transition process.
2. **Ludwing F.M. Reinhard and Steven Li (2011)** - This paper examine the impact of levies and the duty changes performing from the 2000 duty reform on the backing and investment opinions of a sample of German intimately traded companies from 1996 to 2005. In discrepancy to the German government's perception, the findings don't support the idea that pots designedly alter their fiscal structures to drop their commercial duty payments. request openings and request pressures have a vastly lesser impact on investment opinions than duty considerations, according to the study. Considering the findings, the experimenters question whether the recent duty reforms will be suitable to achieve the pretensions.
3. **Panos Hatzipanayotou and eta (2011)** - Produce a completely competitive general- equilibrium model of a small open frugality with private traded goods product and a public good supported by trade and domestic levies. Experimenters look at the goods of the following duty reforms on public goods provision and weal I a patron- price-neutral reduction in import levies and a corresponding increase in product levies, (ii) a consumer- price neutral reduction in tariffs and a corresponding increase in consumption levies, and(iii) a partial duty- profit-neutral reform in trade and domestic levies.
4. **Raj Kumar (2016)** - According to study on the "Comparison between Goods and Services Tax and Current Taxation System," GST will simplify processes, boost output, open more employment opportunities, and foster economic growth. Transparency will also result from it.
5. **Xavier P. and Lourdunathan F. (2017)** - GST will unify all taxes across the nation, provide producers and consumers with relief using input credit setoffs, and increase resources and revenues at both the Central and State levels, according to the study "Implementation of Goods and Services Tax (GST) in India: Prospectus and Challenges."
6. **Regi, S., Anthony, S., and Rahul Golden (2017)** - In the history of Indian taxes, GST is a novel situation. One may claim that India's duty revolutions are to blame. The Indian duty system has through several phases. In India, committing GST is a tricky process. It did take this long for it to reach India even though it was originally advocated in 1954 in France. The GST and its history are directly discussed by the study's author.
7. **K, VIJAYA, and JABIMOL MAITHEEN (2017)** - The expansion of the unorganized retail sector and the rise of retail entrepreneurs are the main drivers of the e-commerce industry. The government has developed provisions for e-commerce businesses in order to increase the tax base by including these players under the GST. One of the most important tax reforms to the Indian tax code is this one. GST will go into effect to harmonize state economies and promote national expansion. GST will

harmonize the market and support economic growth in India. India will implement the GST (Goods and Services Tax), a value-added tax.

8. **Tuhin Banerjee (2018)** - E-commerce has increased dramatically in India during the past ten years. Several indirect factors have impeded the sector's growth. taxation challenges. The key elements of GST are examined in this chapter, including the existing taxes that will be replaced by GST, GST registration, GST assessments, GST payments, GST refunds and audits, and GST compliance.
9. **Pramod Pandey. 2020** - The e-commerce market is booming in India. It currently holds the third-place position globally, behind China and the US. Early indirect tax regulations led to a great deal of uncertainty and litigation and hindered the growth of India's e-commerce sector. A large amount of money has also been lost by the government because of incorrectly linking indirect taxes to tax evasion. It is currently anticipated that the GST would close gaps in the old indirect tax laws.
10. **SENGUPTA, SARTHAK, MUNJAL, TINA, VAISH ANURIKA, etc. (2020)** - The Goods and Services Tax Bill (GST) has been approved by many developed countries. The GST, on the other hand, debuted in India in 1999. A committee was formed to develop the GST concept. The Indian government did, however, restore GST on July 1st, 2017. There were several appeals for its adoption. The GST took the place of all the various taxes levied by the state and federal governments. The phrase "One Nation, One Tax" refers to the idea that there is only one tax to pay at the federal level as a result. This article examines the effects of GST in India in detail.

STATEMENT OF THE PROBLEM:

The requirement to adhere to a complicated tax structure is one of the biggest problems e-commerce enterprises are now facing in the wake of the introduction of GST. Today, e-commerce companies must register for GST in each state in which they conduct business, which can be a time-consuming and expensive process. The effect of GST on pricing is another problem. Although the GST was designed to level the playing field for all businesses, the truth is that many small e-commerce companies are struggling to compete with bigger players who have the financial wherewithal to absorb the effects of the new tax. On the other side, the e-commerce industry has benefited in certain ways from the GST.

RESEARCH GAP:

While existing research has explored the broader implications of GST at national and regional levels, there remains a notable lack of localized studies focusing specifically on E-commerce within the context. E-commerce operate within a unique economic and business environment, facing distinct challenges and opportunities that may differ from those encountered by larger corporations. Despite the growing recognition of the importance of small enterprises in driving economic growth and employment, there is a significant gap in understanding how GST impacts these businesses in Bengaluru. Demographic details.

OBJECTIVES OF THE STUDY:

1. To Understand the Impact of Goods and Service Tax On E-commerce Sector.
2. To Determine the challenges faced by E-commerce Business after implementation GST.
3. To understand the awareness of GST Ecommerce Business owners.

SCOPE OF THE STUDY:

This research has been conducted to get an idea of how GST is going to impact on E-commerce sector in Bengaluru city.

RESEARCH METHOD AND DATA COLLECTION:

Method of data collection

Primary data: To develop an online survey, online survey methods such as Google Forms have been used. Online surveys are a low-cost way to collect primary data and quickly reach a bigger audience. After acquiring primary data, I was able to evaluate it using a variety of statistical methods and methodologies to get relevant insights and findings.

Secondary data: Secondary data for the base of the project I collected from internet, Magazines, newspapers, etc. Secondary data sources such as government reports, industry publications, and research articles, which were use to complement the primary data collected.

Instrument for data collection

SAMPLING TECHNIQUE: Sampling methods are essentially divided into two categories:

Probability Sampling.

Non-probability sampling.

In this research study, I used the random sampling approach, which is classified as probability sampling. Random sampling is a sampling strategy in which each sample has an equal chance of being selected. A random sample is intended to provide an impartial reflection of the entire population.

STATISTICAL TOOLS:

While preparing the project, the following MS Office products are used:

- MS Excel: Graphical and statistical representation of data.
- MS Word: Project and other report preparation.

LIMITATION OF THE STUDY:

- Due to limited time in-depth study has not be possible.
- Outcome of the research cannot be generalized.
- This study is limited to Bengaluru city.
- The project is carried out for period of 5 months only.
- The information furnished by the respondents may not be accurate.

DATA ANALYSIS:

DATA ANALYSIS AND INTERPRETATION

Questions	Options	Frequency	Percentage (%)
What is your age group?	20 - 25	29	29%
	25 – 30	30	30%
	30 – 35	31	31%
	35 and above	11	11%
What is your gender?	Male	51	51%
	Female	49	49%
How do you perceive the impact of GST on tax compliance for e-commerce businesses?	No change	27	27%
	Significantly improved	39	39%
	Slightly improved	33	33%
	Slightly worsened	2	2%
Has GST improved supply chain efficiency for e-commerce businesses?	Yes	41	41%
	No	43	43%
	I don't know	17	17%
How has GST on digital services impacted the e-commerce sector?	Positivity	24	24%
	Negativity	41	41%
	Unsure	21	21%
	Neutral	15	15%
How challenging do you find anti-profiteering compliance for e-commerce businesses under GST?	Not at all challenging	21	21%
	Somewhat challenging	32	32%
	Not very challenging	37	37%
	Very challenging	11	11%
Have you noticed any changes in	Yes	45	45%
	No	40	40%

consumer behavior since the implementation of GST in e-commerce?	Maybe	16	16%
To what extent do you find the compliance requirements of GST complex for e-commerce businesses?	Not at all complex	43	43%
	Not very complex	27	27%
	Somewhat complex	15	15%
	Very complex	16	16%
On scale of 1- 4How much Aware are you about GST?	1	30	30%
	2	38	38%
	3	15	15%
	4	18	18%

HYPOYHESIS:1

H 0: There is no Significant relation between Challenges Faced while implementing GST and Impact of GST on E-commerce.

H1: There is Significant relation between Challenges Faced while implementing GST and Impact of GST on E-commerce.

N	DF	-LogLike	RSquare (U)
100	16	21.476479	0.1463

Test	Chi Square	Prob>ChiSq
Likelihood Ratio	42.953	0.0003*
Pearson	32.771	0.0079*

The results demonstrate a significant relationship between challenges and impact of gst in e commerce sector , as indicated by the “**rejection of the null hypothesis.**” Both the likelihood ratio test ($p = 0.0003$) and Pearson chi-square test ($p = 0.0079$) show strong evidence against the null hypothesis, with “**p-values less than 0.05.**” As all the chi squares have given values of p less than 0.05 sig. Level , the null hypothesis has been rejected and alternate has been accepted. Therefore, there is significant relation between challenges and awareness.

HYPOYHESIS: 2

Ho: There is no significant relation between Challenges faced while implementing GST and Awareness of GST.

H1: There is significant relation between Challenges faced while implementing GST and Awareness of GST.

N	DF	-LogLike	RSquare (U)
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Test	ChiSquare	Prob>ChiSq
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The analysis aimed to explore the relationship between the challenges and awareness while implementing the GST in e-commerce sector. However, the results show no significant evidence of a relationship. Both the likelihood ratio test ($p = 0.0708$) and Pearson chi-square test ($p = 0.2081$) yielded **p-values greater than 0.05**, indicating no clear link between risk and prevalence. Therefore, we **fail to reject the null hypothesis**.

SUMMARY OF FINDINGS:

Respondents aged between 20-30 years constitute the largest group at 57%, followed by those aged 30-40 years at 34% and those above 40 years at 9%.

The majority of respondents reported no change (30%) or slight improvement (32%) in their situations, while significantly worsened situations were rare (1%).

In terms of agreement, 26% strongly agreed, 15% disagreed, and 35% remained neutral on various statements. Regarding consumer behaviour, 32% acknowledged increased awareness of taxes, while 16% acknowledged being more price conscious.

Challenges varied among respondents, with 31% finding them somewhat challenging and only 1% perceiving them as not at all challenging.

RECOMMENDATIONS:

1. **Simplify Compliance Procedures:** The government could simplify the compliance procedures for small and medium-sized e-commerce businesses by providing more guidance and support. This could include providing a user-friendly portal and offering training programs to help businesses comply with the regulations.
2. **Promote Awareness:** The government could also promote awareness about the benefits of GST and how it can help businesses in the long run. This could help address concerns about the compliance burden and encourage more businesses to register and comply with the regulations.

CONCLUSION:

All in all, the execution of GST in the online business area has had both positive and adverse consequences. On the positive side, GST has prompted formalization and development of the area, made a more straightforward unsurprising expense system, and advanced business venture and advancement. On the negative side, GST has expanded the consistence wait and cost of merchant is offered internet, prompting worries about productivity and buyers' ways of behaving.

To alleviate the adverse consequence and advance the positive effects, it is suggested that the public authority work on consistence methods, advance mindfulness, give charge motivations, empower cooperation, and

proposition purchaser schooling programs. By cooperating, organisations and the public authority can make a more adjusted and fair expenses system that benefits everybody.

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