INTRODUCTION

Ecommerce industry is continuously growing worldwide and as well as in India.In current regime there are multiple indirect taxes are levied on the online transactions. In these indirect taxes, some of the taxes are collected by State Government, and some are collected by Central Government. There is a complex tax environment for the e-commerce which brings ambiguity and disputes but now new GST taxation will affect the fundamentals of tax in e-commerce. The first time Indian Government has taken the initiative to regulate the e-commerce business. A comprehensive dual Goods and Services Tax (GST) has substituted the complex multiple indirect tax structure from 1 July 2017.

The concept of GST was visualized for the first time in 1999. On 8 August 2016, the Constitutional Amendment Bill for roll out of GST was passed by the Parliament. The introduction of GST will simplify the highly complex tax environment due to multiple taxes, tax cascading, convoluted agreements and extensive litigations.

Here, Electronic Retailing or E-tailing includes the sale of goods through the Internet, which may be Business-to-Business (B2B) and Business-to-Consumer (B2C) sales and online shopping web sitesmeant for retail sales direct to consumers.

After understanding theconcept GST and E-Retailing, an attempt has been made to review the past studies related to the study to establish the relevance of the study and the same is presented chronologically in brief as follows:

REVIEW OF LITERATURE AND RELEVANCE OF THE STUDY

AkanshaKhurana and Aastha Sharma (2016)1 in there research paper on GST- A positive reform for Indirect taxation systemconcluded that the GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes.

P.Chaurasia et al. (2016)2 Studied, “Role of Goods and Services Tax in the growth of Indian economy” and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

Hitesh k.Prajapati (2016)3 in his paper on Challenges and Implementation of GST in India talked about the challenges in implementation of GST like IT sector is not boomed, threshold limit of turnover for dealers under GST is another bone of contention between the government and the Empowered Committee.

Monika Sehrawat (2015)4 in her paper on GST in India – A key tax reform concluded that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector.

M.Sehrawat and Dhanda (2015)5 studied, “GST in India: A Key Tax Reform” and concluded that due to dissilent environment of India economy, it is demand of time to implement GST.

AgogoMawuli (May 2014)6 studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Garg (2014)7 in the article named Basic Concepts and Features of Good and Services Tax in India analyzed the impact and GST on Indian Tax scenario and concluded that it will strengthen out free market economy.

Nitin Kumar (2014)8 studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect taxsystem and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, SupriyaKamma and RichaVerma (July 2014)9studied, “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Bird (2012)10 summarizes in the article The GST/HST: Creating an integrated Sales Tax in a Federal Country the impact of GST will be on Canada.

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Dr. R. Vasanthagopal (2011)11 studied, “GST in India: A Big Leap in the Indirect Taxation System” and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

The above review may reveal that the most of the research meant for understanding the implication of GST on Indian economy and other retail sector. But, specifically the studies were not conducted to analyze the GST and E-Retailing in India and to examine the GST impact on Indian E-Retailing for the same together.

Thus, this study aimed at filling the gap with the objectivesas, i) to analyze the GST and E-Retailing in India and ii) to examine the GST impact on IndianE-Retailing .The source of data is secondary in nature and collected from the past studies, referred books, reports and conference papers, referred journals, newspapers, ministry of Govt. of India.

GST AND E-RETAILING IN INDIA

Under the present tax structure, different states impose different VAT rates on the same goods. For example, Delhi has a tax rate of 5% on mobile phones, whereas Kerala has 12%. Online marketplaces list sellers who need to charge lower taxes thus making the product cheaper than local retail prices. The e-tailers often enter exclusive tie-ups to take advantage from tax arbitrage. Post GST, there will be standard tax rates for each product and tax arbitrage will not be possible, bringing e-tailers and offline sellers to the same level in term of costing and pricing.

Online marketplaces such as Flipkart and Amazon India have made it mandatory for their merchants to register on their platforms with their new Goods and Services Tax Identification Numbers (GSTIN) by July 1, as the new tax became effective. But several vendors haven't been able to obtain GSTINs yet for various reasons. While this could reduce availability of products in certain categories, online market places insist overall sales would not be affected.

Flipkart12 had about 100,000 sellers on its platform. Paytm Mall chief operating officer AmitSinha said more than 80 per cent of the sellers on the platform had submitted their GSTINs, and Snapdeal said 92 per cent of its top sellers had registered their new tax identification numbers with it. Amazon India did not disclose how many of the vendors on its platform had registered their GSTINs with it and "they believe GST is good for the ecommerce industry as it would eliminate hurdles in in inter-state delivery and subsume the entry tax introduced on ecommerce shipments by some states."

According to the All India Online Vendors Association, several merchants do not want to continue selling online in the next tax regime. "Some of the categories will have to be marked up on price due to GST. Those sellers have chosen not to go ahead (and register). However, the GST rollout has been smooth," said a spokesperson for the association, which represents about 2,000 online sellers.

In e-commerce interstate and intrastate both kinds of transactions occur, so it becomes important which kind of tax will be levied. On intrastate transaction, CGST13 and SGST will be imposed, and on an interstate transaction, IGST and additional 1% tax will be levied on the sale of goods and services for two years. This additional tax will be levy only on the sales not on the stock transfer.

E-commerce14operators have set up distribution centres only in certain locations and collect the VAT applicable on sales made from such centres. 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.

There are three kinds of taxes under GST –

1. Central Goods and Service Tax (CGST) – It will be collected by Central Government.
2. State Goods and Service Tax (SGST) – It will be collected by State Government.
3. Integrated Goods and Service Tax (IGST) – It will be collected by Central Government.

After understanding the relation between GST and E-Retailing in India and its future prospects, an attempt has been made here to identify the changes,from the various studies,contributed for the significant growth in E-Retailing in India and the same presented as below:

GST IMPACT ON INDIANE-RETAILING

The Goods and Services Tax (GST)is the single biggest reform in India's indirect tax structure since the liberalization of the economy in 1991. Through this reform, the government has integrated the previously disparate segments of the Indian economy and has truly begun the process of creating one market for the entire nation. The idea of a single tax on the supply of goods and services, from manufacturing to delivery to the final consumer, has eliminated the need for sellers to register with multiple tax platforms and file multiple tax returns.

GST is going to have a major impact on e-commerce in the country. Apart from consumers, this trade segment has two key players: the e-commerce marketplaces and the sellers. While e-commerce marketplaces such as Flipkart and Amazon are required to make necessary adjustments to their operations, it is the impact on e-commerce sellers, represented by the thousands of retailers that sell through the marketplace that requires intense scrutiny. Through this blog, we assess the impact of GST on e-commerce sellers and the steps such businesses need to take to ensure regular compliance.

Presently, GST appears to be an assortment of compliance guidelines. The enhanced regulatory requirements might take a seller's focus away from operations for some time. However, GST as a single tax for products across India will be beneficial for all e-commerce sellers in the long run because of the aspect of transparency in trade brought forth by this new indirect tax reform. Let's discuss the impact of GST on an online seller's operations. The same are presented in brief hereunder:

1. One Nation One Tax orSimple and Single Tax:

In the preGST regime, there was no uniformity in the tax rates among the different states and therefore every state determined its own tax rates specific to the products. For example, a mobile phone in state 'X' is taxed under VAT (Value Added Tax) at ten percent and in state 'Y' at fifteen percent. As a result, the sellers in state 'Y' would not want to sell locally but would prefer to sell from state 'X', resulting in loss of revenue for state 'Y'.

However, such trade barriers are ceased 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. By unifying the taxation, e-sellers need not be burdened by multiple taxes while selling goods to consumers across various states.

2. MandatoryRegistration:Government has specified a threshold limit for all the businesses. A business is liable to register under Goods and Services Tax once such threshold limit of Rs 20 lakh turnover is breached.However, such limit is not applicable in case of e-commerce sellers. All the businesses carrying out e-commerce activity are required to get registered under GST irrespective of their turnover. Removal of the threshold for registration will help bring more online businesses into the sphere of taxation.

3. Ineligible for Composition Scheme:

Government has introduced composition scheme under GST law. This scheme is primarily aimed to reduce the burden of compliance for small and medium businesses. Under this scheme, businesses are required to file returns quarterly instead of monthly and pay taxes at nominal rates up to 2%. To know more about Composition Scheme, However GST law has explicitly excluded e-commerce businesses from this scheme.

4. Tax Collected At Source (TCS):

E-commerce marketplaces are required to deduct 2% TCS on the net value of sales as the GST liability of the seller and deposit it with the government. Further, the sales reported by both the e-commerce marketplace as well as the seller needs to tally at the end of each month. Discrepancies, if any, will be added to the turnover of the seller and they will be liable to pay GST on the additional amount. This measure will weed out fraudulent sellers and shall subsequently build trust between marketplaces and sellers.

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. Eventually the marketplace seller will have to file monthly return under GST to claim the credit of TCS collected by the marketplace operator. This will also impact the liquidity and cash flow of these sellers.

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.

5.Escalation 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 connection 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.

6. Great Momentum for Warehousing:

One of the biggest beneficiaries of GST would be the logistics and warehousing departments of e-commerce companies. Until now, Amazon and Flipkart had to maintain multiple warehouses across states and cities to avoid the central sales tax (CST) and entry-level tax of each state. This led to increased cost of operations that dented their profitability significantly. Now with GST, they can maintain warehouses in strategic locations as there are no state-wise levies.

7. Motivation to SMEs:

This means that various small enterprises would be inducted into the country's e-commerce ecosystem. Better-quality e-commerce companies would no extend is obligated to source from local markets and is now free to partner with thousands of SMEs and micro SMEs across the country. Amazon is already running a Global Selling Program for Indian SMEs that gives their indigenous products a global marketplace.

CONCLUSION

The GST is the single biggest reform in India's indirect tax structure since the liberalization of the economy in 1991. The enhanced regulatory requirements might take a seller's focus away from operations for some time. In the preGST regime, there was no uniformity in the tax rates among the different states and therefore every state determined its own tax rates specific to the products.Further, there is no rate arbitrage under GST because the classification of goods and rate of GST is common across states. By unifying the taxation, e-sellers need not be burdened by multiple taxes while selling goods to consumers across various states.

However, GST as a single tax for products across India will be beneficial for all e-commerce sellers in the long run because of the aspect of transparency in trade brought forth by this new indirect tax reform.

The GST law may have a positive 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 dynamically promoting digitized economy.

Under composition scheme, businesses are required to file returns quarterly instead of monthly and pay taxes at nominal rates up to 2%. However GST law has explicitly excluded e-commerce businesses from this scheme.

Government has specified a threshold limit for all the businesses. A business is liable to register under Goods and Services Tax once such threshold limit is breached. However such limit is not applicable in case of E Commerce sellers. All the businesses carrying out e-commerce activity are required to get registered under GST irrespective of their turnover.

The current business environment in India has the potential to enhance the growth of the online retail in India. GST implementation is beneficial for E-Retailers, Indian economy and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.The study concludes that there would be a prospective growth of E-Retailing in India if government reduces the GST rates on E-Retailing and simplifies the highly complex tax environment.

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