

A Study on Impact of GST on E-commerce Sector with Special Reference to Coimbatore City

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Abstract—Electronic 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. E-commerce 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.

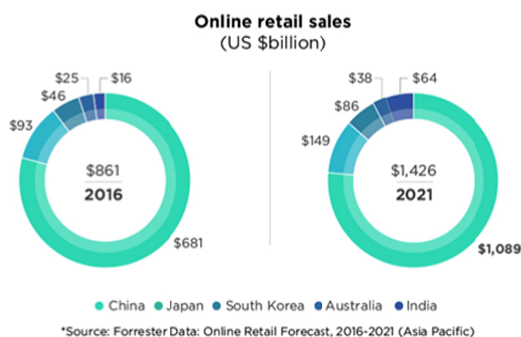
Keywords: E-COMMERCE, GST, INTERNET USERS, ONLINE RETAIL, CONSUMERS, PURCHASE BEHAVIOUR.

1. 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 innumerable 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.



Network and growth rate of categories in Asia Pacific

Category	Net worth in billions	Growth rate
Apparels	\$167.7	9%
Consumer electronics	\$146.0	11.9%
Computer hardware and software	\$62	7.2%
Beauty and cosmetics	\$39.2	18.3%
Appliances	\$36.8	12.1%
Grocery	\$32.8	18.4%

*Source: Forrester Data: Online Retail Forecast, 2016-2021 (Asia Pacific)

❖ GST IN INDIA

India is the hub of taxes where people pay many taxes which create confusion for them. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Tax paid directly to the government by the taxpayer i.e. Income Tax, Wealth Tax, and Corporation Tax. Indirect Tax is a tax levied on goods and services rather than on income or profits. It is not directly paid to government but collected from

intermediaries from the person who bears the ultimate economic burden of the tax (such as consumers). The intermediary later files a tax return and forwards the tax proceeds to government with the return for example Sales Tax, VAT, Excise Duty, and Custom Duty and so on.

GST is a blanket of Indirect Tax that will subsume several indirect state and federal taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more. GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations. Now, India has implemented it on July 1st 2017 and has become 166th nation to adopt it In India before 16 years, in 2000 Shri Atal Bihari Vajpayee brought this system but no one paid heed on it and due to political reasons it was not passed. On 28th February 2006, finance minister P. Chidambaram, had announced the target date for implementation of GST as 1st April, 2010.

At past we paid 30% to 35% tax on different things but with GST it's only 18%, which shows it is beneficial and one main thing that GST will remain similar in all nation .GST has changed the whole scenario of current Indirect Tax. It merged all Indirect Taxes under one umbrella and helped in creation of smooth market. GST created a single uniform market which benefits both corporate sector and the Indian economy.

❖ **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 utilise 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 centralised registration. Under GST, the centralised 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

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, 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.

OBJECTIVES

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

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. The samples were selected from the population of Coimbatore city.

ANALYSIS AND INTERPRETATIONS:

In this chapter the analysis and interpretations of “A Study on Impact of GST on E-Commerce Market with special reference to Coimbatore city” on a sample of 50 respondents selected from Coimbatore city is presented.

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
PREFERRED APPS	NO OF RESPONDANTS	PERCENTAGE
Amazon	25	50
Flipkart	6	12
Snapdeal	10	20

Myntra	6	12
Others	4	8
Total	50	100
PREFERRED 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
Total		50
REQUIREMENTS OF CHANGES IN GST	NO OF RESPONDANTS	PERCENTAGE
Yes		47
No		3
Total		50

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.

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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