

Study of Impact of Goods & Services Tax on Electronic Commerce Operators –

Sunakshi Khosla¹, Dr. Abbul Hasan Khan²

¹Research Scholar, School of Commerce and Management, Indus International University – Una HP

²Supervisor, School of Commerce and Management, Indus International University – Una HP

Abstract:

In this research paper, we are going to discuss the implementation of GST on the services provided by ECOs. In modern digital economy, E-commerce is the backbone of the system. It expands shopping from anytime and anywhere for customers and also expanded opportunities for all business sizes. Big companies like Flipkart, Amazon and Myntra reach customers of across India whereas small companies like Shopify and Meesho are also providing opportunities to many small businesses. Apart from benefits of E-commerce, it is little challenging for Government to track the businessman's and his turnover. In view of this Goods and Services Tax Act 2017, provides taxation provisions which is mandatory to comply by Electronic commerce operators. In some cases ECO collect TCS and in some cases it collects the TDS and the same to be deposited to the Government.

Keywords: Marketing Models, Electronic commerce, Electronic commerce operators, Tax collected at source, Tax deducted at source, Registration of ECOs, Taxation provisions, Notified Services, Net Taxable Value, Monthly Statements, Omission/errors in filling of returns, Maximum time for rectification and Open Network for Digital Commerce.

Introduction:

In today's busy life style, EC Industry is very important for marketing. Electronic commerce is digital transactions provides new magnitudes in taxation, customer visits the markets and buy goods and avail the services, like that ECO provides platform to buyers and sellers to buy and sell goods and services from entire country. In the modern digital economy, E-Commerce is the backbone of the Indian markets. It establishes the new way of interaction between Customers and businessmen. It also discovers global marketplaces and removes geographical barriers. On one hand, e-commerce generates delivery boy jobs, while on the other hand, many returns and shipping costs result in losses to businessmen. ECO refers to "Electronic Commerce Operator". ECO mainly means the platform that facilitates online transaction of goods or services. For example Flipkart and Amazon.

Meaning of Electronic Commerce:-

Buying and selling of products including services over internet facilitated network is known as Electronic commerce. It includes all types of electronic communication for example online marketplace, digital platforms, websites, mobile applications, e-books, software, music, online-courses and videos.

Meaning of Electronic Commerce operator:-

This is a platform where transactions i.e. sale/supply of goods and services take place directly or indirectly. It may be a website, application or any other medium. ECO provides a digital marketplace where seller list their products or services and buyer place order for purchase ECO is very wider term it also includes online travel agencies, food delivery apps, online transport platforms and other digital platforms.

Marketing

- When we talk about marketing, it reflects the channel of distribution.
- Here it is also to understand the meaning of Distribution channel of marketing.
- Offline marketing provides facility to check the colour, quality and quantity of products. Sometime in case of online purchase exact quality of product is not confirmed.
- Online marketing negatively impact the sale of offline marketing. Online marketing helps to increasing the job of delivery staff whereas offline marketing increasing the jobs of salesman.
- Offline marketing helps to reduce the screen time and increase the interaction between peoples whereas in case of online screen time is high and less interaction between people which creates Anziti.
- E-commerce provides facility of anytime and anywhere shopping as well as secure online payment system.

Types of electronic commerce models:-

- **Online marketplace model:** -This type of business model is refer as centralised platforms, providing place to manufacturers, traders and customers. No stock maintain by this type of platforms only facilitates the transactions and other services like payment processing, customer support services and logistics. This type of business model earn revenue from suppliers in the name of fees or commission for using its customer data base and marketplace.
- **Direct sales model:** - Direct business model refers to model where seller directly sale its goods and services through their own online websites.
- **Inventory model:** -Inventory model refers to platform which provides services of warehousing, inventory management and fulfilment of orders.

Provisions of Goods and Services Tax:-

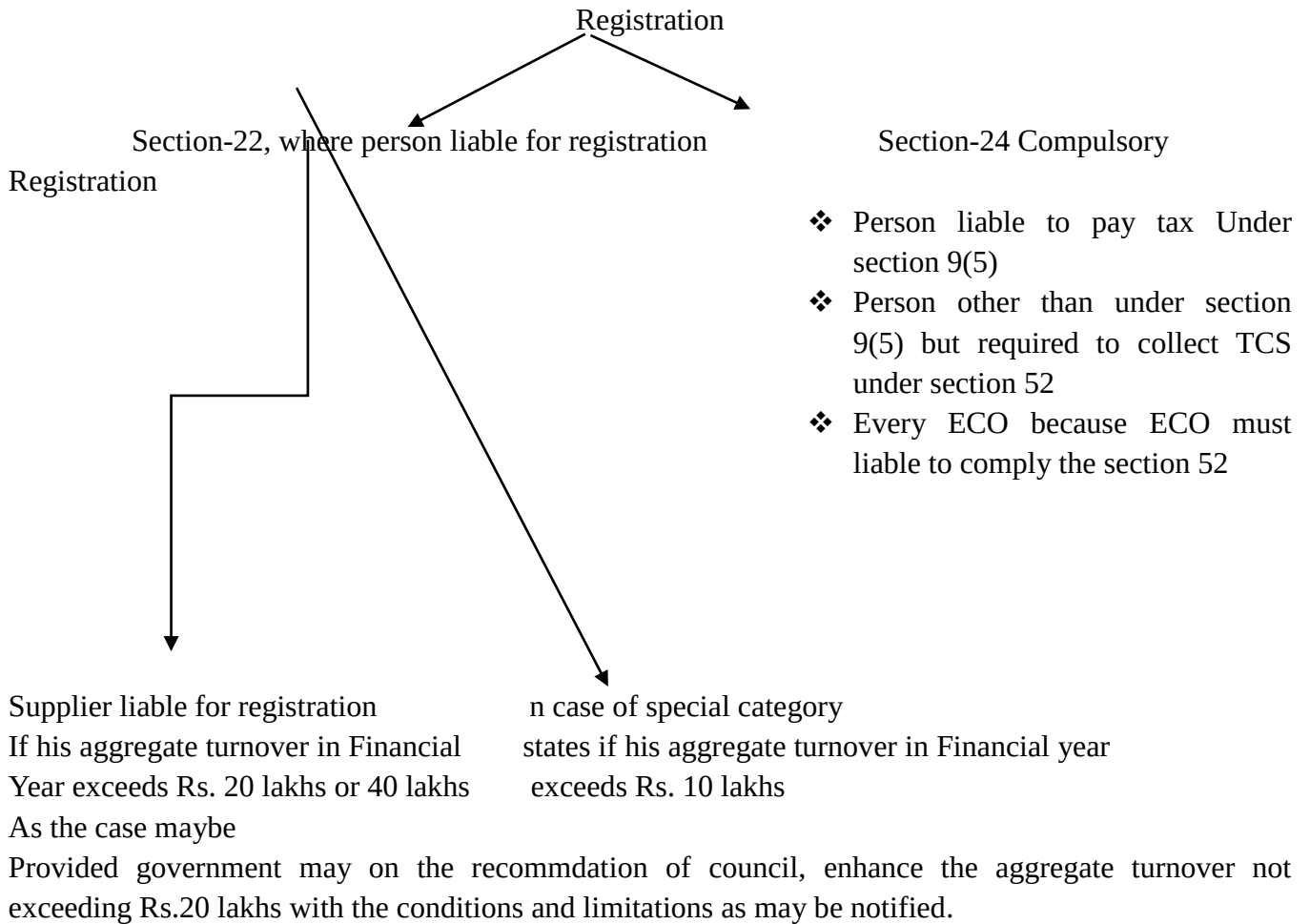
On July 1, 2017, the GST was implemented in India, with three main models: (i) Central GST, (ii) State GST, and (iii) Dual GST. Previous indirect taxes are not much suitable for electronic commerce.

In GST Act, there are proper taxation provisions for ECOs.

As per **section 2(45)**, “Electronic commerce operator” means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

As per **section 2(44)**, “Electronic commerce” means the supply of goods or services or both, including digital products over digital or electronic network.

Registration of ECOs for GST:-



There are two taxation provisions under this Act:-

1. In first case, supplier who is registered under GST Act availing services of ECOs pay tax directly to the government. But ECOs are responsible to collect an amount @ 5% from such supplier.
2. In second case, ECOs are liable to pay tax to Government on the behalf of supplier, this is the condition where supplier is not liable for registration Under Section 22(1) so ECOs are liable to pay tax under section 9(5) of CGST Act and/or under section 5(5) of the IGST Act. These services are known as notified services.

Where provision of section 9(5) is applicable then provisions of TCS will not apply.

As per circular No. 167/23/2021, taxes on notified services is not allowed to pay from Input Tax Credit. It has to be paid in cash only.

In GST Act, there are notified services on which tax shall be paid by the ECOs:-



- **Transportation of Passengers** includes Radio taxi, Motor Cab, Maxi Cab, Motor Cycle and any other motor vehicle except omnibus. In case if omnibus service provider is company than ECOs shall liable to pay tax.
- **Accommodation Services** includes Hotels, Inns, Guest Houses Clubs, Campsites or other commercial places meant for residential or lodging purposes
- **House-Keeping Services** including Plumbing and carpentering etc.

In case of online trading, composition suppliers also eligible for avail ECOs services in that case GST act facilitate taxation provision on composition supply.

- As per section 148, composition suppliers also supply there goods from online platforms.
- ECOs makes sure that composition suppliers cannot make inter-state outward supply because they are liable for intra-state outward supply only.
- GSTR-8, statement has to be filed by composition dealers and ECOs also responsible to furnish the details of supplies of goods made by composition dealers.
- As per 52, ECOs shall liable to deduct TCS on transaction (i.e. Net Value of Supply) made by composition dealers. Applicable TCS rate is @ 0.25%.

Net value supply/ Net taxable value :- means “Aggregate value of goods or services or both which liable for tax other than those on which tax is paid by ECOs under section 9(5) and reduced by the value of supplies returned to the composition dealers.

Tax Collection at Source is not collected on Exempt supplies, on Reverse Charge Mechanism, on Import of Goods or Services and Zero-rated tax Supplies.

Monthly Statements are required to file by ECOs:-

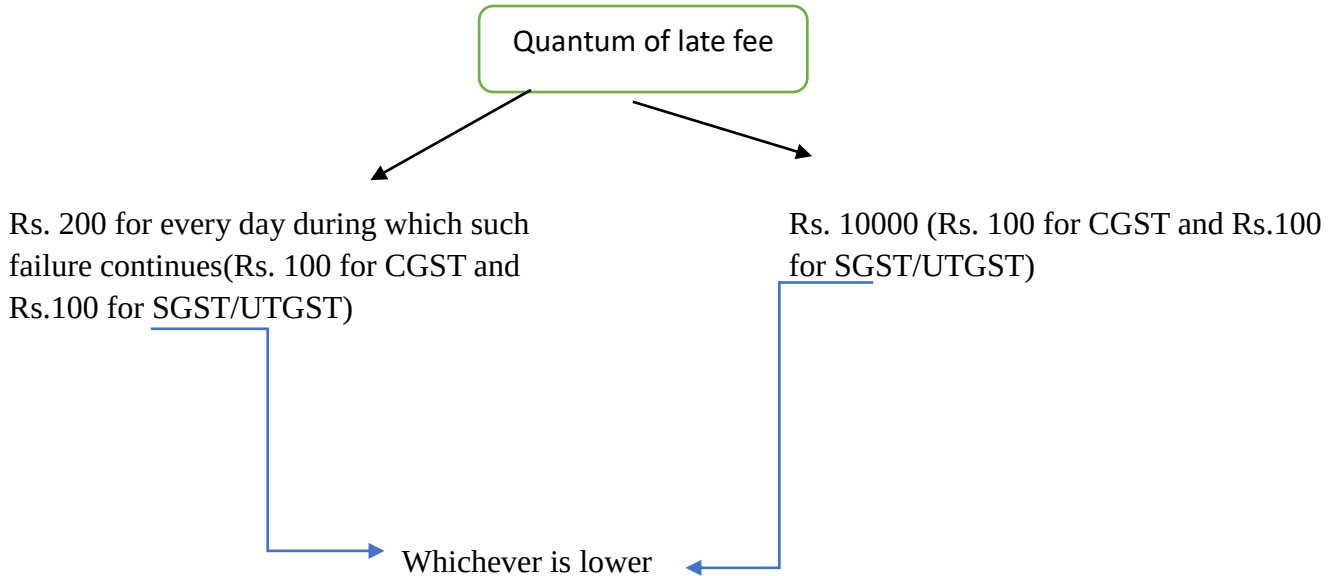
- **Form GSTR-8:-**Every ECO who is liable to collect and deposit the TCS to the Government shall furnish a monthly statement in Form GSTR-8 electronically on the common portal.
- Composite dealers can used the amount of TCS deducted as Input Tax Credit to pay his tax liability.

Due date for filing GSTR-8 → 10th of next month

Due date for payment → 10th of next month

This form can file only full liability has discharged.

Late fees for delay in filing GSTR-8 (Section-47)



Rectification of errors/omissions in GSTR-8

If ECO notice any discrepancy after filing of GSTR-8, without any scrutiny, audit, inspection or enforcement proceedings, ECO rectify that discrepancy in GSTR-8 to be filed in the month in which such discrepancy is noticed with payment of interest as per section 50.

Maximum time limit of Rectification of errors/omissions in GSTR-8

30th day of November following the end of the financial year to which such details pertain

Or

Date of filing of the relevant annual statement i.e. GSTR-9B

If there is no TCS liability and rejected documents shown in table 4 so it is not required to file GSTR-8. Maximum time limit for furnishing form GSTR-8 is 3 years from the relevant due date of filing.

- Form GSTR-9B is annual return which is filed by the ECOs by the 31st December of the next financial year.
 - Interest on non-collection/ short-collection/ incorrect amount of TCS - Maximum penalty under section 122 (vi)
 - Rs. 10000
 - or
 - 18% per annum on the amount not collected
 - or
 - 1.5% per month on the amount not collected
 - Collection of TCS is not depended upon the actual collection of the consideration it's collected when supply is done through ECO or amount of supply collected by the ECO.
 - Deputy Commissioner & officer rank above Deputy Commissioner has power to issue notice to an ECO for furnishing the details which he required like stock in warehouses/ Godown and supply of Goods & Services through its portal within 15 working days.
- If assess i.e. ECO fails to produce information ask by Deputy Commissioner, he shall be liable for penalty upto Rs. 25000/-.

- TCS must be paid in cash only, no input tax credit is allowed for payment of TCS to ECOs.

Open Network for Digital Commerce: -It refers to the digital commerce network which provides multiple interfaces in a single platform, means one ECO providing an interface to the seller and other providing an interface to the buyer. In this type of arrangements buyer interface collect consideration, deduct their commission and pass the rest amount to the seller interface then seller ECO has deduct TCS and complete compliances of section 52 before transfer consideration to seller account.

Buyer → Buyer Side-ECO → Supplier Side → ECO Supplier

Conclusion:-

Today, online business is the leading light of businesses, vibrant and escalating. As the result of this study shows that Every ECO has to register& must comply the requirement of TCS apart from that must maintain and keep the records of all the transactions of all supplier who sells their product through his portal

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