



**ORIGINAL RESEARCH PAPER**

**Commerce**

**AN INQUISITION UPON THE RAMIFICATIONS OF GST ON E-COMMERCE FROM COVID-19 IN INDIA**

**KEY WORDS:** Gross Merchandise Value, E-Commerce, GST, CAGR, e-tailing, Digital ecosystem

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**ABSTRACT**

GST metamorphose the intact economy of India through dominant readjust in indirect taxation. Prelude of GST certainly eradicate the cascading effect of taxation through harmonious credit availableness. According to NASSCOM, despite COVID-19 impeach / disturbance, India's e-commerce market endure to grow at 5%, with expected sales of US\$ 56.6 billion in 2021. In festive season for the year 2020, the Indian e-commerce GMV was recorded at US\$ 8.3 billion, a significant jump of 66% over the previous festive season. Similarly, the Indian e-commerce market recorded 88 million users in festive season for 2020, a significant jump of 87% over the previous festive season. For the 2021 festive season, Indian e-commerce platforms are contemplate the possibility to generate over US\$ 9 billion gross GMV (Gross Merchandise Value), a 23% increase from last year's US\$ 7.4 billion. The Indian E-commerce industry has been on a mounting growth trajectory and is expected to outdo the US to become the second largest E-commerce market in the world by 2034. According to Forrester Research, Indian e-commerce sales rose by 7-8% in 2020. The Indian online grocery market is estimated to reach US\$ 18.2 billion in 2024 from US \$1.9 billion in 2019, expanding at a CAGR of 57%. According to Grant Thornton, e-commerce in India is expected to be worth US\$ 188 billion by 2025. This paper intent to inquest the impact of GST on E-commerce sector of India pre and post Covid-19 with new Digital payment ecosystem which is user and consumer friendly. In influx to that this paper aims to grasp the effect of taxes that were levied earlier and effect of GST on E-commerce in the confer layout.

**INTRODUCTION**

GST is one of the structural reforms in indirect Taxation to club Goods and services in a single umbrella of Indirect Taxation regulation. Major tax reforms took place after 1991 by bringing service tax applicability through the finance Act 1994 and imposing a state-wise VAT. The Government's major source of revenue is dependent upon the collection of Taxes. Tax can be collected through Direct or Indirect Tax mode. In the past decade service sector was on the boom and one of the factors of this performance depends upon the achievement of E-commerce operators. The E-commerce sector performed very well in the last 20 years and holds a large proportion in revenue contribution. Since GST adaptation the registration is mandatory for E-commerce operators and sellers who want to sell their product or services online will have to produce the legal requirement for setting up the Regulation. From registration to product/service listing, selling and delivery is totally depends upon the favourable online environment and awareness cum internet literacy between users using an online platform, online sellers, and buyers. The Digital Ecosystem of our country is performing remarkably. Consumer or person – Business i.e. B2C or C2B payments individuals are adapting and using Digital payment more in the online delivery-based payment systems. The increasing shift towards digital payment systems can now become a new support system to help E-commerce in India with a noticeable growth.

eye of law because it can be reported and tracked easily and also eliminates Tax evasion. Revenue collection is more progressive and transparent if conducted through digital mode that the key change seen after implementing GST for better control over the different sectors of the economy. From the last 10 years, the Digital ecosystem gives the E-commerce sector a hand to increase their remarkable appearance in country evolution and transformation in structural reform in Tax revenue collection.

**Objectives Of The Study**

The Covid-19 crisis has a cumulative positive effect on the E-commerce sector. They find new opportunities to expand and enhance their growth through increasing demand via online mode. Significantly there was a shift seen towards consumer purchasing mode. Different sector opens their online platform through sites, and mobile software application to reach and target large consumers. E-commerce operates in every segment like consumer electronics, apparel, Medicine, food and groceries, jewellery furniture, and others. The study has the following objectives:-

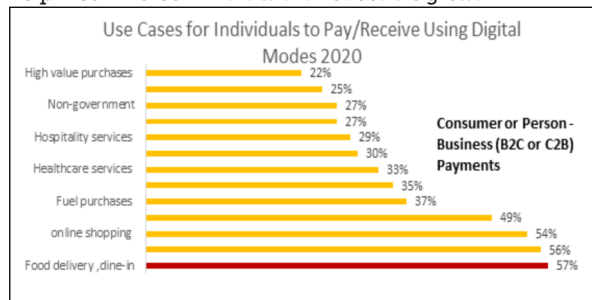
- To understand the importance of E-commerce sector in India during covid-19.
- Consumer Shift toward online mode of purchasing/ shopping in covid-19 period.
- Revenue collection through E-commerce operators and future possibility.
- To access the impact on trade increasing smartphone and internet users in India.

**Research Methodology**

This paper is an expository study based on secondary data of books, journals, articles, newspapers, and magazines. A descriptive type research design is adapted to have more accuracy and analysis of research study in accordance with the objectives of the study. The available secondary data is intensively used for the research study.

**Understanding The GST On E-commerce - Revenue Collection**

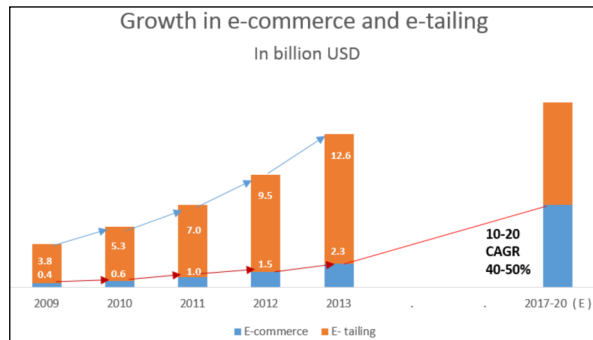
After the introduction of GST, E-commerce operators are more comfortable with the new Tax regulation and fulfilling the legal requirements necessary to comply with the provision strictly. If any business wants to become an online seller through an E-commerce platform they need the following requirements to get fulfilled i.e. GST registration, registered



**Source:** NASSCOM by NASSCOM'S DIGITAL PAYMENTS ADOPTION SURVEY September 2021.

The above data represents the increasing numbers of online consumers under online purchasing through different online trade segments. Online payment creates transparency in the

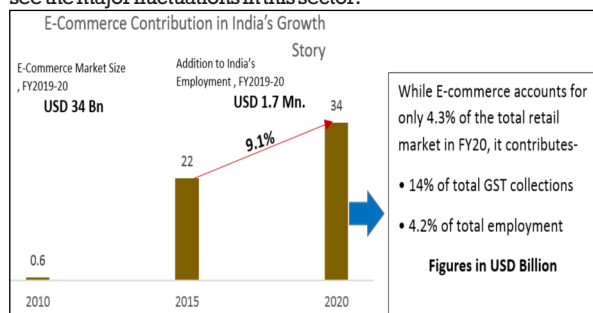
mobile number, and registered email id. If any consumer wants to purchase product or services online they need to register through an Email id or mobile phone number with respective E-commerce site through site visit and application software. Accordingly, the number of smartphone buyers and internet user's numbers is increasing day by day. That is directly associated with online business and their increasing revenue growth, as well as government collection, certainly grow with the scenario. India becomes the second largest online market after China. Growth possessed a shape of in climbing arrow which also signifies a positive correlation between e-tailing and e-commerce with revenue collection. Projection of the year 2017-20 defines the significant growth under this sector. The rapid growth of internet users will accelerate this positive sequence on revenue collection has a great impact over the coming years. Before covid-19 the E-commerce showed an eventual increase during the period of 2009 to 2020. During covid-19 time new sectors start their online platform. It will certainly work in a positive manner by increasing revenue from online sellers and buyers.



Source: CrIsil, IAMAI, PwC analysis and Industry experts

1. Source: Internet and Mobile Association of India research report
2. Source: IAMAI report titled 'e-Commerce Rhetoric, Reality and Opportunity'
3. Source: PwC analysis

E-tailing will push E-commerce more in the coming years. The estimation of CAGR gives an indication of growth plus contribution of the service sector in GDP. From 2009 to 2013 duration the share of E-tailing and E-commerce are increasing in more or less the same proportion. If that scenario continues for more than 10 years will see the equal participation of these two i.e. E-tailing and E-commerce. The growth signifies a very important aspect for the continuation of the collaboration between both. Future Estimations are founded by past date which represents the assured growth in revenue as well as GDP part to uplift the country economy. After regulating this sector in the coming years we can see the major fluctuations in this sector.



Source: \* Retail 4.0: India Story – Unblocking Value Through Online + Offline Collaborations, NASSCOM, March 2021

Sources: Economic Times, LiveMint, Business Standard, NASSCOM Research

**Benefits of GST on E-commerce sector in covid-19 times**

In the view of the Tax Authority first, we have to access the total

collection trends from GST and then the contribution from the E-commerce sector. India is the second-largest consumer base in the world and doubles the effect on all sectors of the country's economy, contributing 14% of total GST collection and 4.2% of total employment in the financial year 2019-20 in retail.\* E-Commerce in India is growing at 3-4 times the rate of traditional brick and mortar retail. The performance rate of online + offline retail will surely give investment opportunities and return during the trade revenue recovery cycle.

Growth of this sector in India now depends upon the logistics and support of supply chain approximately reaching almost 100% India's PIN codes. Local offline sellers now join the online platform and grow their turnover. Even new Startups and sole proprietors without going offline had performed very well in the digital model of trade. Government initiatives like Digital India, Skill India, Make in India, Start-up India gives strength to enhance performance in the revenue context.

**Present Condition Of E-commerce Operators Post Pandemic In India**

In India 2021 when coronavirus cases are sloping downward and festival seasons are on E-commerce operators like Amazon, flip-kart, and others register hike in online selling of their products and services. The two dominant e-commerce marketplaces, Amazon India and Walmart-owned Flipkart began their festive season sale events from October 2 and are running it for longer this time around, unlike in previous years. They are giving huge discount during this festive season that attracts new buyers. As compared with last year's festive season E-commerce sector marked a 20% growth. During lockdown and restriction, survival is crucial for the general public they are struggling to fulfil their basic necessity. That creates a new world for them i.e. online marketing at first it seems tough to them but as the lockdown continued they are mastering them self and knowing the real meaning of digitalization.

**Recent Development in Indian E-commerce sector**

Digital India initiative was launched on 1st July 2015 to promote digitalization and create a user-friendly environment. Since its inception and promotion on large scale by the Government of India had a positive effect across the country. On 30th December 2016 by NPCI new payment application BHIM was launched to strengthen the secure online payment system in India and provide a general platform to the public. It's helped a lot in digitalization and indirectly uplift the growth of the E-commerce sector. The various study gives the indication that if internet users with smartphone are increasing then it will support the drastic growth in the E-commerce sector. The government of India had launched different digital platforms for the society like UMANG, DigiLocker, e-Sampark, PMGDisha, and many more to empower society. Government new initiatives like Digital India, Skill India, Make in India, Startup India boost GDP growth and its shape. Technology gives new power to buyers and sellers by providing faster and safer tools to accomplish their needs. Now experts are doing trade through this mode and exploring possibilities associated with different offline segments to go online.

**Impact Of Covid-19 On Indian E-commerce Sector**

The E-commerce sector was on a new ear during the coronavirus pandemic. It creates a new opportunity in the field of community service, medicine, education, food & restaurant, film, television, and logistics. During the lockdown, a barrier between seller and buyer was clearly visible but the E-commerce sector filled that gap and reduce the barrier which was a real challenge at that time. That was one of the best things during lockdown because this online marketing sector holds the declining growth of GDP and helps in the contribution of the service sector in Government revenue collection. Many local sellers are now offering their products

and service through this online platform. Grant Thornton throws the insight into coronavirus and consumer behaviour analysis. Before covid-19 many internet users in India only used smartphones and the internet for socializing and connecting with people but during the covid-19 pandemic, they know the power of the internet, social media, and online marketing. Trends are changing day by day consumers are attracted to online marketing.

### CONCLUSION

As time flows education, trade, community services, digital payments, and work from home enlightened the path for new digital India. Now the digital ecosystem feels more power ever before the pandemic occurs. The scenario is completely changed and a continuous shift towards offline to online can easily be seen. After much awareness by way of different online campaign, consumers' fear of online purchasing was decreased and they are now becoming fearless to a great extent. The study showed the way of life and improvement in human beings to fulfil their needs through online mode pre and post covid-19 pandemic. Now transparency, clarity, integrity, and secured payment system are boosting the morale and motive of new retail customers. Government revenue collection is setting new records monthly/quarterly/yearly. E-commerce is having the weighted performance before and after Covid-19. Estimates can convert into achievements in coming years Tax collectors are receiving more revenue, E-commerce taxpayers can feel the new hassle-free legal Tax environment and consumers are enjoying the online purchase system accordingly. The future of this sector is now secure and fruitful for everyone in the ecosystem i.e. Tax collectors, Taxpayers, and consumers of goods and services.

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