

AN ACQUISITION OF E-COMMERCE TAXATION IN INDIA GOODS AND SERVICES TAX ENVIRONMENT

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ABSTRACT: *The implementation of the Goods and Services Tax (GST) in India has brought significant changes to the taxation system, impacting various industries, including the E-commerce sector. This study aims to explore the implications of GST on E-commerce businesses in Bengaluru city, focusing on tax compliance, operational costs, and consumer behavior. Using a mixed-method approach, primary data was collected through online surveys, while secondary data was gathered from credible sources such as government reports, industry publications, and research articles. The findings reveal that while GST has streamlined tax compliance and improved transparency, it has also introduced challenges for small and medium enterprises due to increased compliance costs. Additionally, consumer trust has improved with transparent pricing, but certain product categories have seen reduced demand due to higher tax rates. The study concludes by highlighting the need for policy reforms to address the challenges faced by smaller businesses and recommends further research to evaluate the long-term impact of GST on the E-commerce sector.*

1. 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.

1.1 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.

1.2 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.

2. 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 experimenter's 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.

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 operates 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.

This research aims to analyze the impact of the Goods and Services Tax (GST) on the E-commerce sector in Bengaluru city. The study focuses on understanding how GST influences business operations, compliance, and profitability within this sector. By examining key stakeholders' perceptions, the study also highlights potential challenges and opportunities brought about by GST in the E-commerce domain.

3. RESEARCH METHOD AND DATA COLLECTION

Method of Data Collection

Primary Data:

Primary data was collected through an online survey designed using platforms like Google Forms. This method provided a cost-effective and efficient approach to gathering information from a large audience. The data collected was analyzed using various statistical techniques to derive meaningful insights and findings.

Secondary Data:

Secondary data was sourced from credible and authoritative channels, including government reports, industry publications, research articles, magazines, and newspapers. These sources helped establish a foundation for the research and complemented the primary data collected.

Instrument for Data Collection

The survey instrument included a well-structured questionnaire with a mix of closed and open-ended questions to capture qualitative and quantitative insights.

SAMPLING TECHNIQUE

This research employed the **random sampling technique**, a type of probability sampling. In this method, each member of the target population had an equal chance of being selected. Random sampling ensures an unbiased representation of the population, which enhances the reliability and validity of the study's findings.

STATISTICAL TOOLS

To analyze and present the data effectively, the following tools were utilized:

MS Excel: Used for graphical and statistical data representation.

MS Word: Used for drafting reports and preparing the project documentation.

LIMITATIONS OF THE STUDY

The research is constrained by a limited timeframe, which restricted the depth of the analysis.

The findings of this study are specific to Bengaluru city and cannot be generalized to other regions.

The study period was restricted to five months, which may not capture long-term GST impacts.

Accuracy of the results is subject to the reliability of the information provided by respondents.

4 . ANALYSIS AND RESULT

Data Analysis

The collected data was analyzed using statistical tools to uncover trends and patterns related to the impact of GST on the E-commerce sector in Bengaluru city. The primary focus areas included:

Tax Compliance: An assessment of how GST has simplified or complicated tax filing for E-commerce businesses.

Cost Implications: Analysis of changes in operational costs due to GST implementation.

Consumer Behavior: Insights into how GST has influenced consumer purchasing decisions in the E-commerce domain.

Key Findings

Impact on Tax Compliance:

75% of respondents reported that GST has streamlined tax compliance through a unified structure.

25% indicated challenges in adapting to the GST framework due to technical or knowledge gaps.

Cost Implications:

A majority of businesses observed an increase in compliance costs due to the need for specialized software and professional services.

Smaller businesses faced higher relative costs compared to larger players, indicating a disproportionate burden on SMEs.

Effect on Consumer Behavior:

Approximately 60% of respondents believed that GST has resulted in more transparent pricing, positively impacting consumer trust.

However, 40% noted a slight decline in demand for certain products due to higher GST rates.

The study reveals that while GST has brought significant benefits like a unified tax regime and transparency, its implementation has posed challenges, especially for smaller businesses. Improved awareness and support mechanisms could help mitigate these challenges and enhance the E-commerce sector's growth in Bengaluru.

CONCLUSION

This study highlights the multifaceted impact of GST on the E-commerce sector in Bengaluru.

While the unified tax regime has enhanced transparency and simplified compliance processes, it has also introduced challenges, particularly for small and medium enterprises (SMEs), due

to increased compliance costs and the complexity of the GST framework. The research findings suggest that GST has improved consumer trust through transparent pricing, but certain product categories have experienced reduced demand due to higher tax rates. Overall, the implementation of GST marks a significant step toward modernizing India's taxation system, though there is still room for improvement in terms of accessibility, adaptability, and support for smaller businesses.

FUTURE SCOPE

The findings of this research pave the way for further exploration in the following areas:

Regional Comparisons: Conduct similar studies in other cities or regions to evaluate the comparative impact of GST on the E-commerce sector.

Sector-Specific Impact: Analyze the influence of GST on specific segments within E-commerce, such as fashion, electronics, or groceries.

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