



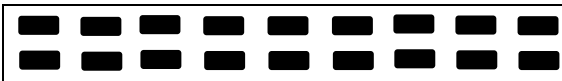
# DRIVING E – COMMERCE ON THE ROADS OF GST

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With the advent of 4G internet technology and availability of Smart phones at affordable prices the growth in Mobile Commerce and E commerce industry is phenomenal. India has become the second largest smart phone market in the world, after China.

E-commerce is a transaction of buying or selling online for example Mobile commerce, internet marketing, online auctions, payment gateways, online ticketing, internet banking and last but not the least ONLINE SHOPPING.

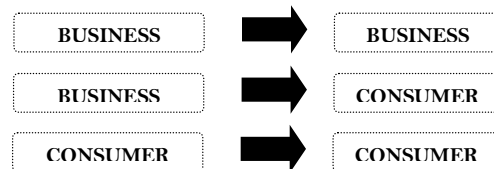


E Commerce is a fast and convenient way of doing Business without any Geographical Barriers hence, stretching to a large number of Audiences. It has revolutionised the way business is done in India. Today, E Commerce is not only confined to the cities but it has also reached the rural areas, which has led to a huge growth in the sales through mobile commerce. The E-commerce market in India is very Competitive having Big E Commerce players fighting hard to gain the Market Share.

Foreign Direct Investment has been permitted in E commerce Market place. Business Models prevalent in our Country has resulted in substantial growth of E commerce retail business. E commerce business of India likely to exceeds ₹100 billion US dollars within the coming few years. The evidences of confirmed growth of E commerce sector in India are the increase in online sale of costly and luxurious items jewelleries and priorities like Medicines. There are various ways of making payments through electronic modes such as e- wallets, credit cards debit cards, net-banking and more but the most preferred Payment method in India is still Cash on Delivery (COD).The feeling of trust among people regarding online payments transfer to an E Commerce

operator or Seller is also adding to increased online sales. The major contributor to E commerce sales are Electronics and Apparel.

### Major Classification of E commerce Business



**BUSINESS TO BUSINESS [B2B]:** B2B, or Business-to-Business means when one business directly market to other businesses rather than to individual customers. The goal is to connect businesses to their suppliers, distributors and other parts of the supply chain. The examples are Indiamart.com, TradeIndia.com, truckkars.com, Sulekha.com etc. B2B improve efficiency for companies by enhancing productivity, improved quality, lowered costs and faster delivery.

**Business to consumer [B2C]:** Business-to-consumer – “B2C” – refers to commerce between a business and an individual consumer. These are business or transactions conducted directly between a company and consumers who are the end-users of its products or services. The examples are Flipkart, Amazon, Snapdeal, PayTM, Shopclues, etc

**Consumer to Consumer [C2C]:** It is an unique way to allow customers to interact with each other. Those who want to buy, sell or trade items online take part in C2C e-commerce. Here consumers interact directly with each other. One of the best examples of a site where consumers can sell online to other consumers is eBay. eBay is the largest auction site on the web.

## Operating Models of E – Commerce Business

**MARKET PLACE**

**AGGREGATOR MODEL**

**INVENTORY MODEL**

**MARKET PLACE MODEL:** In this Business Model, product or service information is provided by different vendors but the transaction processing is done by the marketplace operator and delivery is done by the participating retailers or wholesalers. This is a Zero Inventory Model i.e. company acts as an intermediary for buyers and sellers without storing goods. Marketplace provider charges a percentage of the sale amount as his revenue share from the vendor. The online giants like Amazon and Flipkart are working on this model.

**AGGREGATOR MODEL:** The Aggregator Business Model is a model of providing services of unorganized sector in an organized way under a **ONE BRAND**. Here, **Aggregator is a Brand** and the services provided by an Aggregator has a **standard quality and price**. The best Example of Aggregators are Taxi service Giants OLA and UBER.

**INVENTORY MODEL:** In this model inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly. Here e-commerce Operator is the seller and it issues invoice to the customer in its own name.

## E COMMERCE THROUGH THE EYES OF GST

In the recent times, the growth of E – Commerce has been substantial throughout the world. On the one hand the Initiative of Digital India and Startup India have given a further boost to e-Commerce Industry but on the other hand few regulatory and taxation issues act as path breakers for the Industry.

<b>E – Commerce</b>	<b>Electronic Commerce Operator</b>
<i>As per Section 2(44) of the Central Goods and Services Tax (CGST) Act, 2017, unless the context otherwise requires, the term “electronic commerce” means the supply of goods or services or both, including digital products over digital or electronic network.</i>	<i>As per Sec. 2(45) of the CGST Act, 2017 unless the context otherwise requires, the term “electronic commerce operator” means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.</i>

In other words, if a person facilitating actual suppliers to supply goods through their platform are called E-Commerce Operator. On the other hand if a person supplying goods / services on his own account then would not be considered as an E Commerce Operator. For example, Amazon and Flipkart are e-commerce Operators because they are facilitating actual suppliers to supply goods through their platform. Amazon and Flipkart will not be treated as e-commerce operators in relation to those supplies which they make on their own account.

## Mandatory GST Registration of E- Commerce Operator

Sec 24 of CGST Act provides the following person are liable for compulsory registration irrespective of aggregate turnover:-

- (ix) persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52
- (x) every electronic commerce operator;

### No Benefit under Composition Scheme

Composition Scheme is a simple and easy scheme under GST for taxpayers. Under this Scheme, a Dealer can opt to pay a fixed percentage of turnover as fees in lieu of tax and be relieved from the detailed compliance of the provisions of law.

Composition Scheme is not available for online sellers selling Goods through E-Commerce operators.

*Section 2(d) of CGST Act, 2017 provides that any person engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52 cannot opt in under this levy.*

Therefore, any dealer who is supplying goods through electronic commerce operator will not be allowed to avail benefit under composition scheme.

For example: If M/s Sachin Traders sells its products through Flipkart or Amazon (Electronic Commerce Operator), then M/s. Sachin Traders cannot opt for composition scheme.

### Taxable Value

The “**net value of taxable supplies**” means the aggregate value of taxable supplies of goods or services or both, other than the services on which entire tax is payable by the e-commerce operator, made during any month by all registered persons through such operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month. The Net Value of Taxable Supplies is explained below with example:

Aggregate value of Taxable Supplies	100
Less: Supplies returned	20
Less: Supplies under Section 9(5)	30
<b>Net Value of Taxable Supplies</b>	<b>50</b>

### TCS compliance

TCS or Tax Collected at Source refers to the tax which is collected by the electronic commerce operator when a supplier supplies some goods or services through its portal and the payment for that supply is collected by the electronic commerce operator.

E-commerce Operator, as notified by the Government, has the responsibility to collect the ‘tax’ at a rate of 1% from the supplier on the taxable value of the product/services.

Suppose a Garment is sold at ₹100/- through an Operator by a seller. The Operator would deduct tax @ 1% of the net value of ₹100/- i.e. ₹1/-.

The amount of tax collected by the Operator is required to be deposited by the **10<sup>th</sup> of the following month**, during which such collection is made.

The Operator is also required to furnish a monthly statement in **Form GSTR-8** by the **10<sup>th</sup> of the following month**.

The Operator is also required to file an **Annual statement** in prescribed form by the **31<sup>st</sup> of December** following the end of every financial year

The tax collected by the Operator shall be credited to the cash ledger of the supplier who has supplied the goods/services through the Operator. The supplier can claim credit of the tax collected and reflected in the return by the Operator in his [supplier's] electronic cash ledger.

The details of the supplies, including the value of supplies, submitted by every Operator in the statements will be matched with the details of supplies submitted by all such suppliers in their returns. If there is any discrepancy in the value of supplies, the same would be communicated to both of them. If such discrepancy in value is not rectified within the given time, then such amount would be added to the output tax liability of such supplier. The supplier will have to pay the differential amount of output tax along with interest.

### **RETURN FILING**

E Commerce Operators are required to file the following returns:

<b>RETURN</b>	<b>GSTR 1</b>	<b>GSTR 2</b>	<b>GSTR 3</b>	<b>GSTR 8</b>	<b>GSTR 9</b>
<b>Details</b>	Sales	Purchases	Monthly return along with payment of Tax	Supplies processed and amount of tax (TCS) collected	Annual GST Return
<b>Frequency</b>	Monthly	Monthly	Monthly	Monthly	Yearly
<b>Due Date</b>	10 <sup>th</sup> of next month	15 <sup>th</sup> of next month	20 <sup>th</sup> of next month	10 <sup>th</sup> of next month	31 <sup>st</sup> Dec of next financial year

### **ROLE OF CMA**

Cost and Management Accountant has to play a very pivotal role which is not only restricted to consultancy to clients, but also imparting education and training regarding how to troubleshoot complexities of E-Commerce Transactions.

As the CMA's are the maestro in Finance and Taxation field, it ultimately cast a huge responsibility on the shoulders of each Cost and Management Accountant which demands that we should have an expertise in the Law, Practice and Procedures of Goods and Service Tax e.g and registration and returns, Generation and Payment of challan, Documentation, liasoning with Govt.

Authorities and last but not the least AUDIT under GST LAW.

GST is highly IT oriented there are many small businesses who are still working in a non computerized environment. To sell their goods on online portal they have to work under Computerized environment. As Cost and Management Accountant equipped with a sound knowledge of Information Technology they can help them in migrating from Manual to Computerized environment. Therefore, in this way Cost and Managements can help the Nation in fulfilling the objectives of GST and DIGITAL INDIA.

As far as GST Compliance aspect is concerned, CMAs assist the client in Preparation of The Monthly and Annual Returns to be filed by E Commerce Operator and Supplier. For Example GSTR 3B, GSTR 1, 2, 3, 8.