

Impact of GST on E-Commerce

B2B & B2C Transaction under GST

- B2B stands for 'Business to Business'
- B2C stands for 'Business to Consumers'
- **Nature of Supply**
 - There is several B2B transition in one supply chain of a product until it reached to ultimate consumer where a B2C transaction occurs.
 - The credit of GSTs (CGST/SGST/IGST) paid in B2B moved through entire supply chain where the supply receiver is paying GSTs and Supplier gets credit of input tax paid at the time of acquisition.
 - In B2C transaction the supply receiver is the ultimate consumer who shall ultimately bear the all GSTs paid on the final supply and not entitled to get any credit of GSTs paid by him.

Definition of E-commerce

- E-Commerce is defined like this in Section 43B(d) of the MGL (Model GST Law) – Electronic Commerce to mean the supply or receipt of goods and/or services, or transmitting of funds or data, over an electronic network, primarily the internet, by using any of the applications that rely on the internet, like but not limited to e-mail, instant messaging, shopping carts, web services, universal description Discovery and integration (UDDI), File Transfer Protocol (FTP) and Electronic Data Interchange (EDI) whether or not the payment is conducted online and whether or not the ultimate delivery of the goods and/or services is done by the operator.
- Section 43B(e) of the MGL defines an Electronic Commerce Operator (Operator) as every person who, directly or indirectly, owns, operates or manages an electronic platform which is engaged in facilitating the supply of any goods and/or services. Also a person providing any information or any other services incidental to or in connection with such supply of goods and services through electronic platform would be considered as an Operator. A person supplying goods/services on his own account, however, would not be considered as an Operator.

Definition of E-commerce

E-Commerce Operator

Amazon and Flipkart are e-commerce Operators because they are facilitating actual suppliers to supply goods through their platform (popularly called Market place model or Fulfillment Model)

Not an Ecommerce Operator

Amazon and Flipkart will not be treated as e-commerce operators in relation to those supplies which they make on their own account (popularly called inventory Model).

Not an Ecommerce Operator

Titan 78 supplying watches and jewels through its own website would not be considered as an e-commerce operator for the purposes of this provision.

Key Points on E-commerce

- No threshold for GST registration
- No Benefit under Composition Scheme
- Both ecommerce Operators and sellers would have to simultaneously register these warehouses as Principal and Additional Place of Business, respectively.
- Registration in each individual states
- Treatment of stock transfer from seller to the warehouse under GST would be different as any 'supply' is taxable.
- Sellers on e-commerce platforms are required to deduct Tax at source (TDS) on the commission they pay to the platform.
- Freebies or discounts will have to be explicitly mentioned in the invoice to arrive at transaction value on which GST is applicable. Any post sale discount will attract GST.

Changes for Market Places ERPs

- Both e-commerce player and seller will have to upload invoice wise details of supplies in their respective returns and the GST system will match them. In case of any supply reported by platform and not reported by marketplace, unless reconciled will be added to the liability of the seller.

Changes for Market Places ERPs

- Each Order or Invoice will now need to carry HSN or SAC code as well.
- Place of Supply has to be determined (based on GSTIN for B2B and delivery address for B2C).
- ERP needs to be tweaked for deduction and accounting of TDS and reversal of the same in case of sales return.



Thank You!