

Ecomm Cos say GST will be Taxing for Customers

Limiting GST rate to below 18% is among 15 recommendations made by IAMAI-PwC report

The ecommerce industry wants lower overall tax for the industry once the Goods and Services Tax (GST) Bill gets passed, so as to avoid an increase in costs for the end consumer. It also asked the government to sort out the state-level “entry-tax” issues.

A joint report by industry body Internet and Mobile Association of India (IAMAI) and consultancy Pricewaterhouse Coopers (PwC), shared exclusively with ET, has identified and made 15 recommendations pertaining to online marketplaces and ecommerce under the proposed GST regime.

“The overall GST rate should be lower, especially since currently services are taxed at 14.5%, and any increase beyond 18% could make services extremely expensive for the end customer,” noted the report.

One of the key concerns of ecommerce companies is the state value added tax (VAT). “One of the provisions to this effect should clearly state when and for which transaction the ecommerce company or vendor on the ecommerce platform is liable to pay GST. In a marketplace model, it should be clarified that the ecommerce company is liable to pay tax on the amount charged by the company from the vendors for providing various services,” says the report.

“The ‘one-tax, one-market’ concept on which the GST is based, should be a welcome step for online marketplaces. To create clarity in terms of the tax treatment of online marketplace sector transactions, sector-specific provisions need to be introduced in the GST regime,” said Sandeep Ladda, partner and leader, technology & ecommerce, PwC India.

The report further says that specific rules should be framed regarding when a service will be interstate or intrastate. “This is imperative for ecommerce transactions as it is difficult to identify interstate transactions in the case of services provided over the internet,” noted the report. The recommendations include defining ecommerce appropriately to remove the ambiguity and confusion with “aggregator” and “intermediary” under indirect tax laws.

Another point highlighted by the report is defining ‘location of service provider’, where place of supply for ecommerce service providers should be based on the location of the service provider in the case of B2C transactions and that of the service recipient in the case of B2B transactions.

It further adds that online marketplaces should only be liable to pay taxes on the service fees they earn. The seller would be liable to pay GST on goods being sold in an online marketplace.

The industry has also asked for clarity on whether services provided in Jammu and Kashmir would be taxable under GST. The state is currently considered outside taxable territory.

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