



An Impacts of GST on E-Commerce Business Like Amazon and Flipkart

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ABSTRACT

The implementation of the Goods and Services Tax (GST) has brought a significant transformation in the Indian taxation system, particularly in the rapidly expanding e-commerce sector. GST, introduced in 2017, replaced multiple indirect taxes such as VAT, service tax, and excise duty with a single unified tax structure, thereby simplifying the taxation process and promoting transparency across the country. This reform has had a substantial impact on major e-commerce platforms like Amazon and Flipkart, which play a crucial role in connecting sellers and consumers in the digital marketplace.

This study aims to analyze the impact of GST on various aspects of e-commerce business, including operational efficiency, compliance requirements, cost structure, and seller performance. Special emphasis is placed on the Tax Collected at Source (TCS) mechanism, which requires e-commerce operators to collect tax on behalf of the government. While this system enhances transparency and ensures better tracking of transactions, it also affects the liquidity and working capital of sellers by reducing their immediate cash inflow.

The research is based on secondary data collected from journals, government reports, and reliable online sources. The findings of the study indicate that GST has contributed to improved transparency, increased digitalization, and a more organized tax structure in the e-commerce sector. However, it has also

led to an increase in compliance burden, technical complexities, and operational challenges, especially for small and medium sellers. Overall, the study concludes that although GST is a progressive reform, there is a need for further simplification and support measures to ensure its effective implementation in the e-commerce ecosystem.

I. INTRODUCTION



In the last decade, the Indian economy has experienced rapid and noticeable changes, mainly due to two major developments: the growth of the e-commerce sector and the introduction of the Goods and Services Tax (GST). Both of these have played an important role in reshaping how businesses operate in India. GST was implemented on 1st July 2017 as a major tax reform with the aim of simplifying the indirect tax system. Before GST, businesses had to deal with multiple taxes such as Value Added Tax (VAT), service tax, excise duty, and various state-level taxes. This created confusion, increased costs, and led to inefficiencies in the system. GST replaced all these taxes with a single, unified structure, making the system more organized and easier to understand. It follows the concept of “One Nation, One Tax,” which helps in creating a common national market and reducing tax-related complications.

Along with this, the rise of digital technology and internet usage has led to the rapid expansion of e-commerce in India. Platforms like Amazon and Flipkart have transformed the traditional way of buying and selling goods. Instead of depending only on physical stores, businesses can now operate online and reach customers across different states and regions. This has removed geographical barriers and opened up new opportunities for sellers. Small and medium enterprises (SMEs), as well as individual sellers, have especially benefited from these platforms, as they can now compete in a larger market without heavy investment in infrastructure. E-commerce has also made shopping more convenient for customers, offering a wide variety of products, competitive pricing, and home delivery services.

The introduction of GST into the e-commerce sector has further influenced how these businesses function. On one hand, GST has made the taxation system more transparent and uniform across the country. It has also encouraged digital record-keeping and reduced the chances of tax evasion. The movement of goods between states has become smoother due to the removal of multiple state-level taxes and checkpoints, which has improved logistics and delivery systems for e-commerce companies.

On the other hand, GST has also introduced several new rules and compliance requirements that businesses must follow. Sellers operating on e-commerce platforms are required to register under GST, even if their turnover is below the usual threshold limit. They must regularly file returns, maintain detailed transaction records, and comply with provisions such as Tax Collected at Source (TCS), where a small percentage of tax is collected by the platform on behalf of the government. These requirements can be time-consuming and complicated, especially for small sellers who may not have enough knowledge or resources to manage such processes effectively.

As a result, the impact of GST on the e-commerce sector is mixed. While it has brought many improvements such as transparency, standardization, and better regulation, it has also increased the compliance burden and created operational challenges for sellers. Large companies like Amazon and Flipkart are able to handle these changes more efficiently due to their strong systems and resources, but smaller sellers often find it difficult to adapt.

Therefore, it becomes important to study and understand the actual impact of GST on e-commerce businesses in India. This study aims to examine both the positive and negative effects of GST, particularly in the context of major platforms like Amazon and Flipkart, in order to understand how this tax reform has influenced business operations, seller performance, and overall growth in the e-commerce sector.

II. NEED AND SCOPE OF THE STUDY

The need for this study comes from the important role that GST plays in shaping how e-commerce businesses work in India today. After GST was introduced, many changes took place in the taxation system, which directly affected online businesses and the sellers who depend on these platforms. At the same time, the e-commerce sector has been growing very fast because more people are using the internet, online shopping has become common, and digital payments are widely accepted. Because of this rapid growth, it is necessary to understand how GST is actually affecting this sector in real life. This study helps in finding out whether GST has really made the tax system simpler and more transparent, or whether it has created new difficulties for businesses, especially for small sellers who may struggle with rules and procedures. It also helps students, business owners, and policymakers to better understand the practical impact of GST on e-commerce activities.

The scope of this study is limited to major e-commerce platforms like Amazon and Flipkart, as they are among the largest and most popular online marketplaces in India. These platforms provide a clear idea of how GST works in the e-commerce



sector. The study mainly focuses on areas such as taxation under GST, compliance requirements, and the problems faced by sellers while operating on these platforms. It also considers specific provisions like Tax Collected at Source (TCS) and how they affect the cash flow and financial position of sellers.

The study is based only on secondary data collected from reliable sources such as government reports, research articles, official websites, and financial newspapers. No primary data like surveys or interviews has been used. Also, the study focuses only on the Indian e-commerce sector, so the results are limited to India and may not apply to other countries.

III. LITERATURE REVIEW

A number of researchers, academicians, and industry experts have studied the impact of the Goods and Services Tax (GST) on the Indian economy, with special focus on the e-commerce sector. Most of these studies agree that GST has been a major reform that has simplified the indirect taxation system in India. Before GST, businesses had to deal with multiple taxes such as VAT, service tax, excise duty, and various state-level taxes. This not only made the system complicated but also increased the overall cost due to the cascading effect, where tax was charged on tax. With the introduction of GST, these issues have been largely reduced, as it provides a single, unified tax structure. Many researchers have highlighted that this has made taxation more transparent, systematic, and easier to manage, especially for businesses operating across different states.

In addition to simplifying taxation, several studies have pointed out that GST has encouraged better record-keeping and increased the use of digital systems. Since GST requires businesses to maintain proper invoices and file returns online, it has promoted digitalization and reduced the chances of tax evasion. This has helped in bringing more businesses into the formal economy and improving overall tax compliance. Researchers also mention that GST has improved logistics and supply chain efficiency, as the removal of state barriers has made the movement of goods faster and smoother, which is particularly beneficial for e-commerce companies.

However, despite these advantages, the literature also highlights several challenges associated with GST implementation. One of the most commonly discussed issues is the increased compliance burden. Under GST, businesses are required to register, file multiple returns, match invoices, and maintain detailed records on a regular basis. For large organizations, these requirements can be managed with proper systems and professional support. But for small and medium sellers, especially those operating through e-commerce platforms, these procedures can be difficult to understand and follow. Many studies suggest that the complexity of compliance has increased the cost of doing business for smaller sellers.

Another important aspect discussed in previous research is the Tax Collected at Source (TCS) mechanism, which is specifically applicable to e-commerce platforms such as Amazon and Flipkart. Under this system, e-commerce companies are required to collect a small percentage of tax from sellers on each transaction and deposit it with the government. While this helps in improving transparency and tracking transactions, it has also been identified as a challenge for sellers. Since a portion of their revenue is deducted at the time of sale, it affects their immediate cash flow and working capital. Several researchers have noted that this can create financial pressure, particularly for small sellers who depend on regular cash inflow for their business operations.

Furthermore, some studies have highlighted practical issues such as technical problems with the GST portal, lack of awareness among sellers, and frequent changes in GST rules and regulations. These factors often create confusion and make compliance more difficult. Researchers also point out that while large e-commerce companies have the resources and technology to adapt quickly to these changes, smaller sellers often struggle due to limited knowledge and support. This creates an imbalance in the system, where bigger players benefit more compared to smaller participants.

Overall, the existing literature shows that GST has brought both improvements and challenges to the e-commerce sector. On one hand, it has simplified the tax system, increased transparency, promoted digital transactions, and supported the growth of online businesses. On the other hand, it has increased compliance requirements, created operational difficulties, and affected the financial position of small sellers. These mixed findings highlight the need for a detailed and practical analysis of the impact of GST on e-commerce businesses, particularly in the context of major platforms like Amazon and



Flipkart.

IV Research Methodology

Research methodology is the way we do research step by step.

It tells us how to study a problem. Research methodology explains how we gather information and how we look at the results. In this study we want to see how Goods and Services Tax (GST) affects e-commerce. We are using information that already exists.

2. Research Design

We are using two kinds of research design.

- **Descriptive Research:** this is used to understand things like GST and e-commerce. It helps us know what is happening and how it is happening.
- **Analytical Research:** this is used to see how GST affects e-commerce. It looks at the bad things about GST and how it changes e-commerce.

Using both kinds of research makes our study useful and meaningful.

3. Nature of the Study

This study is about understanding ideas and what people think.

It is not about numbers. We are mostly looking at information that already exists of collecting new information.

4. Sources of Data

We are only using information that already exists.

Our sources include:

- Books
- Research papers
- Government websites
- Reports from industries
- Reports from companies
- Articles

These sources help us get information.

5. Data Collection Method

Since we are using existing information we collect data by:

- Choosing the sources
- Gathering the information we need
- Organizing the information properly
- Removing information that's not useful

This helps us get information that is correct and useful.

6. Tools & Techniques of Analysis

We are using some methods to analyze the information.

These methods are:

- Comparative Analysis



- Trend Analysis
- Interpretative Analysis
- Graphical Representation

These tools help us understand the information clearly.

7. Variables of the Study

Goods and Services Tax (GST) is the thing we are looking at.

things that are affected by GST are:

- How e-commerce works
- How sellers follow the rules
- The cost of doing business
- How profitable the business is
- How the market grows

This shows that GST has an impact on the e-commerce sector.

8. Hypothesis of the Study

We are testing two ideas:

Two assumptions are tested:

- **H₀ (Null Hypothesis):**
GST has no significant impact on e-commerce
- **H₁ (Alternative Hypothesis):**
GST has a significant impact on e-commerce

We want to see which idea is true.

9. Scope of the Study

Our study is focused on:

- How GST affects e-commerce in India
- Online platforms like Amazon and Flipkart
- The challenges that sellers face

There are some limitations to our study.

- We are only using existing information.
- We did not do any surveys ourselves.

This helps us understand what our study is about and what it's not, about.

V. DATA ANALYSIS AND INTERPRETATION

Introduction to Data Analysis

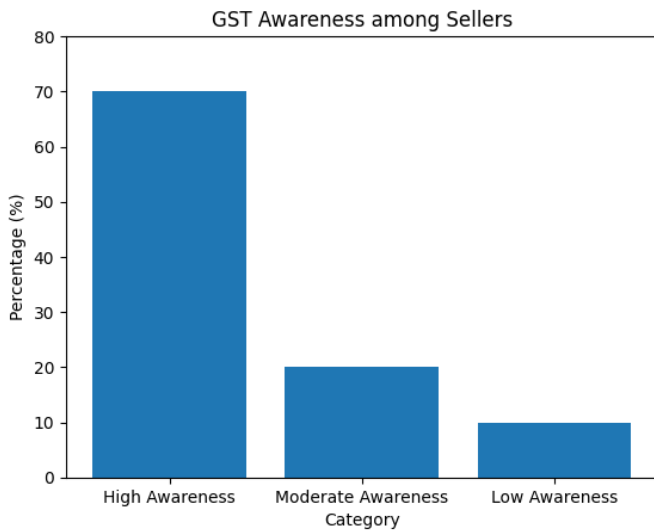
Data analysis plays a crucial role in this research as it helps translate raw information into meaningful insights about how GST affects the e-commerce sector in real life. Instead of just presenting numbers, this study uses visual tools like bar graphs, line graphs, and pie charts to make the data easier to understand and interpret.

Through these visuals, the study examines important aspects such as the level of GST awareness among sellers, the challenges they face in compliance, the impact of Tax Collected at Source (TCS), and the overall growth of major e-



commerce platforms like Amazon and Flipkart. This approach makes the findings more clear, relatable, and useful for understanding the practical implications of GST in the digital marketplace.

Bar Graph Analysis (GST Awareness among Sellers)



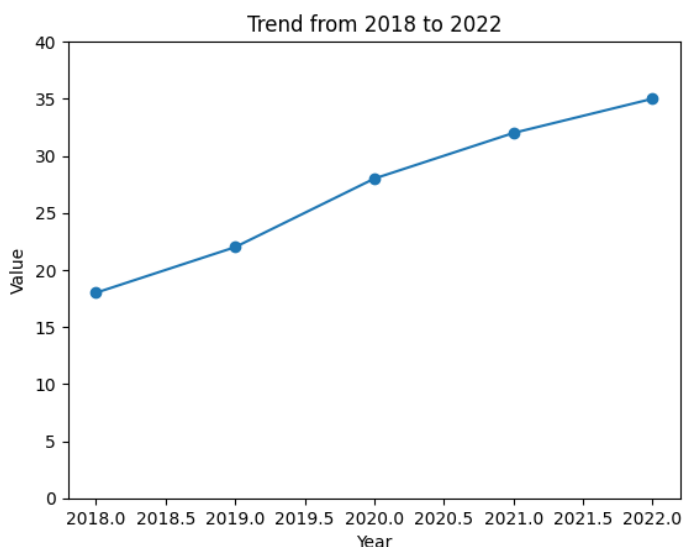
Interpretation

The bar graph clearly shows that most sellers (around 70%) have a strong understanding of GST. This suggests that sellers operating on platforms like Amazon and Flipkart are generally well-informed about GST rules, likely because they deal with them regularly in their business activities.

At the same time, about 20% of sellers fall into the moderate awareness category, while 10% still have low awareness. This indicates that not everyone is equally comfortable with GST, and a section of sellers may still find it confusing or difficult to fully understand.

Overall, this highlights an important pattern—larger or more experienced sellers tend to be more knowledgeable, while smaller or newer sellers often struggle with GST-related concepts. It also points to the need for e-commerce platforms like Amazon and Flipkart to offer better guidance, training, or support so that all sellers can comply with GST more easily and confidently.

Line Graph Analysis (Growth of E-Commerce under GST)





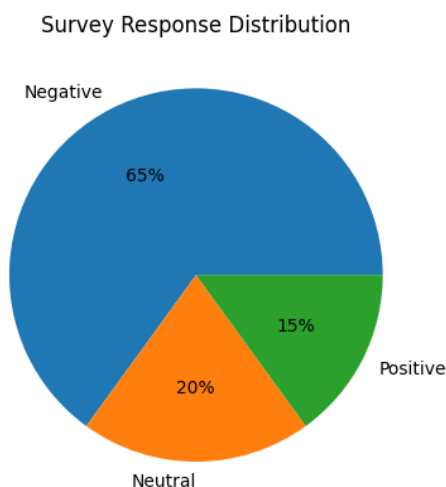
Interpretation

The line graph shows a steady and consistent rise in the growth of the e-commerce sector after the implementation of GST. The growth rate increased from 18% in 2018 to 35% in 2022, indicating a clear upward trend over the years.

This pattern suggests that GST has played a positive role in supporting the expansion of the e-commerce industry. By introducing a uniform tax system across the country, it has made business operations smoother and more efficient for platforms like Amazon and Flipkart.

Overall, the data reflects that GST has contributed to long-term growth, encouraged the use of digital transactions, and helped major e-commerce platforms like Amazon and Flipkart grow more rapidly in the post-GST period.

Pie Chart Analysis (Impact of TCS on Sellers)



Interpretation

The pie chart reveals that a significant majority of sellers (65%) feel that TCS has a negative impact on their cash flow. This is mainly because a portion of their earnings is deducted in advance, which reduces the immediate funds available for daily business operations.

On the other hand, only 15% of sellers view TCS as beneficial, while 20% believe it does not make much difference. This shows that the perception of TCS is largely unfavorable among sellers.

Overall, the findings suggest that TCS can create financial pressure, especially for small sellers who rely heavily on steady cash flow to manage their business. At the same time, it highlights how platforms like Amazon and Flipkart ensure strict GST compliance by implementing TCS, even though it may pose short-term challenges for sellers.

Comparative Analysis (Pre-GST vs Post-GST)

Before the introduction of GST, the e-commerce sector in India had to deal with a complicated tax structure. Sellers were required to follow different tax rules in different states, including VAT, entry taxes, and other local levies. This made compliance difficult and often discouraged sellers from expanding their business beyond their home state.

With the implementation of GST, the taxation system became much more streamlined and uniform across the country. Sellers on platforms like Amazon and Flipkart can now operate more freely across state borders without worrying about multiple tax structures. This has made doing business easier, more transparent, and more efficient.

Overall, while the pre-GST system created barriers due to complexity and limited reach, the post-GST system has opened up opportunities for nationwide expansion and smoother operations.



Impact Analysis on Amazon and Flipkart

GST has brought significant changes to how major e-commerce platforms like Amazon and Flipkart function. These platforms have updated their systems and processes to align with GST regulations, making them more structured and compliance-driven.

Today, they play an active role in the tax system by collecting Tax Collected at Source (TCS) from sellers, maintaining proper digital records of transactions, and ensuring that sellers comply with GST rules. While this has increased their operational responsibilities, it has also strengthened their position as key facilitators in the e-commerce ecosystem.

In a way, these platforms now act as a bridge between the government and sellers, helping to ensure transparency and accountability in tax collection.

Key Findings

Most sellers are aware of GST, but some still do not fully understand its rules, leading to compliance difficulties.

GST has positively impacted the growth of the e-commerce sector by simplifying the tax structure.

The introduction of GST has encouraged an increase in digital transactions.

The TCS mechanism has created cash flow challenges for many sellers.

Small sellers are more affected by cash flow issues and compliance burden compared to large sellers.

GST compliance requirements are relatively more complex for small businesses.

Platforms like Amazon and Flipkart play a significant role in GST implementation.

These platforms help improve transparency and ensure better tax compliance.

However, their involvement has also increased their operational responsibilities.

VI. DISCUSSION & FINDINGS

Discussion of Key Findings

The discussion of findings helps us understand the results from the data analysis and what they mean for the GST and the e-commerce sector.

1. GST Awareness among Sellers

Sellers know about GST and how it works. This is because sellers on platforms like Amazon and Flipkart have to deal with GST compliance all the time. However, some sellers, small and new ones do not fully understand GST. This means we need awareness programs and training for them.

2. Growth of E-Commerce under GST

The e-commerce sector has been growing steadily since GST was introduced. With a tax system it is easier for businesses to operate and sell across India. This has encouraged sellers to reach customers and has helped online platforms grow fast.

3. Impact of TCS on Sellers

The Tax Collected at Source or TCS is a concern for sellers. Many sellers think that TCS affects their cash flow because some of their earnings are deducted before they get the money. While TCS helps with tax compliance and transparency it can cause term financial problems, especially for small sellers.

4. Compliance Burden under GST

GST has increased the number of things sellers have to do to comply with the law. They have to:



- Register under GST
- File regular returns
- Maintain documentation

Many sellers rely on accountants or tax professionals which increases their costs. So while GST makes taxation simpler it makes compliance more complicated.

5. Impact on Cost, Pricing and Profitability

The study shows that GST has both bad effects on the finances of sellers. On the one hand removing taxes reduces inefficiencies. On the hand compliance costs and TCS deductions affect how much money sellers make.

Some sellers change their product prices to keep their profits, which can affect how competitive they are in the market.

6. Role of E-Commerce Platforms

Platforms like Amazon and Flipkart play a role in GST implementation. They are responsible for:

- Collecting TCS
- Maintaining transaction records
- Ensuring seller compliance

This has increased their responsibilities but it has also made the system more transparent and accountable.

7. Transparency and Digitalization

One of the outcomes of GST is that it has made things more transparent. All transactions are recorded digitally which:

- Reduces tax evasion
- Improves accuracy
- Promotes business practices

This has made the e-commerce ecosystem more trustworthy.

Overall Findings of the Study

Based on the analysis we found the following things:

- GST has made the tax structure in India simpler
- It has helped the e-commerce sector grow
- Sellers generally know about GST but some do not fully understand it
- The TCS mechanism causes cash flow problems for sellers
- GST has increased the compliance burden especially for small sellers
- It has both good and bad effects on cost and profitability
- E-commerce platforms play a role in tax compliance
- GST has improved transparency and digitalization, in business operations

VII. CONCLUSION

This study shows that GST has significantly transformed the e-commerce sector in India, especially for platforms like Amazon and Flipkart.

GST has simplified the tax system, improved transparency, and supported the growth of online businesses by creating a uniform structure across the country. However, it has also increased compliance requirements and created challenges for sellers, particularly due to return filing and the TCS mechanism affecting cash flow.

Overall, GST is a positive reform for the e-commerce sector, but further simplification and support for small sellers are needed for better efficiency.



VIII Limitations of the Study

- The study is based on information from books and websites and does not include information from people who have actually experienced things.
- The study does not have interaction with people who sell things on the internet or with people who answered the questions so the study may not have the full story of what really happens in real life.
- The information the study found may not be completely accurate because it is based on information from sources that may not be reliable.
- The study focuses mainly on shopping platforms like Amazon and Flipkart so the results may not be the same for all online shopping businesses.
- The study does not use a lot of numbers and statistics which may make the analysis not as detailed as it could be.
- The rules for Goods and Services Tax are changing all the time so some of the information in the study may not be correct after a while.
- The study only looks at India. Does not compare things to other countries.
- The study was done in an amount of time so it may not have been possible to look at every aspect of Goods and Services Tax and online shopping in as much detail as would have been possible, with more time.

IX Future Scope of the Study

- Future research can include primary data collection (surveys/interviews) to understand real experiences of sellers.
- A detailed study can be conducted on small and medium sellers to analyze their specific GST challenges.
- Comparative studies can be done between platforms like Amazon and Flipkart to evaluate differences in GST implementation.
- Future research can focus on the long-term impact of GST on profitability and growth of e-commerce businesses.
- Studies can explore the effect of GST on consumer behavior and pricing strategies in online markets.
- A comparative analysis between India and other countries' tax systems can provide broader insights.
- Future research can examine the role of technology and automation in simplifying GST compliance.
- More detailed analysis can be done on the impact of TCS on seller cash flow and working capital.
- Researchers can study how policy changes and GST reforms influence the e-commerce sector over time.

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