



## Impact of GST on E-Commerce in Uttarakhand

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### ABSTRACT

The implementation of Goods and Services Tax (GST) in India has seen a paradigm shift in the indirect taxation process of the nation. It substituted several cascading taxes with one tax regime, affecting various sectors such as e-commerce. Uttarakhand, a hilly state with varying geographical and economic conditions, had seen challenges and opportunities under GST, especially in the e-commerce sector. Before GST, e-commerce businesses had been creating hassles due to various state-wise VAT regimes, entry tax, and other indirect levies. After GST's implementation, uniform taxation was levied, and it was simple to comply with it, and it ensured the ease of business. It minimized logistic hassles because businesses would not have to maintain multiple tax stations at state borders anymore. However, GST also introduced additional costs of compliance like mandatory registration for all e-commerce operators and Tax Collected at Source (TCS) structure, with the administrative cost imposing on small merchants in Uttarakhand. Lower cascading tax is one of the biggest benefits of GST on Uttarakhand's e-commerce sector in that it reduces the cumulative tax burden. This has led to competitive prices and higher affordability for consumers. Moreover, companies that conduct business in state remote locations have found it created higher market

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access as the centralized taxation process pushed digital trade growth. Moreover, the input tax credit in GST has enabled companies to recover tax on input, lowering operational costs. Additionally, the dependence of Uttarakhand on handicraft industries and tourism is such that online portals play a vital role in connecting local hands with national as well as foreign markets. Compliance with GST requirements has at times discouraged small hands and cottage industry workers from making digital platforms operational for business. Government initiatives oriented towards digital education and tax sensibility among small and medium-sized enterprises are smoothing out these challenges slowly.

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## INTRODUCTION

Goods and Services Tax (GST) came into force in India on 1st July 2017 as a comprehensive indirect tax reform to integrate the country's taxation system. Taxation system of India prior to GST was defined by a multilateral and convoluted tax system where numerous states charged their own taxes on goods and services, leading to inefficiencies, cascading effect of taxation, and complexity in compliance. The concept of GST was to replace various indirect levies such as Value Added Tax (VAT), service tax, excise duty, and entry tax with a single tax across the country.

GST was planned to be a destination-based tax structure, with taxation being levied at the point of consumption and not at production. This circumvented tax-on-tax incidence and brought in further transparency to taxation. GST has been planned with various slabs (5%, 12%, 18%, and 28%) to ensure different goods and services are priced, paying lower tax on common items and higher on sin and luxury products. In spite of all these benefits, the introduction of GST has brought some challenges to e-commerce companies in Uttarakhand. Mandatory registration under GST for small vendors has raised compliance cost as well as procedural issues. The majority of the small-scale businessmen and artisans in Uttarakhand, who used to rely on online marketplaces for selling their products, have not been able to adapt to the new taxation system due to the lack of awareness and technical skills. The TCS provision, where tax deductions are required to be made by online portals while paying vendors, has also made small businesses contend with working capital deficiencies.



Amongst the distinguishing features of GST is its Input Tax Credit (ITC) mechanism to enable industry houses to off-set tax paid on input so as to actually reduce overall tax burden. Apart from this, GST is dual-structure where tax on intra-state transactions is charged by Central Government (CGST) and also by State Governments (SGST) and tax charged on inter-state transactions by way of Integrated GST (IGST).

Before GST was implemented, India's tax structure was extremely decentralised in the context that different states were charging different rates of indirect taxes. The entire e-commerce sector was suffering from anomalies such as double registrations, discriminatory taxations, and the entry tax cost. It introduced inefficiencies into logistics, added cost, and complexity in compliance for online stores and retailers' roll-out was especially aimed at eradicating these issues through one taxonomy system and one unified national marketplace.

Uttarakhand's specialized economic identity based on tourism, small industry, and handicrafts has seen a shift in its e-commerce dynamics with the introduction of GST. The tax revolution has impacted all aspects of online business-like pricing, logistics, compliance, and market expansion. With growing numbers of businesses across Uttarakhand embracing online platforms to scale new heights, it is crucial for entrepreneurs as well as policymakers to comprehend the impact of GST on e-commerce.

### ***Overview of E-Commerce in Uttarakhand:***

The high growth rate of e-commerce in Uttarakhand is the result of various factors such as enhanced digital infrastructure, pro-online business policies of the government, and the evolving consumer behaviour. As e-commerce websites such as Amazon, Flipkart, and Meesho provide avenues to access a wider marketplace, local businesses are no longer confined to retail shops. Additionally, handicraft items of Uttarakhand, organic vegetables, herbal items, and tourism-related services also attained a large market through e-commerce.

The COVID-19 pandemic also hastened the use of online shopping and digital payment platforms in the state. Most conventional businesses, which were dependent on physical outlets and tourist-driven sales, shifted to e-commerce as an ancillary source of revenue. This has generated new jobs and economic development opportunities in Uttarakhand.

## OBJECTIVES OF THE STUDY

The purpose of this research is to examine the impact of GST on the e-commerce sector of Uttarakhand and ascertain its implications for business, consumers, and the economy as a whole. The specific objectives of the research are:

1. ***To examine the way GST has impacted taxation in the e-commerce industry*** – Examining how GST has replaced traditional tax systems and the way the new system has implications for Uttarakhand e-commerce businesses.
2. ***To research compliance needs for e-commerce companies in GST*** – Examining the regulative burden and tax filing scheme for online retailers and marketplaces.
3. ***To research price and profitability impact of GST*** – Examining how GST has influenced product costs, tax value via Input Tax Credit (ITC), and net profitability of e-commerce companies.
4. ***To analyse the challenges faced by small and medium enterprises (SMEs)*** – Identifying the barriers to local sellers, artisans, and small business owners to adapt to GST regulations.
5. ***To examine the impact of GST on supply chain efficiency*** – Assessing to what extent GST has allowed interstate trade to become smoother, lowered logistical expenses, and made warehousing strategies more efficient.
6. ***To explore consumer sentiments regarding GST and e-commerce*** – Examining consumer awareness, buying habits, and the pros or cons of GST from the buyer's perspective.
7. ***To evolve policy suggestions for making GST implementation in the e-commerce space most effective*** – Proposing steps to ease compliance, help small and medium enterprises, and increase the impact of GST in the digital economy of Uttarakhand.

## RESEARCH METHODOLOGY

The current study employs a mixed-method research approach, making use of qualitative and quantitative methods of research in order to explore the effect of GST on e-commerce in the state of Uttarakhand. Descriptive as well as analytical research approaches are employed to investigate the causality between the policies of GST and the expansion of e-commerce.



## LITERATURE REVIEW

Literature review surveys the research that has already been conducted on GST and its impact on e-commerce, particularly in the case of Uttarakhand. Researchers have examined how GST has impacted taxation, compliance, supply chain management, and customer behaviour in online business.

Studies indicate that GST has greatly improved tax adherence and government taxation collection. According to studies conducted by **Kumar (2019)**, GST has organized taxation for internet-based businesses to remove layers of taxation. This has encouraged further businesses to take part in the digital economy. However, research also points to compliance challenges of a greater level for small online businesses, particularly with the start of TCS (Tax Collected at Source) requirements (**Sharma, 2020**).

According to a study by **Indian Council for Research on International Economic Relations (ICRIER)**, GST has made interstate transactions easier with the removal of entry taxes and reduced logistics costs. This has particularly benefited online marketplaces with operations across various states like Uttarakhand. However, the study identifies limitations imposed by deficiencies in digital literacy and internet coverage in rural areas, which inhibit the involvement of small businesses in the online economy.

Further analysis by **Joshi & Verma (2021)** shows that GST has impacted e-commerce pricing strategies in a mixed manner. Although the Input Tax Credit mechanism has enabled firms to benefit from tax savings and transfer cost benefits, there have been certain categories of goods and services with higher tax rates, thus lowering their affordability levels for consumers.

Uttarakhand-based online shopping businesses, be it handicraft or organic cultivation industries, are case studies wherein it is understood that GST has brought opportunities, as well as challenges. While GST compliance has brought greater transparency and credibility to small businesses, it has also brought administrative problems for artisans and local producers, who were previously operating informally, as seen in a report by the **Uttarakhand MSME Department (2022)**.

In conclusion, the review of literature highlights that although GST has helped in streamlining the tax system and enhancing supply chain effectiveness, issues concerning compliance, awareness, and digital infrastructure still remain to be overcome for the e-commerce industry in Uttarakhand to reach its true potential.



## E- COMMERCE LANDSCAPE IN UTTARAKHAND

Uttarakhand's e-commerce has been rising gradually because of digitalization, increased internet penetration, and changing consumption patterns. The geographical location of the state, with both urban and rural pockets, has influenced the development of the e-commerce industry, posing opportunities and challenges.

### Growth and Market Trends

There has been a boom in the e-commerce sector of Uttarakhand with the increase in internet penetration and the spread of smartphones. Individuals are shifting significantly towards online channels for shopping, banking, and service transactions. Growth in e-commerce is primarily attributable to the state due to:

**Increased Adoption of Digital:** Through government efforts like Digital India, there has been a surging increase in internet users, even in rural and semi-urban areas.

**Emergence of Local Entrepreneurs:** Small and medium enterprises, artisans, and startups are using e-commerce websites to target a wider customer base beyond their geographical constraints.

### Consumer Perspective on GST and E-Commerce

Consumers in Uttarakhand have benefited as well as lost due to the introduction of GST on the e-commerce platform. While GST has levied a more systematic and transparent taxation system, its impact on pricing, buying behavior, and consumer confidence has been monumental.

**Increased Transparency and Trust-** One of the biggest benefits to customers of GST is more tax transparency. Previously, customers were bearing unseen costs by means of differential indirect taxes and were unable to learn what the true cost of commodities actually was. For GST, there is one taxation regime with transparent tax levied on online buyers. This has increased the online buying confidence especially among new cyber shoppers.

**Impact on Prices and Accessibility-** GST has impacted prices of goods in the online market both ways. For certain categories of goods such as household goods and basic necessities, tax slabs have been formulated to be soft so that customers can continue to purchase them in an affordable manner. High-end goods such as electronic goods and high-end goods have suffered the most from higher taxes due to



the introduction of additional GST slabs (28% and 18%). This has raised prices of some goods for consumers in Uttarakhand, particularly rural areas where purchasing power is poor.

**Consumer Behaviour Changes:** Consumer behaviour for consumers has been affected by GST in various ways:

1. **Shift towards Online Shopping:** Facilitation of tax rates has encouraged more customers to switch towards e-commerce websites, as price transparency has been improved.
2. **GST-Registered Seller Preference:** Customers are now considering sellers and brands who are registered under GST as this assures the product to be genuine and is accountable.
3. **Changed Spending Habits:** Certain consumers are budget-conscious, shunning high-GST products and opting for discounts and promotions to offset the tax-favored price hikes.

**Problems Encountered by Consumers-** Even with the advantages, consumers in Uttarakhand encounter certain problems in relation to GST on online portals:

1. ***Harmonious GST Rates:*** Alteration in the several slabs of GST rates has the effect of perplexing the customer, and final prices remain uncertain to predict.
2. ***Return and Refund Delays:*** Customers point towards the hassle experienced in getting refunds or returns pertaining to GST from websites because procedural requirements have hardened.
3. ***Increased Cost of Services:*** E-commerce services industries pertaining to services such as online lessons, virtual memberships, and tour bookings have seen cost hikes in the wake of GST, raising the concern for affordability.

**Government Initiatives and Policy Support -** The government has initiated a number of initiatives to facilitate e-commerce in Uttarakhand, such as:

1. ***Development of Digital Infrastructure:*** Upgradation of high-speed internet and mobile networks.
2. ***Skill Development Programmes:*** E-commerce platform training for small businessmen and artisans.
3. ***Promotion of Cashless Payments:*** Use of digital payment devices to facilitate increased financial inclusion.

In the coming years, the online shopping scenario in Uttarakhand will be better with augmented digital connectivity, improved logistics infrastructure, and growing awareness among indigenous industries. If addressed properly, the sector can be a major economic driver of state growth and employment. Indian government and state government of Uttarakhand have put forward a number of proposals as well as policy interventions for e-commerce growth support under the GST regime. They have taken all such measures for development of digital infrastructure, compliance ease, and logistically strengthening efficiency so that businesses are able to implement the new tax regime with ease.

### **Digital India Initiative**

The Digital India Programme has been the key growth driver of internet penetration and digital literacy in the nation, state of Uttarakhand included. The program has enabled the expansion of e-commerce through:

1. Widening rural broadband penetration.
2. Allowing electronic payments to minimize the use of cash.
3. Encouraging the creation of e-commerce websites for small industries and artisans.

### **Future Policy Recommendations:**

To further accelerate e-commerce growth under GST, the following policy recommendations are proposed:

1. More Simplification of GST Compliance: Cutting down tax slabs and simplifying filing procedures for small and medium businesses.
2. Enhanced Internet Connectivity in Rural Areas: Bringing fiber-optic cables to provide improved connectivity.
3. Financial Incentives for Digital Adoption: Granting tax rebates to those businesses which shift to digital platforms and tools.

By way of continuous policy readjustment and investment in infrastructure, the government can make the climate for the growth of e-commerce more attractive in Uttarakhand, such that both businesses and consumers stand to benefit from GST reforms.



## CONCLUSION & SUGGETIONS

The introduction of the Goods and Services Tax (GST) in India has made significant impact on the e-commerce industry, including Uttarakhand. By unifying different indirect taxes under a single taxation system, GST has increased transparency, reduced complexity, and raised the overall e-commerce efficiency in the state. Schemes that have passed under the Digital India scheme have enabled better access to the internet and greater digital literacy, enabling more business firms in Uttarakhand to reach the e-commerce stage. The government has also found means of simplifying GST compliance for small and medium enterprises through concessional rates of taxation and digital filing facilities. It has particularly helped small producers, organic farmers, and tourism-based businesses to access a wider segment of consumers through the internet by placing their products and services.

The other important consequence of GST has been the concept of Input Tax Credit (ITC) regime, wherein business houses are enabled to take credit for tax on inputs paid. This aspect has lessened the tax burden for e-commerce companies and enhanced their profitability. Also, the rollout of the GST Network (GSTN), a computerized IT platform, has made it easy to file taxes, reduced evasion of taxes, and promoted compliance among Uttarakhand business houses.

While these are benefits, e-commerce businesses in Uttarakhand still face challenges under GST. One of the most noted challenges is the Tax Collected at Source (TCS), wherein the online marketplaces are obligated to pay a portion of the transaction value to the government. For small businesses depending on the online platforms, the obligation has brought administrative inconvenience and cash flow restriction, making it difficult for them to expand their businesses.

Moreover, the challenging topography and weak digital connectivity in rural areas of Uttarakhand have turned into obstacles to free flow of GST in the e-commerce sector. Most small entrepreneurs and artisans in rural regions lack the necessary digital literacy levels to implement GST compliance, thereby deterring them from reaching the cyberspace. In addition, logistics providers have paid more in costs to adopt GST compliance and also faced challenges to deliver the goods to the distant areas within the stipulated time.

The consumer perspective towards GST and e-commerce in Uttarakhand has also been bifurcated. Whereas GST has increased transparency in prices and reduced tax evasion, it has also added cost to some products and services, particularly those being taxed under higher slabs. Consumers have

also benefited with a more regulated and organized e-commerce platform, but there are problems on the pass-through impact of GST on product prices, particularly for necessities and daily usage products.

Support by the government through policy initiatives and schemes has done a lot to overcome some of the above issues. Plans that have emerged through the Digital India plan have enabled easier access to the internet as well as introduced digital literacy, allowing more business companies in Uttarakhand to reach the platform of e-commerce. The government has also made provisions for easy GST compliance by small and medium enterprises, such as concessional tax rates and digital filing facilities. Continued efforts to improve logistics infrastructure, provide fiscal incentives for embracing digitalisation, and streamline GST compliance processes further will be essential to spurring long-term growth in e-commerce activity in the state.

In the times to come, the future of e-commerce in Uttarakhand under GST looks bright. Given that persistent progress in digital connectivity, high buying readiness of the consumers online, and continuous governmental encouragement still prevail, the industry can sustain high economic growth and employment. But solving problems such as excessive compliance cost to small traders, logistical inefficiencies, and deficits in digital literacy will be instrumental to realizing the maximum potential of GST in all elements of the e-commerce value chain.

Overall, though GST has brought path-breaking change to the e-commerce of Uttarakhand, its levying has been a two-edged sword. Tax reform has eliminated procedures, diminished inefficiencies, and improved access to the market for enterprises. Compliance burden, logistics issues, and digital divide, however, continue to be major bottlenecks. Through guided policy interventions, improvement in digital infrastructure, and continued support to small enterprises, Uttarakhand can best unlock GST's potential to enable a stronger, more inclusive, and more prosperous e-commerce industry in the future.

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