

GST: TDS for e-commerce firms deferred ahead of 1 July rollout

Third-party sellers on e-commerce platforms also get relief in terms of GST registrations

Gireesh Chandra PrasadSayan Chakraborty



Small businesses, with turnover less than Rs20 lakh, will also not be required to register themselves under the GST for selling goods or services through e-commerce portal. Photo: AFP

Merchants selling goods on e-commerce platforms and companies supplying goods and services to various government agencies have got more time to prepare for a system of tax collected at source, with the government on Monday deferring enforcement of this requirement under the goods and service tax (GST) regime that kicks in from midnight Friday.

The requirement of collecting up to 1% of tax from online shoppers by e-commerce companies and a 1% deduction of tax when central, state or local self-governments make payments to suppliers, specified in central and state GST laws, will be “brought into force from a date which will be communicated later”, said an official statement.

Also read: [Taxpayers have less than a week to link Aadhaar with PAN](#)

“This step has been taken to provide more time for persons liable to deduct tax at source and to give e-commerce companies and their suppliers time to prepare for the historic tax reform,” said the statement.

The decision also gives sellers on e-commerce platforms relief in terms of getting GST registrations. They need not get GST registration until the tax collected at source provision is enforced. Section 52 of the central and state GST Acts says e-commerce platforms have to collect up to 1% of the value of the supplies made to consumers at source and pay this to the government.

The merchant, to whom the e-commerce firm needs to pass on the payment for goods and services sold, will get credit for the tax collected at source while paying GST. The idea behind the move was to keep track of the quantum of sales which take place on online platforms, but merchants had many apprehensions, including whether this tax collected at source would be refunded in case the product is returned by the customer.

Amazon Seller Services Pvt. Ltd, which runs Amazon.in (Amazon.com Inc.'s local website), welcomed the move. "This will benefit small businesses since they don't have to deal with pressures of cash flow at a time when they are transitioning into a new tax regime. We are grateful to the government for acceding to the request of the industry which is still in its infancy," said an Amazon India spokesperson.

In the case of public procurement, it is possible that the supplier of goods and services to a government department may not have any final tax liability at all, which makes the provision to deduct tax at source from payments to such entities redundant.

The quantum of public procurement, a key function of government, is huge and accounts for about 30% of India's gross domestic product, according to a paper on the subject by the Competition Commission of India. The global average is 15%, according to the commission.

Bipin Sapra, tax partner, EY, called the deferment a welcome step which will make the transition to GST easier.

First Published: Mon, Jun 26 2017, 03 11 PM IST