CHAPTER 12

ELECTRONIC COMMERCE TRANSACTIONS



The section numbers referred to in the Chapter pertain to the CGST Act, 2017, unless otherwise specified. Examples/illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2026.

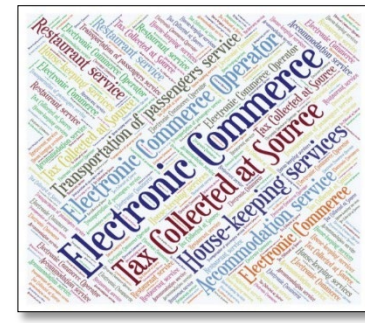
LEARNING OUTCOMES

After studying this chapter, you will be able to –

- comprehend the meaning of electronic commerce and electronic commerce operator
- explain the taxability of electronic commerce transactions
- describe and analyse the provisions relating to the tax collected at source
- understand the registration requirements of electronic commerce operator and of the persons supplying goods and/or services through electronic commerce operator

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1. INTRODUCTION



Electronic commerce (e-commerce) has taken a center stage in India's business landscape in recent years revolutionizing the way commerce is conducted, by redefining business strategies and conventional market boundaries. It is the backbone of the modern digital economy and has transformed the way businesses and consumers interact. It enables the seamless exchange of goods, services and information through the internet, breaking geographical barriers and creating global marketplaces.

With the convenience of shopping anytime and anywhere, coupled with secure digital payment systems, e-commerce has redefined customer experiences and expanded opportunities for businesses of all sizes. Companies like Flipkart, Amazon and Myntra have become household names while small businesses and startups leverage platforms like Shopify and Meesho to reach a broader audience.

As e-commerce continues to expand its reach and influence, both businesses and consumers are utilizing advanced channels and technologies to streamline transactions and enhance the shopping experience. India proudly stands as one of the largest and most dynamic e-commerce markets globally, driving innovation and setting new benchmarks for growth.



2. RELEVANT DEFINITIONS

- **Agent:** means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

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- **Aggregate turnover:** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess [Section 2(6)].

- **Inward supply:** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].

- **Outward supply:** in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business [Section 2(83)].

- **Taxable supply:** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].

- **Supplier:** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.

  However, a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims [Section 2(105)].

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3. TAXABILITY OF ELECTRONIC COMMERCE TRANSACTIONS UNDER GST

	STATUTORY PROVISIONS
Section 2(44) of the CGST Act	***Definition of electronic commerce***
	Electronic commerce means the supply of goods or services or both, including digital products over digital or electronic network.
Section 2(45) of the CGST Act	***Definition of electronic commerce operator***
	Electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.
Section 9(5) of the CGST Act	***Levy and collection (CGST)***
	The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services: *Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:* *Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory,*

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	such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.
Section 5(5) of the IGST Act, 2017	***Levy and collection of tax (IGST)***
	The Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on inter-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services: *Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:* *Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.*
Section 52 of the CGST Act	***Collection of tax at source***
Sub-section	***Particulars***
(1)	*Notwithstanding anything to the contrary contained in this Act, every electronic commerce operator (hereafter in this section referred to as the "operator"), not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the*

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	consideration with respect to such supplies is to be collected by the operator.
Explanation	*For the purposes of this sub-section, the expression "net value of taxable supplies" shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under sub-section (5) of section 9, made during any month by all registered persons through the operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.*
(2)	*The power to collect the amount specified in sub-section (1) shall be without prejudice to any other mode of recovery from the operator.*
(3)	*The amount collected under sub-section (1) shall be paid to the Government by the operator within ten days after the end of the month in which such collection is made, in such manner as may be prescribed.*
(4)	*Every operator who collects the amount specified in sub-section (1) shall furnish a statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both returned through it, and the amount collected under sub-section (1) during a month, in such form and manner as may be prescribed, within ten days after the end of such month:* *Provided that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing the statement for such class of registered persons as may be specified therein:* *Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.*
(5)	*Every operator who collects the amount specified in sub-section (1) shall furnish an annual statement, electronically,*

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	containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both returned through it, and the amount collected under the said sub-section during the financial year, in such form and manner as may be prescribed, before the thirty first day of December following the end of such financial year *Provided that the Commissioner may, on the recommendations of the Council and for reasons to be recorded in writing, by notification, extend the time limit for furnishing the annual statement for such class of registered persons as may be specified therein:* *Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.*
(6)	*If any operator after furnishing a statement under sub-section (4) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the statement to be furnished for the month during which such omission or incorrect particulars are noticed, subject to payment of interest, as specified in sub-section (1) of section 50:* *Provided that no such rectification of any omission or incorrect particulars shall be allowed after the thirtieth day of November following the end of the financial year or the actual date of furnishing of the relevant annual statement, whichever is earlier.*
(7)	*The supplier who has supplied the goods or services or both through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator furnished under sub-section (4), in such manner as may be prescribed.*
(12)	*Any authority not below the rank of Deputy Commissioner may serve a notice, either before or during the course of any*

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	proceedings under this Act, requiring the operator to furnish such details relating to — *(a) supplies of goods or services or both effected through such operator during any period; or* *(b) stock of goods held by the suppliers making supplies through such operator in the godowns or warehouses, by whatever name called, managed by such operator and declared as additional places of business by such suppliers,* *as may be specified in the notice.*
(13)	*Every operator on whom a notice has been served under sub-section (12) shall furnish the required information within fifteen working days of the date of service of such notice.*
(14)	*Any person who fails to furnish the information required by the notice served under sub-section (12) shall, without prejudice to any action that may be taken under section 122, be liable to a penalty which may extend to twenty-five thousand rupees.*
(15)	*The operator shall not be allowed to furnish a statement under sub-section (4) after the expiry of a period of three years from the due date of furnishing the said statement:* *Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow an operator or a class of operators to furnish a statement under sub-section (4), even after the expiry of the said period of three years from the due date of furnishing the said statement.*
Explanation	*For the purposes of this section, the expression "concerned supplier" shall mean the supplier of goods or services or both making supplies through the operator.*

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Chapter VIII: Returns of the CGST Rules	
Rule 67	***Form and manner of submission of statement of supplies through an e-commerce operator***
(1)	*Every electronic commerce operator required to collect tax at source under section 52 shall furnish a statement in FORM GSTR-8 electronically on the common portal, either directly or from a Facilitation Centre notified by the Commissioner, containing details of supplies effected through such operator and the amount of tax collected as required under sub-section (1) of section 52.*
(2)	*The details of tax collected at source under section 52(1) furnished by the ECO shall be made available electronically to each of the registered suppliers on the common portal after filing of Form GSTR-8 for claiming the amount of tax collected in his electronic cash ledger after validation.*
Rule 78	***Matching of details furnished by the e-commerce operator with the details furnished by the supplier***
	The following details relating to the supplies made through an e-commerce operator, as declared in FORM GSTR-8, shall be matched with the corresponding details declared by the supplier in FORM GSTR-1, as amended in FORM GSTR-1A, if any, *(a) State of place of supply; and* *(b) net taxable value.* *Provided that where the time limit for furnishing FORM GSTR-1 under section 37 has been extended, the date of matching of the above-mentioned details shall be extended accordingly.* *Provided further that the Commissioner may, on the recommendations of the Council, by order, extend the date of matching to such date as may be specified therein.*



ANALYSIS

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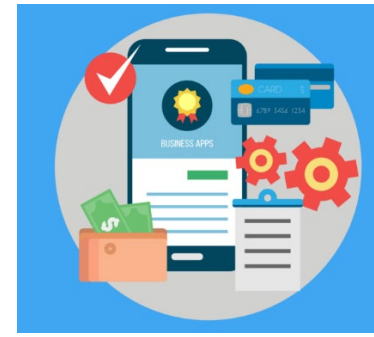
(i) Meaning of electronic commerce



In simple words, electronic commerce or e-commerce, means buying and selling the goods or services over internet or computer mediated network. As per the definition provided under section 2(44), **electronic commerce** means the supply of goods and/or services, including digital products over digital or electronic network.



It includes trading through online platforms, digital marketplaces, online travel agencies and any other means of electronic communication. The definition includes supply of both goods and services which implies that the concept of e-commerce covers the transactions involving the sale of tangible goods as well as the provision of intangible services. The definition specifically includes digital products, implying that supplies of downloadable or electronically delivered products, such as e-books, software, digital music, online courses and digital videos, are also considered part of e-commerce. The term **"electronic network"** encompasses various digital platforms, such as websites, mobile applications and any other electronic means used for buying or selling of goods and/or services. Thus, the definition has a broad scope and is intended to cover a wide range of online transactions and digital activities involving the buying and selling of goods and services.



(ii) Meaning of electronic commerce operator



In simple words, electronic commerce operator (hereinafter referred as ECO), is a person who owns, operates or manages a digital platform/marketplace where supply of goods and/or services take place directly or indirectly. As per the definition provided under section 2(45),

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electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.



The platform could be in the form of a website, mobile application or any other electronic medium. ECO's role is to provide a digital platform where sellers/suppliers can list their products or services, and buyers/recipients can place orders/make purchases. The definition of ECO is wide enough to cover various types of e-commerce platforms, such as online marketplaces, online travel agencies, food delivery platforms, ride-hailing apps, and other digital platforms that facilitate transactions between sellers and buyers.

(iii) Various electronic commerce models

Before understanding the taxability of e-commerce transactions, we should first be conversant with the various business models employed by e-commerce industry to facilitate transactions between suppliers and recipients. These are as follows:

1. **Online Marketplace Model:** In the online marketplace model, an online centralised platform is provided connecting manufacturers/ retailers with potential customers. The platform itself does not own or stock the products or has the expertise to provide services being sought by the customers; instead it merely facilitates the transactions and may offer additional services such as payment processing, customer support and logistics. The actual supply of goods is done by the respective suppliers. The platform generates revenue by charging from the supplier the fees or commissions for using the marketplace and accessing its customer base. The commission is typically a percentage of each supply made by the supplier.



(1) Amazon, Flipkart, Alibaba, Myntra, etc.

Similarly, suppliers of services provide services like cab services, food delivery services through these platforms.



(2) Uber, Ola, Zomato, Swiggy, etc.

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2. **Direct Sales Model:** In the direct sales model, businesses sell their products or services directly to consumers through their own online stores or websites. Customers browse the company's website, select products/services, and complete the purchase directly with the supplier.

(3) Urban ladder, Biba, etc.

3. **Inventory Model:** In the inventory model, inventory of goods/services is owned by the ECO that it supplies to customers. The platform takes responsibility for warehousing, inventory management, and fulfillment of orders. This model is typical for traditional retailers who also have an online presence.

(4) Amazon, Flipkart, Snapdeal, etc.

Above e-commerce business models are not exhaustive, and many e-commerce businesses may adopt a combination of these models to suit their specific needs and industry dynamics. E-commerce industry is constantly evolving, and new innovative models may emerge over time.

Another way of classifying the e-commerce transactions is on the basis of supplier-recipient combination, for instance, Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer-to-Consumer (C2C), Consumer to Business (C2B), Consumer to Government (C2G), Government to Consumer (G2C) and Business to Government (B2G).

(iv) Taxability of e-commerce transactions

E-commerce transactions for supply of goods or services or both are leviable to GST similar to other supply transactions unless otherwise specifically exempted from GST. However, the taxability mechanism for E-commerce transactions and compliances for the suppliers and ECOs have



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been separately carved out in the law. Following provisions merit consideration in this regard:

TCS to be collected by ECO: There are many e-commerce operators, like Amazon, Flipkart, Myntra, Meesho, etc. operating in India. These operators also display/ list on their portal products as well as services which are supplied by some other person to the consumer.

The goods or services belonging to other suppliers are also displayed on the portals of the ECOs and consumers buy such goods/services through these portals.



On placing the order for a particular product/ service by the consumer, the actual supplier supplies the selected product/services to the consumer. The collection of supply consideration for the product/services, handling of goods, etc. is undertaken by the ECOs depending upon the arrangement between the supplier and ECO – Online Marketplace Model. The ECO thereafter deducts its commission from the consideration for the goods or services collected by it and passes on the net consideration to the supplier.



In such cases, where a supplier **supplies GOODS AND/OR SERVICES** through an ECO portal and the payment for that supply is collected by the ECO, the **Government has placed a responsibility on such ECO to collect an amount @ 0.5% from such supplier.**

ECO shall pay the supplier the price of the product /services, less the amount calculated @ **0.5%**. The said amount will be calculated on the net value of the goods/ services supplied (i.e. after considering returns) through the portal of the ECO.

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(5) Suppose a certain product is sold at ₹ 1,000/- through an ECO by a seller. The ECO would collect tax @ 0.5% of the net value of ₹ 1000/- i.e. ₹ 5/-.

Exceptions:

(1) Where a **suppler supplies through an ECO those SERVICES which are notified under section 9(5) of the CGST Act/ section 5(5) of the IGST Act** [hereinafter referred as notified services or services notified under section 9(5)], **the tax on such services is to be paid by the ECO as if he is the supplier liable to pay tax on the supply of such services.**

(2) Where a supplier supplies the goods or services or both on his own account through a web site hosted by him, there is no requirement to collect tax at source.



The provisions of section 9(5) of the CGST Act/ section 5(5) of the IGST Act have been discussed in detail in next heading.

(v) Tax payable by the electronic commerce operator on notified services

(A) Notified Services

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the **ECO** if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council.



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Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017 as amended has notified the following categories of services **supplied through ECO** for this purpose:

A services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motorcycle, or any other motor vehicle except omnibus.



B services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1).



C services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1).



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D supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

E services by way of transportation of passengers by an omnibus except where the person supplying such service through electronic commerce operator is a company.



F ***services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under sub section (1) of section 22 of the Central Goods and Services Tax Act, 2017.***

**The tax on services by way of transportation of passengers by an omnibus provided by a company through ECO is not payable by ECO. It will be payable by the company itself.

Meaning of various terms

(i) **Radio taxi:** means a taxi including a radio cab, by whatever name called, which is in two- way radio communication with a central control office and is enabled for tracking using Global Positioning System (GPS) or General Packet Radio Service (GPRS).

(ii) **Maxi cab:** means any motor vehicle constructed or adapted to carry more than 6 passengers, but not more than 12 passengers, excluding the driver, for hire or reward.

Motor cab: means any motor vehicle constructed or adapted to carry not more than 6 passengers excluding the driver for hire or reward.

Motor car: means any motor vehicle other than a transport vehicle, omnibus, road-roller, tractor, motorcycle or invalid carriage.

Omnibus: means any motor vehicle constructed or adapted to carry more than 6 persons excluding the driver.

(iii) **Specified premises",** for a financial year, means:

(a) a premises from where the supplier has provided in the preceding financial year, 'hotel accommodation' service having

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the **value of supply of any unit of accommodation above ₹ 7,500 per unit per day or equivalent**; or

(b) a premises for which a registered person supplying 'hotel accommodation' service has filed a **declaration, on or after the 1st of January and not later than 31st of March of the preceding financial year**, declaring the said premises to be a specified premises; or

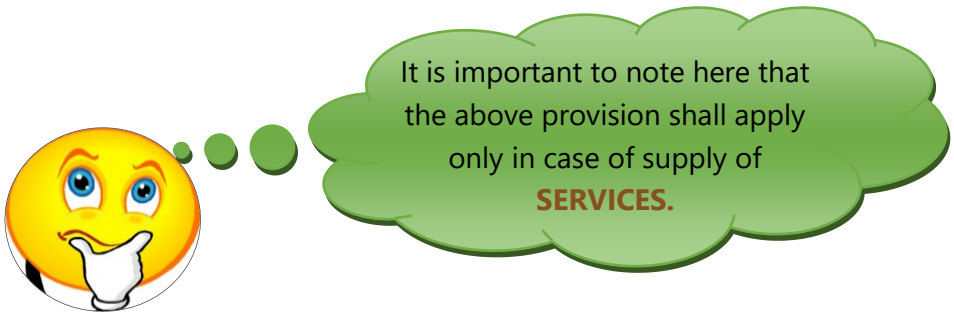
(c) a premises for which a person applying for registration has filed **a declaration, within 15 days of obtaining acknowledgement for the registration application**, declaring the said premises to be specified premises.

Explanation 1: For the purposes of this clause, **'premises'** means a place from where hotel accommodation services are being supplied or are to be supplied.

Explanation 2: For the purpose of sub-clause (c), the expression **'a person applying for registration'** shall include a person applying for amendment of registration to declare an additional place of business.

(iv) Company: means a company incorporated under the Companies Act 2013 or any previous company law.

(B) Provisions applicable to supplier liable for paying the tax applicable to ECO: Tax on notified services supplied through ECO shall be paid by the ECO. All the provisions of the CGST/IGST Act shall apply to such ECO as if he is the supplier liable for paying the tax in relation to the supply of such notified services. This implies that the invoice for notified services will be issued by the ECO only and not by suppliers.



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(C) Person liable to pay tax on notified services

	Person liable to pay tax
If the ECO is located in taxable territory	ECO
If the ECO does not have physical presence in the taxable territory	Person representing the ECO for any purpose in the taxable territory
If the ECO has neither the physical presence nor any representative in the taxable territory	Person appointed by the ECO for the purpose of paying the tax

(D) Taxability of the notified services: In terms of the provisions of section 9(5) of the CGST Act/section 5(5) of the IGST Act read with relevant notifications, taxability of the services notified under section 9(5)/section 5(5) will be as follows:

(I) In case where services by way of transportation of passengers or restaurant service [as mentioned in points A D and E above] are being provided: ECO is liable to pay tax on such services supplied through it in all the cases irrespective of the fact whether the person supplying such services through it is registered/ liable to registration under section 22 or not[1].





[1] *Provisions relating to registration under e-commerce transactions are discussed subsequently in this chapter.*

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(II) In case where accommodation, housekeeping or *local delivery* service [as mentioned in points B C and F above] are being provided: ECO is liable to pay tax on such services supplied through it only when the person supplying such services through it is NOT liable to registration under section 22, i.e. the aggregate turnover of supplier of services does not exceed the threshold limit of **₹ 20 lakh** (**₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland).



However, where the person supplying such service through ECO is liable for registration under section 22(1), the provisions of section 9(5) of the CGST Act/ section 5(5) of the IGST Act will not be applicable on such services.



In such a case, supplier shall obtain the registration and pay the tax on such services. In that case, ECO will not be liable to pay tax on such services. Further, TCS provisions shall apply in such cases.

example

(6) Champak of Delhi avails the services of a carpenter online through an ECO – Hastkala.com. The carpenter is unregistered under GST since his turnover has not yet crossed the threshold limit. In this case, GST on the services availed by Champak shall be paid by Hastkala.com in terms of section 9(5) and TCS provisions will not apply.

(7) Sampat of Delhi avails the services of a carpenter – M/s Dhruvtara Enterprises - online through an ECO – Hathkala.com. M/s Dhruvtara Enterprises is registered under GST.

In this case, GST on the services availed by Sampat shall be paid by M/s Dhruvtara Enterprises since it is registered. In other words, provisions of section 9(5) will not be applicable. Further, TCS provisions will apply. Hathkala.com will collect TCS in this case.

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(E) Manner of reporting of notified services in GSTR-3B: The ECO may, on notified services, including on restaurant service provided through ECO, pay GST, by furnishing the details in Form GSTR-3B[2], reporting them as **OUTWARD TAXABLE SUPPLIES**.

Payment of tax on notified services is not allowed through input tax credit of ECO. It has to be paid in cash only[3].

(vi) Tax collected at source (TCS) by ECO [Section 52]

(A) What is TCS?



Every ECO (not being an agent) is required to collect an amount calculated at the rate not exceeding 0.5% (0.5% IGST or 0.25% CGST and 0.25% SGST, as the case may be), as notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it, where the consideration with respect to such supplies is to be collected by such ECO. The amount so collected is called as Tax Collection at Source (hereinafter referred as TCS).

Provisions of TCS under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act. It may be noted that section 20 of the IGST Act provides that in case of tax collected at source, the operator shall collect tax at such rate not exceeding 2%, as may be notified on the recommendations of the Council *(*actual rate notified is 0.5% - discussed subsequently herein), of the net value of taxable supplies.

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[2] Provisions relating to GST return in Form GSTR-3B have been discussed in Chapter 13 – Returns in this Module of the Study Material.

[3] Circular No. 167/23/2021 GST dated 17.12.2021

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(B) Who is liable to collect TCS and from whom?

Every Electronic Commerce Operator (ECO), not being an agent, has been mandated to collect tax at source (TCS) on the net value of taxable supplies made through it by suppliers, where the ECO collects the consider

ation on behalf of the supplier for such supplies.

However, it is important to note here that practically, ECOs don't actually collect this amount from the suppliers; they simply retain the TCS amount and their commission from the consideration received by them for supply of supply of goods/services made by the suppliers, and pay the remaining amount to the suppliers.



✪ A composition taxpayer[4] cannot make supplies of services through an ECO [Section 10(2)(d)]. However, a composition taxpayer can make supplies of goods through an ECO. As a corollary, TCS has to be collected only in respect of supplies of goods made by the composition taxpayer through an ECO. A special procedure is required to be followed by ECOs in respect of supplies of goods through them by composition taxpayers. This is outlined below.

Special procedure to be followed by ECOs in respect of supplies of goods through them by composition taxpayers

A special procedure[5] has been laid down under section 148 to be followed by ECO through which composition supplier supplies goods under which the ECOs would be required to declare the supplies made by such composition dealers through them through GSTR-8 statement[6]. ECOs would also be mandated to ensure that no inter-State supply through them is allowed in respect of supplies made by the composition dealers by making necessary checks and validations on their

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[4] Provisions relating to composition taxpayer have been discussed in detail in Chapter 2 – Charge of GST in Module 1 of this Study Material.

[5] vide Notification No. 36/2023 CT dated 04.08.2023.

[6] GSTR-8 statement has been explained in detail subsequently in this chapter.

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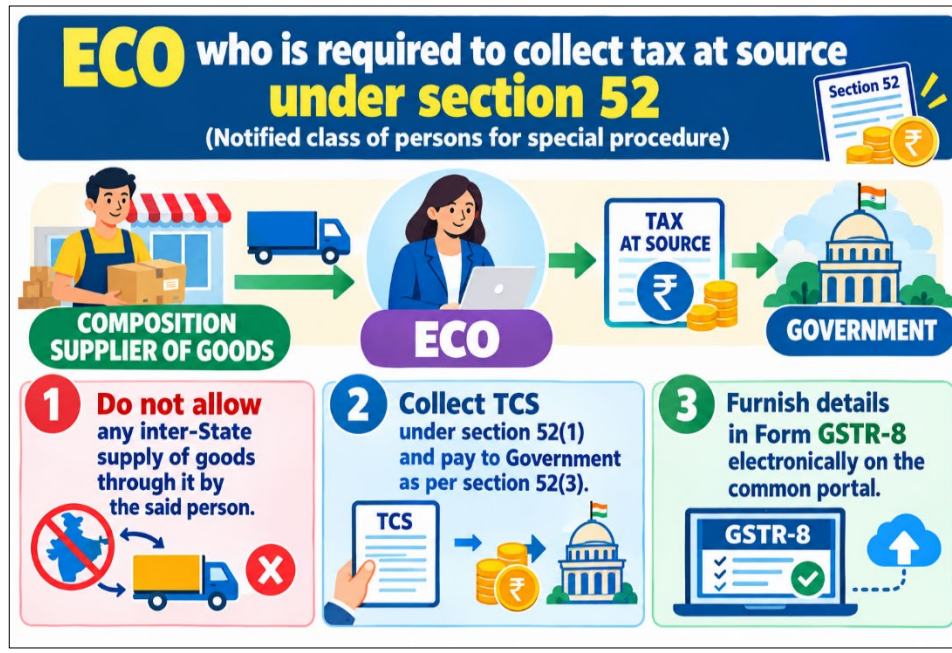
system/platform since a composition supplier cannot make an inter-State outward supply.

ECO who is required to collect tax at source under section 52 has been notified as the class of persons who shall follow the following special procedure in respect of supply of goods made through it by the composition suppliers, namely: —

(i) the ECO shall not allow any inter-State supply of goods through it by the said person;

(ii) the ECO shall collect tax at source under section 52(1) in respect of supply of goods made through it by the said person and pay to the Government as per provisions of section 52(3); and

(iii) the ECO shall furnish the details of supplies of goods made through it by the said person in the statement in Form GSTR-8 electronically on the common portal.



(C) What is the rate of TCS notified?

Rate of TCS notified is 0.25% of the net value of intra-State taxable supplies (under the CGST Act, 2017 and the respective SGST Act / UTGST

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Act respectively) and 0.5% of the net value of inter-State taxable supplies (under the IGST Act, 2017).

(D) What is the value on which TCS is to be collected?

TCS is collected @ 0.5% on **net value of taxable supplies**. The **"net value of taxable supplies"** means the aggregate value of taxable supplies of goods or services or both, other than the services on which entire tax is payable by ECO u/s 9(5), made during any month by all registered persons through such ECO reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.



It is important to note here that the value of net taxable supplies is calculated at **GSTIN level** on monthly basis. Further, the value of only **TAXABLE SUPPLIES** is to be taken into consideration. Moreover, an ECO is required to collect tax only on the **NET** value of taxable supplies made through it. In other words, value of the supplies which are returned (supply return) are to be adjusted from the aggregate value of taxable supplies made by each supplier. This is to adjust the return of goods made by the customers to ECOs which is a very common feature of said business.



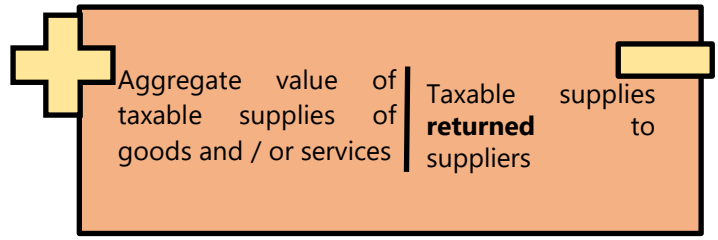
Sometimes sales return are more than sales. However, negative amount cannot be declared. There will be no impact in next tax period also. In other words, if returns are more than the supplies made during any tax period, the same would be ignored in current as well as future tax period(s).



(8) If two suppliers "A" and "B" are making supplies through an ECO, the "net value of taxable supplies" would be calculated separately in respect of "A" and "B". If the value of returned supplies is more than supplies made on behalf of any of such supplier during any tax period, the same would be ignored in his case.

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NET VALUE OF TAXABLE SUPPLIES





✪ ***Since TCS is to be collected on "net value of TAXABLE supplies" made through it, TCS is not required to be collected on EXEMPT supplies.***

✪ ***TCS is not required to be collected on supplies on which the recipient is required to pay tax on reverse charge basis.***

✪ ***TCS is not liable to be collected on IMPORT OF GOODS OR SERVICES. Since import of goods would fall within the domain of the Customs Act, 1962, it is outside the purview of TCS. Further, TCS is not liable to be collected on import of services since the recipient is liable to pay tax on said supplies under the reverse charge mechanism.***



(9) Shiksha Book Depot is selling books through an ECO - Zamazon Ltd. Books are exempted/zero-tax goods. As per section 52(1), TCS is to be collected on "net value of **taxable** supplies" made through an ECO. When the supply itself is not taxable, the question of TCS does not arise. Thus, Zamazon Ltd. is not required to collect TCS on the sale of books.

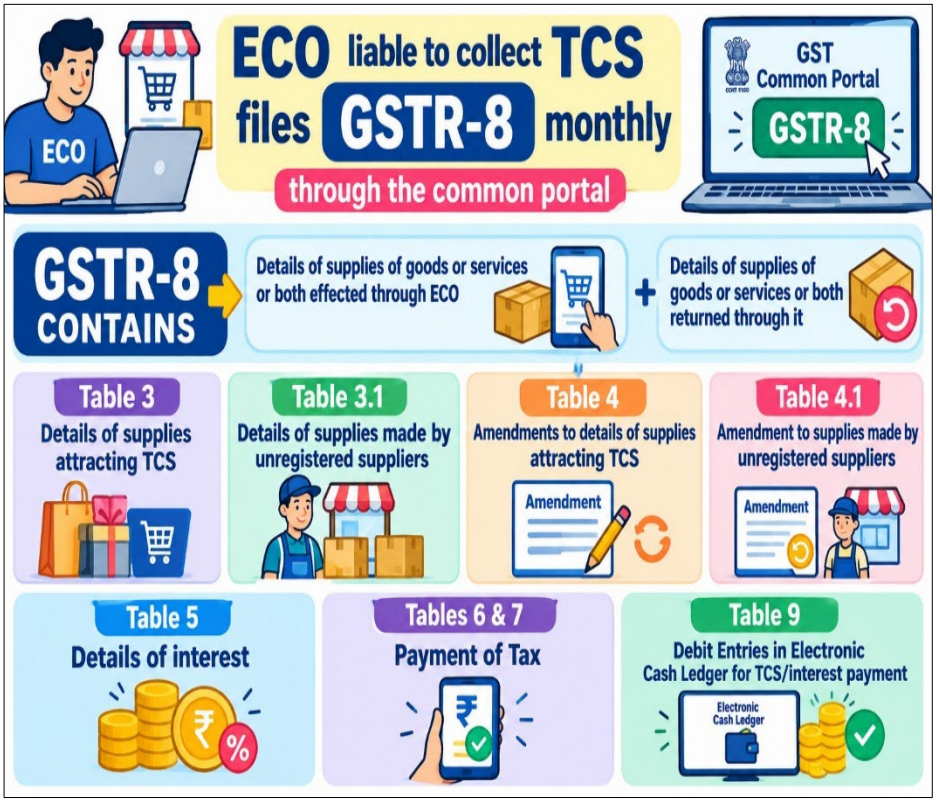
(E) Which monthly statement is required to be furnished by an ECO? [Sub-sections (3), (4), (6) and (7) of section 52 read with rule 67]

(a) Form GSTR-8

An **ECO liable to collect TCS** shall furnish a monthly statement in **Form GSTR-8** electronically through the common portal. Form GSTR-8 contains the details of supplies of goods or services or

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both effected through ECO including the supplies of goods or services or both returned through it, amount of consideration collected by ECO pertaining to supplies made through ECO and the amount of TCS collected on such supplies.



CONTENTS OF GSTR- 8

Table 3	**Details of supplies attracting TCS**
Table 3.1	**Details of supplies made by unregistered suppliers**
Table 4	**Amendments to details of supplies attracting TCS**
Table 4.1	**Amendment to supplies made by unregistered suppliers**
Table 5	**Details of interest**
Tables 6 & 7	**Payment of Tax**
Table 9	**Debit Entries in Electronic Cash Ledger for TCS/interest payment**

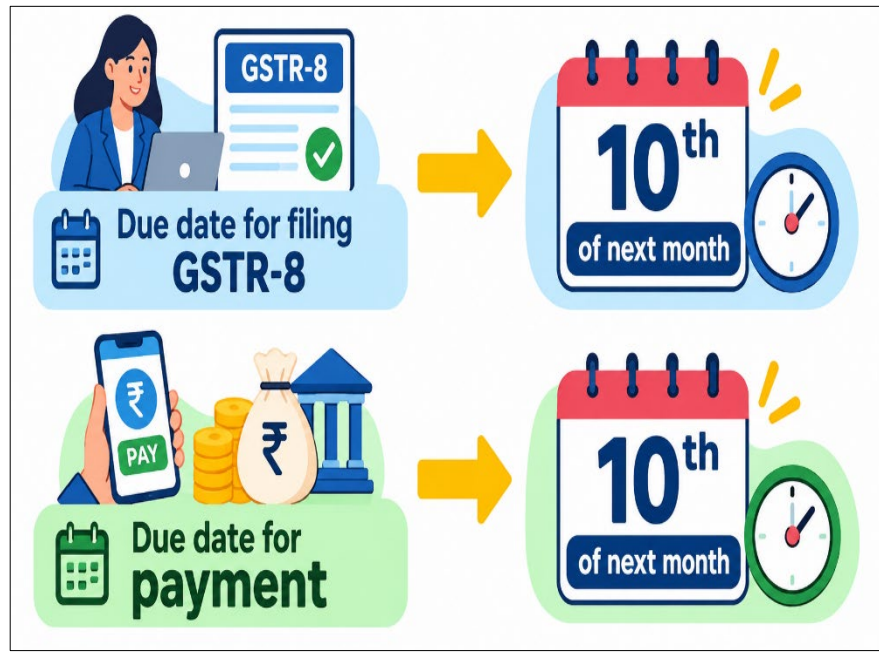
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(b) Last date of filing statement and for deposit of TCS

The details in **GSTR-8** should be furnished on/before 10th day of the month succeeding the calendar month in which tax has been collected at source.

The due date of filing GSTR-8 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.

Further, the amount of tax collected by ECO (TCS amount) is also required to be deposited separately under the respective tax head (i.e. Central tax / State tax / Union Territory tax / Integrated tax) by 10th day of the month succeeding the calendar month in which TCS has been collected.



The ECO can file Form GSTR 8 only when full TCS liability has been discharged.

(10) If the TCS has been collected in the month of July, the amount has to be remitted into the Government Treasury on or before 10th August.

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(c) TCS details available to registered suppliers on common portal and claiming of TCS by suppliers

The details of TCS furnished by the ECO in GSTR-8 shall be made available electronically to each of the registered suppliers who supplied goods and/or services through ECO on the common portal after filing of GSTR-8 for claiming the amount of tax collected in his electronic cash ledger after validation.



The amount of TCS shall be credited to the cash ledger of the said supplier who has supplied the goods/services through the ECO in the respective tax head in which TCS amount was deposited by ECO. The said credit can be used at the time of discharge of tax liability by the actual supplier.

If the supplier is not able to use the amount lying in the said cash ledger, the actual supplier may claim refund of the excess balance lying in his electronic cash ledger in accordance with the provisions contained in section 54(1)[7].

(d) Rectification of errors/omissions in GSTR-8

If after submission of GSTR-8, the ECO discovers any discrepancy therein on his own - not being the result of any scrutiny, audit, inspection or enforcement proceedings - he should rectify such discrepancy in GSTR-8 to be filed for the month during which such discrepancy is noticed, subject to payment of interest under section 50.

Maximum time limit within which such amendments are permissible is earlier of the following dates:

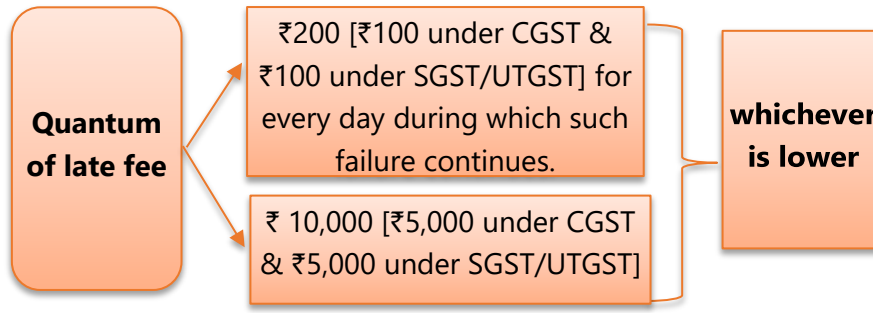
- 30th day of November following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual statement [GSTR-9B].

[7] *The provisions relating to refund of excess balance in electronic cash ledger has been discussed in detail in Chapter 15 – Refunds under GST in Module 3 of this Study Material.*

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(e) Late fees for delay in filing GSTR-8 [Section 47]

Following late fee is applicable for delay in furnishing of TCS statement in Form GSTR-8:



(f) Whether Nil GSTR-8 needs to be filed in case if there is no TCS liability in a tax period?

Filing of GSTR-8 for every tax period is **not mandatory**. ECO is required to file Form GSTR-8 for a particular tax period, only when goods are supplied through such ECO and they have collected any TCS during the said tax period or they have to amend any details declared in earlier return on their own or on account of any details rejected by supplier.

If ECO does not have any TCS liability in any particular tax period and also there is no transaction that has been auto-populated in Table 4 of GSTR-8 of that particular tax period due to rejection of TCS details by the supplier in TDS/TCS credit received table, filing of Form GSTR-8 will not be mandatory for the said tax period. Otherwise, it is mandatory to file Form GSTR-8 for a particular tax period in which TCS has been collected or details are auto populated in Table 4[8] [9].

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[8] *It is not necessary to file Form GSTR-8 for the tax period in which there are only rejected documents in table 4 and there is no TCS liability.*

[9] *Based on the FAQs on Form GSTR-8 given on www.gst.gov.in*

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(g) Maximum time-limit for furnishing Form GSTR-8

Maximum time-limit upto which ECO can furnish Form GSTR-8 is **3 years** from the relevant due date of filing such statement. This time limit can be extended by the Government for an ECO or a class of ECOs subject to such conditions and restrictions as may be specified therein.

(F) Which annual statement is required to be furnished by an ECO?



An ECO required to collect TCS is required to file an annual statement referred to in section 52(5) in **Form GSTR-9B (yet to be notified).**
The statement for a financial year needs to be filed by **31st December of the next financial year**.

The due date of filing annual statement may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.

(G) Interest on non-collection of TCS [Section 52(6)]

As per section 52(6), interest is applicable on omission as well in case of incorrect particulars noticed. In case of non-collection of TCS, interest is applicable since it is a case of omission. Further penalty under section 122(vi)[10] would also be leviable.

(H) At what time should the ECO collect TCS?

TCS is to be collected once supply has been made through the ECO and where the business model is that the consideration is to be collected by the ECO, irrespective of the actual collection of the consideration.



(11) If the supply has taken place through the ECO on 30th October, but the consideration for the same has been collected in the month of November, then TCS for such supply has to be collected and reported in the statement for the month of October.

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[10] *Penal provisions have been discussed in detail in Chapter 21 – Offences and Penalties and Ethical aspects of GST in Module 3 of this Study Material.*

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(I) Authority not below the rank of Deputy Commissioner may serve a notice requiring ECO to furnish the details of their supplies of goods or services or both as well as stock of goods held by the suppliers

The power conferred on the ECO to collect TCS, is without prejudice to other modes of recovery from ECO. The powers of ECO is restricted only to the extent of TCS under circumstances specified therein and nothing more.

An officer not below the rank of Deputy Commissioner can issue notice to an ECO, asking him to furnish the details relating to volume of the goods/ services supplied, stock of goods lying in warehouses/ godowns etc. The ECO is required to furnish such details within 15 working days.

In case an ECO fails to furnish the information, besides being liable for penal action under section 122, it shall also be liable for general penalty up to ₹ 25,000.



Payment of TCS by ECO is not allowed through input tax credit of ECO. This implies that TCS has to be paid in cash only.

ILLUSTRATION 1

Nishpaksh Associates is a supplier selling its own products through a web site hosted by it. Does it fall under the definition of an "electronic commerce operator"? Whether Nishpaksh Associates is required to collect TCS on such supplies?

ANSWER

As per the definitions in sections 2(44) and 2(45), Nishpaksh Associates will come under the definition of an "electronic commerce operator".

However, according to section 52, TCS is required to be collected on the net value of taxable supplies made through it by other suppliers where the consideration is to be collected by the ECO. In cases where someone is selling their own products through a website, there is no requirement to collect TCS as per the provisions of this section. These transactions will be liable to GST

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at the prevailing rates. Thus, Nishpaksh Associates is not required to collect TCS on the supplies made by it through its own website.

ILLUSTRATION 2

If Sitcom Technologies Ltd. purchases goods from different vendors and thereafter sells them on its own website under its own billing. Is TCS required to be collected on such supplies?

ANSWER

No. According to section 52, TCS is required to be collected on the net value of taxable supplies made through ECO by other suppliers where the consideration is to be collected by the ECO. In this case, there are two transactions - Sitcom Technologies Ltd. purchases the goods from the vendors, and thereafter those goods are sold through its own website.

For the first transaction, GST is leviable, and will need to be paid to vendor, on which credit is available to Sitcom Technologies Ltd. The second transaction is a supply on own account of Sitcom Technologies Ltd., and not by other suppliers and there is no requirement to collect TCS. The transaction will attract GST at the prevailing rates.

(vii) Clarification on service supplied by restaurants through ECOs

As seen earlier, supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises is a notified service for the purposes of section 9(5). *Circular No. 167/23/2021 GST dated 17.12.2021* has clarified the following issues with regard to said service:

(A) ECOs not to collect TCS in respect of restaurant services so notified

ECOs will not be required to collect TCS and furnish Form GSTR-8 in respect of restaurant services since it pays tax on such services in terms of section 9(5).

(B) ECOs not required to take separate registration for paying tax on restaurant service supplied through them

As ECOs are already registered in accordance with rule 8 (as a supplier of their own goods or services), there would be no mandatory

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requirement of taking separate registration by ECOs for payment of tax on restaurant service under section 9(5)[11].

(C) ECO to pay tax on restaurant services supplied through them by an unregistered person



ECOs will be liable to pay GST on any restaurant service supplied through them **including services supplied by an unregistered person**.

(D) Supply of restaurant services to be included in aggregate turnover of person supplying restaurant services through ECO



The aggregate turnover of person supplying restaurant service through ECOs shall be computed in accordance with definition of aggregate turnover under section 2(6) and shall include the aggregate value of supplies made by the restaurant through ECOs.

Accordingly, for threshold consideration or any other purpose in the CGST Act, the person providing restaurant service through ECO shall account for such services in his aggregate turnover.

(E) Restaurant services provided through ECO not to be considered as inward supply for ECOs

ECOs are not the recipient of restaurant service supplied through them. Since these are not input services to ECO, these are not to be reported as inward supply (liable to reverse charge) in Form GSTR-3B. Indeed, they are **reported as Outward Taxable Supplies in GSTR-3B**.

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[11] *Separate registration apart from regular registration is only required in case where ECO is liable to collect TCS under section 52. Registration requirements of ECOs have been discussed subsequently in this chapter.*

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(F) GST to be paid by the supplier on services not notified under section 9(5) but supplied through ECO

ECO is required to pay GST on services notified under section 9(5), besides the services/other supplies made on his own account.

On any supply that is not notified under section 9(5), that is supplied by a person through ECO, the liability to pay GST continues on such supplier and ECO shall continue to collect TCS on such supplies.

Thus, present dispensation continues for ECO, on supplies other than restaurant services. On such supplies (other than restaurant services made through ECO) GST will continue to be billed, collected and deposited in the same manner as is being done at present. ECO will deposit TCS on such supplies.

(G) ECO to raise invoice in respect of restaurant service supplied through ECO

The invoice in respect of restaurant service supplied through ECO under section 9(5) will be issued by ECO.

(H) Billing in case of 'restaurant service' and goods/services other than restaurant service being sold by a restaurant to a customer under the same order

There can a situation where 'restaurant service' and goods or services other than restaurant service are sold by a restaurant to a customer under the same order. The question arises as to who shall be liable for raising invoices in such cases.



Considering that liability to pay GST on supplies other than 'restaurant service' through the ECO, and other compliances under the CGST Act, including issuance of invoice to customer, continues to lie with the respective suppliers (and ECOs being liable only to collect tax at source (TCS) on such supplies), it is advisable that ECO raises separate bill on restaurant service in such cases where ECO provides other supplies to a customer under the same order.

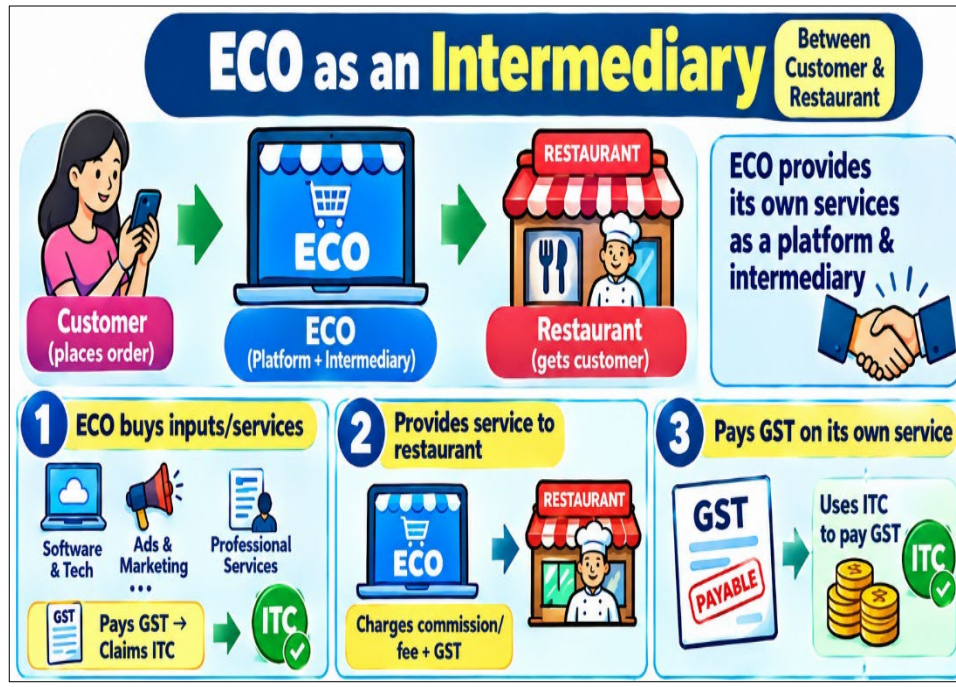
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(I) Reversal of proportionate ITC on input goods and services not required by ECO

ECOs provide their own services as an electronic platform and an intermediary for which it would acquire inputs/input services on which ECOs avail input tax credit (ITC).

The ECO charges commission/fee etc. for the services it provides. The ITC is utilised by ECO for payment of GST on services provided by ECO on its own account (say, to a restaurant).

The situation in this regard remains unchanged even after ECO is made liable to pay tax on restaurant service. ECO would be eligible to ITC as before.



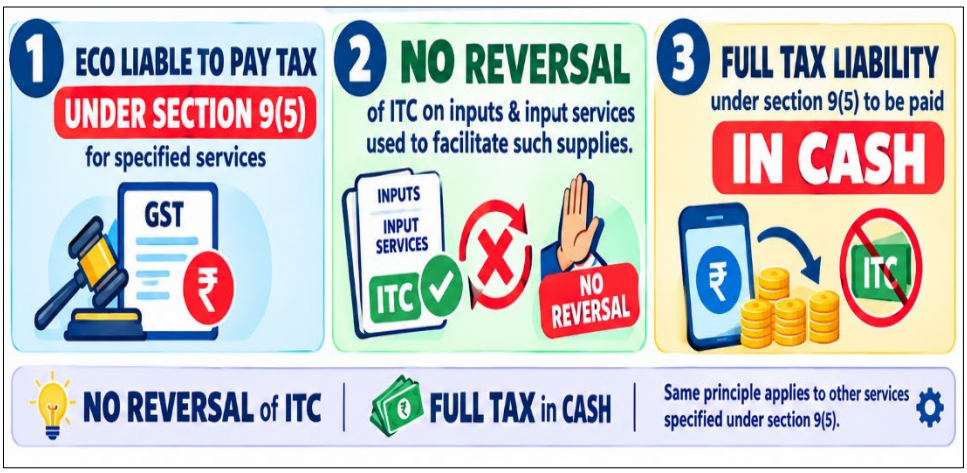
Accordingly, it is clarified that ECO shall not be required to reverse ITC on account of restaurant services on which it pays GST in terms of section 9(5). However, it may also be noted that on restaurant service so notified, ECO shall pay the entire GST liability in cash (No ITC could be utilised for payment of GST on restaurant service supplied through ECO). This principle also applies to the supplies made in respect of other services specified under section 9(5).

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Thus, it is clarified that ECO, who is liable to pay tax under section 9(5) on notified services, is not required to reverse the ITC on his inputs and input services proportionately under section 17(1)/17(2) to the extent of supplies made under section 9(5).

It is further clarified that ECO will be required to pay the full tax liability on account of supplies under section 9(5) in cash, i.e. only through electronic cash ledger. The credit availed by him in relation to the inputs and input services used to facilitate such supplies cannot be used for discharge of such tax liability under section 9(5).

However, such credit can be utilized by him for discharge of tax liability in respect of supply of services on his own account[12].



(viii) Clarification on TCS liability in case of multiple ECOs in one transaction

In the current platform-centric model of e-commerce, the buyer interface and seller interface are operated by the same ECO.

This ECO:

- collects the consideration from the buyer,
- deducts the TCS under section 52,

[12] *Circular No. 167/23/2021 GST dated 17.12.2021 read with Circular No. 240/34/2024 GST dated 31.12.2024*

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- credits the deducted TCS amount to the GST cash ledger of the seller and
- passes on the balance of the consideration to the seller after deducting their service charges.

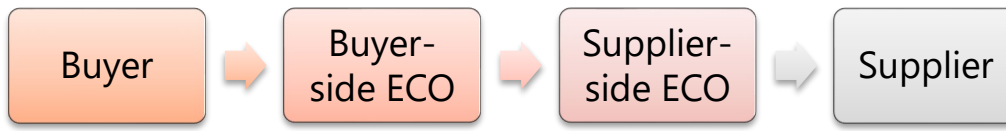
In the case of the ONDC Network (Open Network for Digital Commerce) or similar other arrangements, there can be multiple ECOs in a single transaction - one providing an interface to the buyer and the other providing an interface to the seller. In this setup, buyer-side ECO could collect consideration, deduct their commission and pass on the consideration to the seller-side ECO. In this context, clarity has been sought as to which ECO should deduct TCS and make other compliances under section 52 in such situations, as in such models having multiple ECOs in a single transaction, both the Buyer-side ECO and the Seller-side ECO qualify as ECOs as per section 2(45).





CBIC has clarified following issues in this regard:

Issue 1: In a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and where the supplier-side ECO himself is not the supplier in the said supply, who is liable for compliances under section 52 including collection of TCS?



Clarification: In such a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and

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where the **supplier-side ECO himself is not the supplier of the said goods or services**, the compliances under section 52, including collection of TCS, is to be done by the supplier-side ECO who finally releases the payment to the supplier for a particular supply made by the said supplier through him.



(12) Buyer-side ECO collects payment from the buyer, deducts its fees/commissions and remits the balance to Seller-side ECO. Here, the Seller-side ECO will release the payment to the supplier after deduction of his fees/commissions and therefore will also be required to collect TCS, as applicable and pay the same to the Government in accordance with section 52 and also make other compliances under section 52.

In this case, the Buyer-side ECO will neither be required to collect TCS nor will be required to make other compliances in accordance with section 52 with respect to this particular supply.

Issue 2: In a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and the **Supplier-side ECO is himself the supplier of the said supply,** who is liable for compliances under section 52 including collection of TCS?



Clarification: In such a situation, TCS is to be collected by the Buyer-side ECO while making payment to the supplier for the particular supply being made through it.



(13) Buyer-side ECO collects payment from the buyer, deducts its fees and remits the balance to the supplier [who is itself an ECO as per the definition in Sec 2(45)] In this scenario, the Buyer-side ECO will also be required to collect TCS, as applicable, pay the same to the Government in accordance with section 52 and also make other compliances under section 52.

[Circular No. 194/06/2023 GST dated 17.07.2023]

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4. REGISTRATION REQUIREMENTS

	STATUTORY PROVISIONS
Section 22 (Relevant Extract)	***Persons liable for registration***
Sub-section	***Particulars***
(1)	*Every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees.* *Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees.* *Provided further that the Government may, at the request of a special category State and on the recommendations of the Council, enhance the aggregate turnover referred to in the first proviso from ten lakh rupees to such amount, not exceeding twenty lakh rupees and subject to such conditions and limitations, as may be so notified.* *Provided also that the Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover from twenty lakh rupees to such amount not exceeding forty lakh rupees in case of supplier who is engaged exclusively in the supply of goods, subject to such conditions and limitations, as may be notified.* *Explanation—For the purposes of this sub-section, a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply of services provided by*

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	way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.
Section 24 (Relevant Extract)	***Compulsory registration in certain cases***
Clause	***Particulars***
	Notwithstanding anything contained in sub-section (1) of section 22, the following categories of persons shall be required to be registered under this Act,-
(iv)	*persons who are required to pay tax under sub-section (5) of section 9*
(ix)	*persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52*
(x)	*every electronic commerce operator who is required to collect tax at source under section 52*
Chapter III – Registration of the CGST Rules	
Rule 12	***Grant of registration to persons required to deduct tax at source or to collect tax at source***
(1)	*Any person required to deduct tax in accordance with the provisions of section 51 or a person required to collect tax at source in accordance with the provisions of section 52 shall electronically submit an application, duly signed or verified through electronic verification code, in FORM GST REG-07 for the grant of registration through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.*
(1A)	*A person applying for registration to deduct or collect tax in accordance with the provisions of section 51, or, as the case maybe, section 52, in a State or Union territory where he does not have a physical presence, shall mention the name of the State or*

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	Union territory in PART A of the application in FORM GST REG-07 and mention the name of the State or Union territory in PART B thereof in which the principal place of business is located which may be different from the State or Union territory mentioned in PART A.
(2)	*The proper officer may grant registration after due verification and issue a certificate of registration in FORM GST REG-06 within a period of three working days from the date of submission of the application.*
(3)	*Where, on a request made in writing by a person to whom a registration has been granted under sub-rule (2) or upon an enquiry or pursuant to any other proceeding under the Act, the proper officer is satisfied that a person to whom a certificate of registration in FORM GST REG-06 has been issued is no longer liable to deduct tax at source under section 51 or collect tax at source under section 52, the said officer may cancel the registration issued under sub-rule (2) and such cancellation shall be communicated to the said person electronically in FORM GST REG-08:* *Provided that the proper officer shall follow the procedure as provided in rule 22 for the cancellation of registration.*



ANALYSIS

(i) Registration requirements of ECO

Every ECO who is required to collect TCS under section 52 as well as an ECO who is required to pay tax under section 9(5) are required to obtain registration compulsorily under section 24 irrespective of the quantum of their aggregate turnover.

Further, following special procedure has been laid down for registration of ECOs liable to collect TCS:

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Special provisions for grant of registration in case of persons required to collect TCS under section 52 [Rule 12]



An ECO has to obtain separate registration for TCS irrespective of the fact whether ECO is already registered under GST as a supplier or otherwise and has GSTIN. Application for registration has to be submitted by such persons in a different prescribed form at GST Common Portal. They would be granted registration within **3 working days** from the date of submission of application after due verification.

Sometimes, an ECO is required to collect tax in a State/UT where it does not have physical presence since suppliers listed on their e-commerce platform are located in said State/UT.

However, registration for TCS is required in each such State / UT as the obligation for collecting TCS would be there for every intra-State or inter-State supply. In such case, in **Part-A** of the prescribed registration form, State/UT for which registration is required needs to be mentioned.

However, in **Part-B** of the registration form, the ECO may declare the Head Office as its place of business for obtaining registration in that State / UT where it does not have physical presence.

Registration will be cancelled if proper officer is satisfied that such person is no longer liable to collect tax at source. Cancellation of registration will be communicated to such person electronically in prescribed form. Proper Officer shall follow the procedure laid down for cancellation of registration prescribed under this Act and rules therein.

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(ii) Registration requirements of supplier making supplies of goods or services through ECO

(A) **Persons making supplies of GOODS through an ECO who is required to collect tax at source under section 52:** are required to obtain **REGISTRATION MANDATORILY** as per section 24[13].

However, unregistered persons can make **supply of goods** through ECOs subject to specified conditions. They would be required to declare their PAN and principal place of business so that it can be verified from the PAN that the turnover is less than the threshold limit.

The details of these supplies made by the unregistered persons through their PAN will be given in the GSTR 8 filed by the ECOs. In cases where the total supply approaches the threshold limit, it would be flagged to the concerned supplier to take registration and to officers for information. Further, the suppliers would not be required to pay any tax upto supplies of applicable threshold limits and ECOs would not collect TCS till the suppliers cross the threshold limit.



Accordingly, the persons making supplies of goods through an ECO who is required to collect TCS under section 52 and having an aggregate turnover in the preceding financial year and in the current financial year not exceeding the threshold limit in accordance with the provisions of section 22(1), are exempted from obtaining registration, subject to the following conditions, namely:

(i) such persons shall not make any inter-State supply of goods;

(ii) such persons shall not make supply of goods through ECO in more than one State/Union territory;

[13] *Provisions of section 9(5) also do not apply in case of supply of goods through ECO.*

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(iii) such persons shall be required to have a PAN issued under the Income-tax Act, 1961;

(iv) such persons shall, before making any supply of goods through ECO, declare on the common portal:

a. their PAN

b. address of their place of business and

c. State/UT in which such persons seek to make such supply,

which shall be subjected to validation on the common portal;

(v) such persons have been granted an enrolment number on the common portal on successful validation of the PAN declared above;

(vi) such persons shall not be granted more than one enrolment number in a State/UT;

(vii) no supply of goods shall be made by such persons through ECO unless such persons have been granted an enrolment number on the common portal; and

(viii) where such persons are subsequently granted registration under section 25, the enrolment number shall cease to be valid from the effective date of registration[14].

Special procedure to be followed by ECO through which unregistered persons supply goods

A special procedure has been laid down under section 148 to be followed by ECO through which above unregistered persons supply goods[15]. The ECOs would ensure that no inter-State supply would be made and the supply made by such unregistered person (PAN-wise) would be declared in their monthly GSTR 8. The aggregate of total turnover made through different ECOs would be done PAN wise. In online mode, there would be a PAN based trail.

Said notification provides that the ECO who is required to collect tax at source under section 52 has been notified as the class of persons who shall follow the following special procedure in respect of supply of

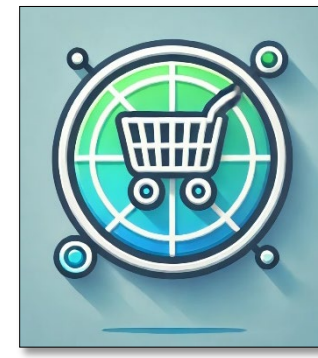
[14] *Notification No. 34/2023 CT dated 31.07.2023*
[15] *Notification No. 37/2023 CT dated 04.08.2023*

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goods made through it by said unregistered persons (hereinafter referred as said person):

(i) ECO shall allow the supply of goods through it by the said person only if enrolment number has been allotted on the common portal to the said person;

(ii) ECO shall not allow any inter-State supply of goods through it by the said person;



(iii) ECO shall not collect tax at source under section 52(1) in respect of supply of goods made through it by the said person; and

(iv) ECO shall furnish the details of supplies of goods made through it by the said person in the statement in Form GSTR-8 electronically on the common portal.

Where multiple ECOs are involved in a single supply of goods through ECO platform, "ECO" shall mean the ECO who finally releases the payment to the said person for the said supply made by the said person through him.

(B) Persons making supplies of SERVICES, other than services specified under section 9(5) through an ECO who is required to collect TCS under section 52: are required to obtain **REGISTRATION MANDATORILY** as per section 24.

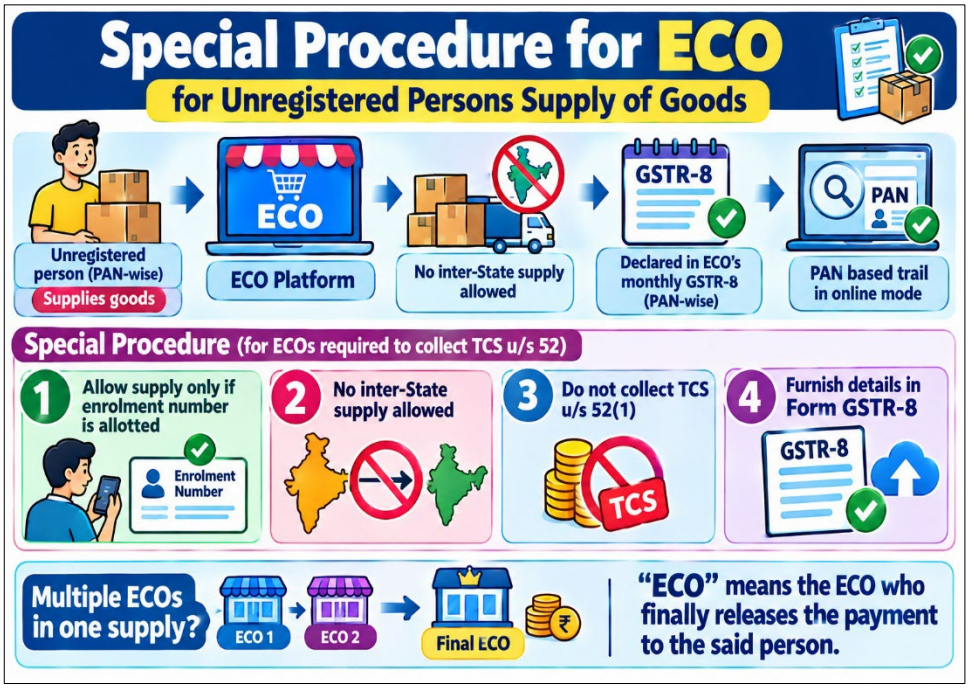
However, unregistered persons having an aggregate turnover (to be computed on all India basis) not exceeding an amount of **₹ 20 lakh** (**₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland), in a financial year can make **supply of services** (other than notified services) through ECOs subject to specified conditions.

Thus, the **THRESHOLD LIMIT OF ₹ 20 LAKH OR ₹ 10 LAKH IS APPLICABLE** in case of person supplying services other than those notified under section 9(5) through an ECO otherwise liable to collect TCS. Since such suppliers are not liable for registration, ECOs are not

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required to collect TCS on supply of services being made by such suppliers through their portal[16].

(14) Sudhakar Salon Services is engaged in providing salon services through an electronic commerce platform owned by Zykom Technologies Ltd. Since Sudhakar Salon Services is supplying services other than notified services through the e-commerce platform owned by Zykom Technologies Ltd., it is exempted from obtaining compulsory registration since its aggregate turnover has not yet crossed the threshold limit for registration. Consequently, it is unregistered under GST. Thus, Zykom Technologies Ltd. is not required to collect TCS on supply of services being made by Sudhakar Salon Services through its portal.



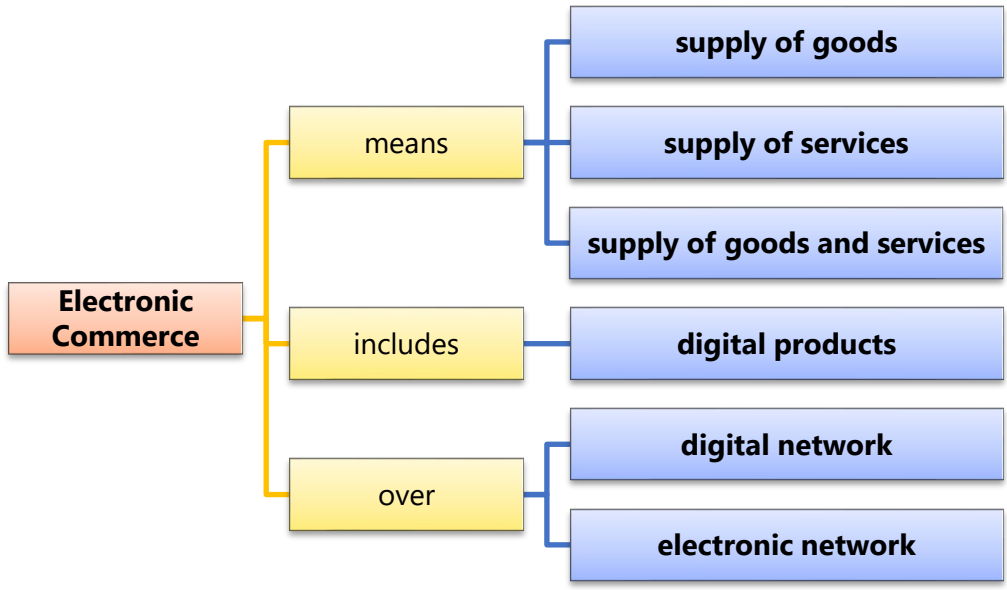
(C) Persons making supplies of SERVICES notified under section 9(5) through an ECO[17]: Such persons will be entitled for threshold exemption for registration of **₹ 20 lakh** (**₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland).

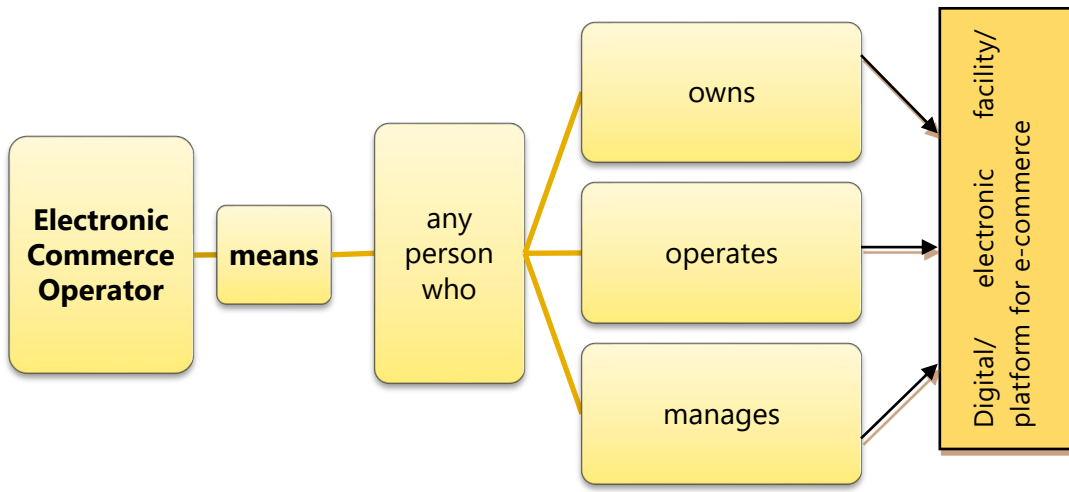
[16] *Notification No. 65/2017 CT dated 15.11.2017*

[17] *As per the provisions of section 52, such ECO will not be liable to collect TCS.*

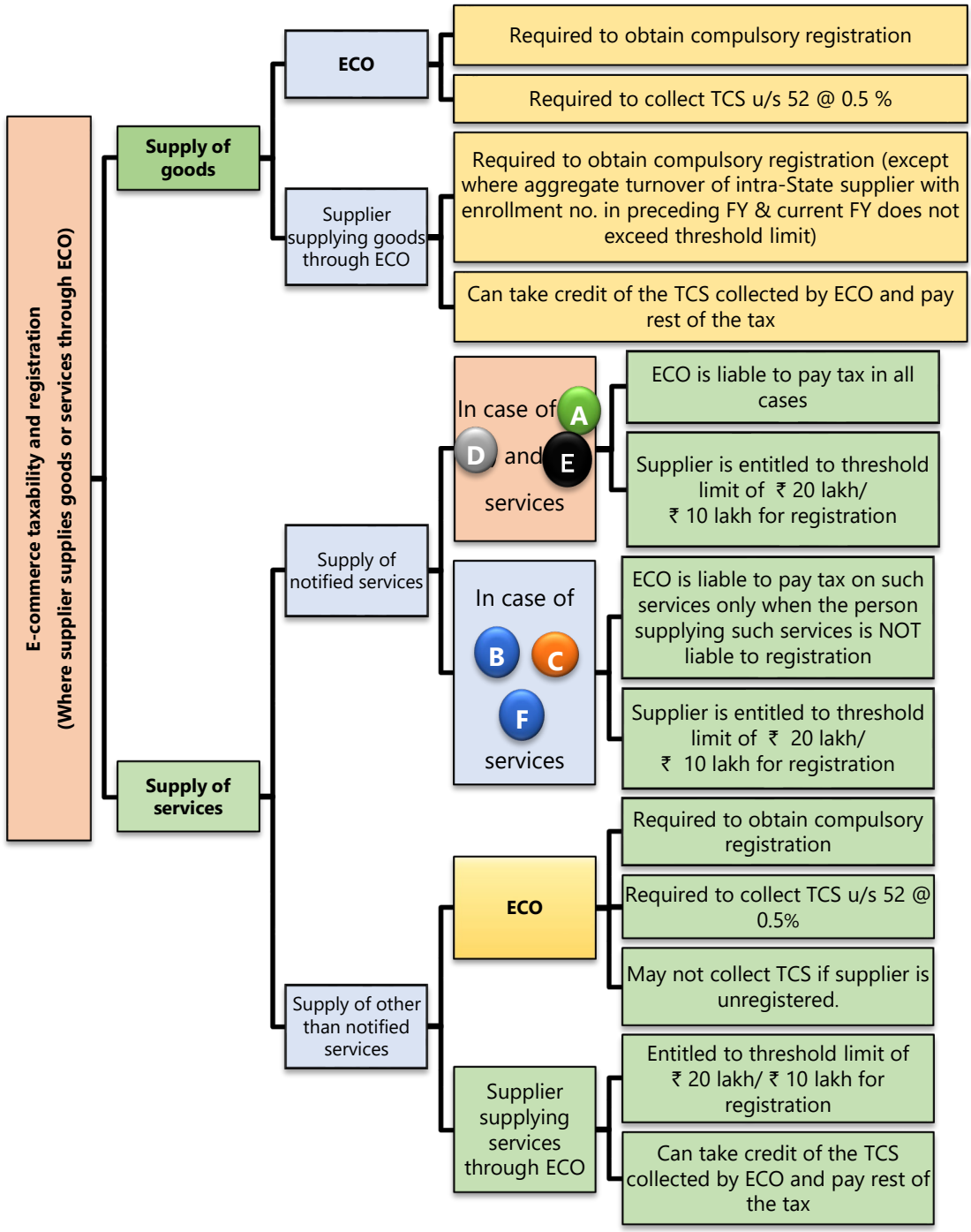
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LET US RECAPITULATE





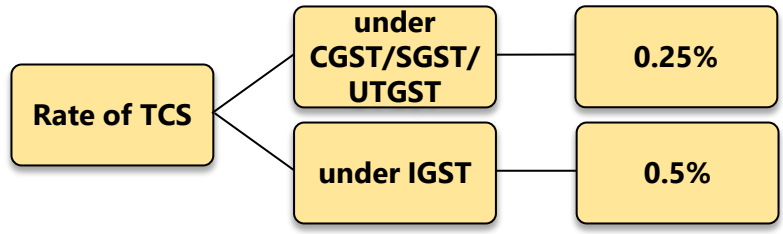
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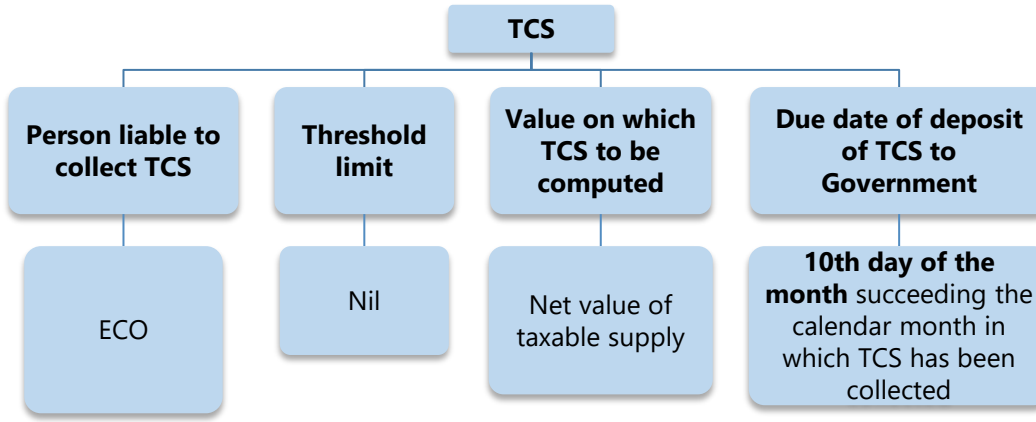


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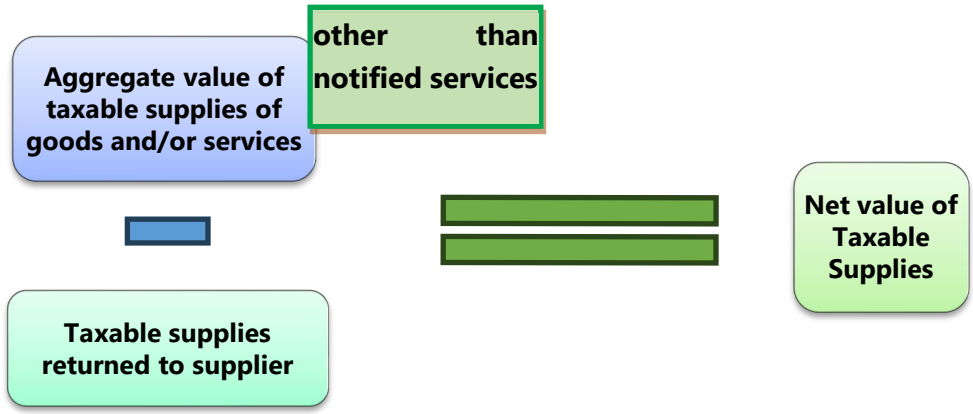
TCS provisions under section 52

RATE OF TCS





NET VALUE OF TAXABLE SUPPLIES



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TEST YOUR KNOWLEDGE

1. *Starkart Limited owns and operates a web portal in the name of "Starkart" and is registered with the jurisdictional GST authorities in Delhi as an electronic commerce operator and is liable to collect tax at source under section 52. Starkart provides listing service to various sellers for selling the goods to ultimate customers. Besides this, Starkart also sells its own products through the same web portal.*

   For the listing services provided to sellers, Starkart charges a listing fee at the rate of 10% of turnover of goods sold by the seller in a particular month. Such listing fee is recovered from the seller irrespective of any return of goods sold through Starkart. The customers can choose from wide range of goods listed on the web portal and place an online order for goods.

   The payment is made by the customers through the payment gateway in online mode only. At the time of monthly settlement, Starkart makes the payment to the sellers after adjusting the tax collection at source at the applicable rates.

   The invoice for goods sold on Starkart is issued by the seller in the name of customers and tax is charged on the basis of location of seller and customer. The goods are shipped directly by the seller to the customer and there is no responsibility of shipping the goods on Starkart for such third-party sellers.

   In case of return of goods by the customer, the shipping is arranged by Starkart. It charges a fee equivalent to 20% of the value of goods returned as cancellation charges and refunds the balance amount to the customer.

   Further, 10% of the value of goods returned is collected from the seller by Starkart as handling charges for return of goods.

   In the month of January, Pulkit, a resident of Rajasthan, purchased following goods from Starkart:

   a. *Laptop having a value of ₹ 50,000 and a printer having a value of ₹ 10,000. Both the products are sold by Infocom Limited, a seller listed on Starkart and registered under GST in the State of Uttar Pradesh.*

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b. Mobile phone having a value of ₹ 30,000 sold by Starkart in its own capacity.

c. CCTV camera system having a value of ₹ 1,00,000 sold by Secure World, listed on Starkart and registered under GST in the State of Gujarat.

All the amounts given above are exclusive of GST, wherever applicable.

The opening balance of input tax credit for the relevant tax period for Starkart, Infocom Limited and Secure World is nil. Further, there is no other inward or outward supply transaction for Starkart, Infocom Limited and Secure World in January apart from the aforementioned transactions. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies at the following rates unless otherwise specified:

CGST - 9%, SGST - 9%, IGST - 18%

Compute the net tax liability (including amount collected as TCS) of Starkart Limited and net GST payable in cash (after set-off of credits, if any) of Infocom Limited and Secure World, for the month of January.

2. *Whether the rate of tax of 0.5% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?*

3. *Is every e-commerce operator required to collect tax on behalf of actual supplier?*

4. *State whether the provisions pertaining to tax collected at source under section 52, will be applicable in below mentioned scenarios -*

   (a) Fitan sells watch on its own through its own website

   (b) ABC limited who is dealer of Fitan brand sells watches through Slipkart, an electronic commerce operator

5. *A is an e-commerce operator supplying goods through its electronic portal in capacity of an agent. The goods belong to B and the consideration for such supplies is received by A and remitted to B as per the contractual arrangement. A requires your help in arriving at the rate at which tax shall be collected from the amount which is received by it against the supplies?*

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6. *X booked a Hotel in Udaipur, Rajasthan through an e-commerce portal for an amount of ₹ 25,000. As per the terms and conditions, the amount was payable at the hotel at the time of check in. Whether TCS provisions shall apply in the present case?*

7. *Sumitra Nandan books a Hotel – Hillpoint Residency, registered under GST- via Zitcom Technologies Ltd. – an ECO - who in turn is integrated with another ECO-Techsuper Ltd. who has agreement with Hillpoint Residency. You are required to determine who is required to collected TCS in the given case.*

8. *AB Pvt. Ltd., Pune, Maharashtra, provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd., Pune. The turnover of AB Pvt. Ltd. in the current financial year is ₹ 18 lakh. Advise AB Pvt. Ltd. as to whether it is required to obtain GST registration.*



ANSWERS

1. Computation of net tax liability (including amount collected as TCS) of Starkart Limited for January:

Particulars	**₹**
TCS to be collected from Infocom Limited on supply of Laptop and a printer to Pulkit [Starkart is an ECO since it owns and operates a web portal through which Infocom Limited supplies goods. Further, IGST is applicable on said inter-State transaction since supplier - Infocom Limited is located in the State of Uttar Pradesh and place of supply is Rajasthan [i.e. where movement of goods terminates in terms of section 10(1)(a) of the IGST Act, 2017]. Thus, Starkart will collect TCS @ 0.5% of [₹ 50,000 + ₹ 10,000]	300
GST to be paid by Starkart on supply of mobile phone made on its own account @ 18% (IGST) of ₹ 30,000. IGST is applicable on said inter-State transaction since supplier - Starkart is located in Delhi and place of supply is Rajasthan [i.e. where	5,400

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movement of goods terminates in terms of section 10(1)(a) of the IGST Act, 2017]. Since supply has been made by Starkart on its own account, no TCS needs to be collected.	
TCS to be collected from Secure World on supply of CCTV camera system to Pulkit [ECO - Starkart is liable to collect TCS on this transaction. Further, IGST is applicable on said inter-State transaction since supplier - Secure World is located in the State of Gujarat and place of supply is Rajasthan [i.e. where movement of goods terminates in terms of section 10(1)(a) of the IGST Act, 2017]. Thus, Starkart will collect TCS @ 0.5% of ₹ 1,00,000]	500
Listing services provided by Starkart to Infocom Limited and Secure Limited @ 10% of turnover for the month of January. Turnover of Infocom Limited and Secure Limited is ₹ 60,000 and ₹ 1,00,000 respectively. IGST @ 18% on (₹ 1,60,000 × 10%) is applicable on said inter-State transaction since supplier – Starkart is located in Delhi and place of supply is Uttar Pradesh and Gujarat respectively [i.e. location of recipient in terms of section 12(2) of the IGST Act, 2017]	2,880
Total GST liability (including TCS) of Starkart for January	**9,080**

Computation of net GST payable in cash by Infocom Limited for the month of January

Particulars	**₹**
Gross GST liability [18% of turnover for January (₹ 50,000 + ₹ 10,000)]	10,800
Less: ITC of GST payable on listing services received from [(10% of ₹ 60,000) ×18%]	(1,080)
Net GST payable from Electronic Cash Ledger	9,720
Less: TCS credited to Electronic Cash Credit Ledger	(300)
Net GST payable in cash	**9,420**

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Computation of net GST payable in cash by Secure World for the month of January

Gross GST Liability [18% of turnover for January (₹ 1,00,000)]	18,000
Less: ITC of GST payable on listing services received from [(10% of ₹ 1,00,000) ×18%]	(1,800)
Net GST payable from Electronic Cash Ledger	16,200
Less: TCS credited to Electronic Cash Credit Ledger	(500)
Net GST payable in cash	**15,700**

2. The rate of TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 0.5%.

3. Yes, every e-commerce operator is required to collect tax where consideration with **respect to the supply made through it is being collected by the e-commerce operator.**

However, no TCS is required to be collected in the following cases:-

(i) on supply of services notified under section 9(5) of the CGST Act, 2017.

(ii) on exempt supplies

(iii) on supplies on which the recipient is required to pay tax on reverse charge basis.

4. Answers for both the scenarios is as follows:

As per section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of

(a) the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

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Hence, if the person sells on his own, provisions pertaining to tax collected at source (TCS) won't be applicable.

(b) If ABC limited who is dealer of Fitan brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.

5. As per section 52(1), the TCS provisions are not applicable in cases where the ECO is an agent of the supplier. In the present case, A being an ECO is supplying goods through the electronic portal in capacity of an agent and hence the liability to collect tax as per Section 52 shall not arise in this case.

6. No, as per the provisions under section 52, the TCS provisions shall trigger only when the ECO is receiving the consideration for supply from the recipient of supply. In the present case, the supplier i.e. the hotel is directly receiving the consideration from the recipient of the services i.e. X. Hence, the present transactions shall not trigger the TCS provisions under section 52.

7. The given case is a case of multiple e-commerce model wherein a customer orders supplies via ECO-1 who in turn is integrated with ECO-2 who has agreement with the supplier. In this case, ECO-1 will not have any GST information of the supplier. TCS is to be collected by that e-commerce operator who is making payment to the supplier for the particular supply happening through it, which is in this case will be ECO-2.

Thus, in the given case, TCS is to be collected by ECO-Techsuper Ltd. who is making payment to Hillpoint Residency for the supply happening through it,

8. As per section 22, every supplier of goods or services or both is required to obtain registration in the State/ Union territory from where he makes the taxable supply if his aggregate turnover exceeds threshold limit in a financial year.

However, section 24 enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. Persons who supply goods or services or both through such electronic commerce operator (ECO), who is required to collect tax at source under section 52, is one such person specified under clause (ix) of section 24. However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued under section 9(5), the suppliers of such services are entitled for threshold exemption.

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Section 2(45) defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. Electronic commerce is defined under section 2(44) to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Hi-Tech Indya Pvt. Ltd. owns and manages a website for e-commerce where both goods and services are supplied, it will be classified as an ECO under section 2(45).

Notification No. 17/2017 CT (R) dated 28.06.2017 issued under section 9(5) specifies services by way of house-keeping, except where the person supplying such service through ECO is liable for registration under section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers.

In the given case, AB Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Hi-Tech Indya is an ECO which is required to collect tax at source under section 52. However, house-keeping services provided by AB Pvt. Ltd., which is not liable for registration under section 22(1) as its turnover is less than ₹20 lakh, is a service notified under section 9(5). Thus, AB Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

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