PRODUCTS, EQUIPMENTS AND PROCESSES

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Look East: Link West and the Indian business realty!

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ARTICLE

GST eventually defining tax laws for B2B-ecommerce



ST or Goods and Services Taxis finally set to arrive in India. It has been passed by the Lok Sabha and is pending approval in the Rajya Sabha. The new indirect tax structure will most likely be rolled out from April 2016.

It is being hailed as one of the most vital reforms of recent times, which will not only simplify India's indirect taxation system, but also be the much-awaited magic wand that will have extremely positive ripple effects on India's growth story.

Moreover, a study by the National Council of Applied Economic Research has stated that GST could boost India's GDP growth anywhere from 0.9% to 1.7%.

At present India does not have specific tax laws in place to regulate the ecommerce industry. This leads to a fair amount of confusion, as tax is imposed according to the interpretation of local taxation authorities in different states (as was seen in the case of many ecommerce companies in Karnataka).

Authored by: Mr. Rahul Gupta, Co-founder Industrybuying.com

ARTICLE

B2B ecommerce Vs B2C

B2B ecommerce companies are major players compared to the B2C companies as seen in countries like China, Japan, U.k& USA. Their gross Turnovers are at least double in case of china and almost 4 times in case of the U.S. For Example in the US B2B 2020 sales are expected to gross over 1Trillion \$ compared to 263Billion for B2C.

Supply-Chain Made Easier

CurrentlyB2B ecommerce companies are bound by the tax regulations of different states, their sourcing and warehousing strategies are centered on minimizing taxes rather than convenience, distance or other strategic considerations.



However, with the introduction of GST, logistics decision-making will become simpler. Instead of maintaining several warehouses in different states, companies can now have fewer smaller ones strategically located to serve several states together. They can follow, what is popularly called, the hub and spoke model, wherein one large center works as a hub and is connected with smaller spokes for seamless flow of products. This would not only simplify logistics and reduce paperwork, but also cut-down operating costs. Additionally, GST will enable goods to be priced without taking into account the destination of the product, therefore profit margins will be easier to calculate.

Role of B2B ccommerce platforms in a GST-era

Once the boundaries created by a state specific tax structure are removed B2B ecommerce has the potential to grow exponentially, benefitting manufacturers and customers alike.

SME's Access nationwide market through B2b ecommerce platform

Once GST is implemented SMEs will no longer be at a tax disadvantage outside their home state.



That, coupled with nationwide access that an ecommerce marketplace provides will allow SMEs to compete for business successfully all over India, resulting in business efficiencies, and reduction in middlemen in the supply chain.

Customers access the best quality, lowest priced suppliers through B2B ecommerce platform

Given a uniform tax regime across states, and access to suppliers on a nationwide ecommerce platform, customers too will have much greater choice, can buy directly from manufacturers and enjoy the benefits of lower prices and greater variety.

Lastly,GST would be a boon to B2B ecommerce companies like industry Buying.com, as it is going to define the tax laws so that no conflict may occur between the states 8the companies Interpretation of the tax laws as was seen earlier this year in the case of many ecommerce companies in Karnataka. Also companies would have many warehouses in different states which would increase local employment opportunities and also reduce the time taken for the delivery of the ordered goods.

