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Organizes

One Day National Conference on

"SECTORAL ANALYSIS OF GROWTH POTENTIAL IN THE MAJOR ECONOMIC INDUSTRIES AFTER THE GST"



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Author : Dr. M. Kanagarathinam, Dean, School of Commerce

Co-Authors : Dr. S. Sambath Kumar, HoD., B.Com. Banking
Dr. R. Mahadevi, HoD., B.Com.CA
Dr. R. Rajarajeswari, HoD., B.Com.IT & M.Com FC
Ms. S. Shanthi, HoD., B.Com. PA & AF

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FOREWORD



Dr. V. Vijayakumar

Principal

Nehru Arts and Science College, Coimbatore.

It is my privilege to present this edited volume of research papers arising from the One Day National Conference on “Sectoral Analysis of Growth Potential in the Major Economic Industries After the GST”, sponsored by the Indian Council of Social Science Research (ICSSR-SRC), Ministry of Education, Government of India. The introduction of the Goods and Services Tax (GST) has been a transformative reform in India’s fiscal framework, with far-reaching implications across diverse economic sectors. An analytical understanding of these sectoral dynamics is essential for informed policy formulation and sustainable economic development. This volume brings together scholarly contributions that offer critical insights into the opportunities and challenges experienced by major industries in the post-GST regime. The papers reflect rigorous research and provide valuable perspectives for academicians, researchers, and policymakers. I commend the efforts of the organizers, contributors, and editorial team in successfully bringing out this publication. I also acknowledge with gratitude the financial support extended by the ICSSR-SRC. I am confident that this work will serve as a meaningful addition to academic literature and a useful reference for future research.

CHIEF EDITOR



Dr. M. Kanagarathinam,

Dean, School of Commerce,

Nehru Arts and Science College, Coimbatore.

With over 23 years of extensive experience in Teaching, Research, and Administration, she is a strategic leader who navigates complex challenges and empower her team to achieve outstanding results. She had visited foreign counties like Malaysia, Dubai, Singapore, Indonesia, Thailand to share her expertise and knowledge. She has published 30 research articles in peer reviewed and UGC Care-listed journals and authored more than 10 books. She has also presented over 50 research papers at national and international conferences. She has successfully guided 6 M.Phil. Scholars and 11 Ph.D. Scholars in their academic pursuits. She is a recipient of UGC and ICSSR projects. She is a remarkable individual known for her hard work and unwavering dedicated with an impressive array of achievement. She has been honored with numerous awards for her excellence. She actively promotes innovation and entrepreneurship among students and faculty. Her dedication and contributions to academia and institutional development are highly commendable.

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DIGITAL PAYMENTS AND DIGITAL TAX IN INDIA

Dr.R.Ramya, Assistant Professor, UG Department of Commerce with (CA), NGM College,
Pollachi. Email.id: ramya.mohan548@gmail.com , Mobile no: 9788552042.

ABSTRACT

The country's technology and business sectors are rapidly becoming more digital, which makes it difficult for tax authorities to effectively monitor taxpayer compliance with tax laws and collect all necessary taxes. By 2026, the e-commerce market is predicted to reach a value of \$200 billion, and if it does, the Indian government will see a significant boost in tax revenue. Taxpayers now have access to new sources of income thanks to the digital economy, but international taxation agreements struggle to keep up with market liberalization and globalization, particularly when it comes to issues like taxing ecommerce. The notion of "Equalization levy," also known as "Digital taxes," was adopted in India in 2016 on internet advertisements to cover such non-taxable revenue under tax regimes and profits from other nations. Further changes have been made in an effort to require all such non-resident online merchants to pay taxes on sales conducted in our nation. The study's major goal is to showcase the idea of digital taxes, along with its advantages, benefits, and difficulties that have arisen since it was first introduced. The present study has made an effort to understand perception of digital tax in India on services in relation to payment gateways operating in India such as cash free payment, Paytm, android pay, razor pay.

Keywords - Digital taxation, International Taxation arrangements, E-commerce Operators, Benefits, Advantages, Challenges.

INTRODUCTION

The concept of a permanent establishment has undergone radical change since the advent of digitization. Organization for Economic Cooperation and Development (OECD) model, United Nations (UN) model, and US model were used as tools to establish tax jurisdiction for international economic activity. The definition of a predictable Permanent Establishment has become less clear with the growth of digital economic activity. According to Tom Godwin, "Uber, the largest taxi firm in the world, owns no vehicles," companies now receive economic advantage from every region of the world without even owning a single asset. Alibaba, a merchant, does not have its own inventory, while Facebook, a well known media creation software, does not own any material. The introduction of the Equalization levy in 2016 marked a turning point in digital taxation in India. This was accomplished through the Base Erosion and Profit Shifting (BEPS) project of the OECD, which aims to tax e-commerce. Chapter VIII, dubbed "Equalization Levy," was introduced in the Budget Act of 2016. The Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, and Government of India established a Committee on Taxation on E-Commerce, which recommendations led to the creation of this Equalization Levy. As a result, this tax was solely applied to online advertisements because the Indian government had not yet declared any other services to be included by this chapter (Deepak Chaudhary,2016). Although the committee suggested that the aforementioned definition apply to a variety of services, the government only required that digital advertising be covered. The amount of consideration for services that is indicated in the section and the value exceeds Rs. 1 lakh is subject to a 6% tax rate. Only services rendered by non-residents of India who conduct business with residents of India are subject to this tax. Later in 2022, the Government amended the Finance Act of 2016 to broaden the application of the Equalization Levy. From April 1 through 2020, the Equalization Levy will encompass practically all digital e-commerce transactions in India. A charge of 2% is applied to the amount of consideration that non-residents of India who conduct business with residents of India get through e-commerce transactions.

OBJECTIVES OF THE STUDY

1. To examine the awareness of digital taxation in India.
2. To find the most preferred payment gateways.
3. To compare the rate of digital taxation in India with other countries.

REVIEW OF LITERATURE

Petrit, Ademi (2014). The study on the long-term effects of corporate profits in the context of ecommerce was still explained. It discusses how the current PE threshold affects the taxation of international transactions involving electronic commerce. The study largely focuses on problems with the traditional economic framework's present profit-attribution rules. Yet, these problems tend to become even more perplexing in ecommerce transactions, particularly when multinational firms collect data from various tax countries and for various reasons, making it extremely difficult to track the data's original source.

Tatiana Falcao and Bob Michel (2014) show how a digital service provider could offer its services to various jurisdictions under the current global economic climate without actually complying with any of the OECD recommendations that result in the imposition of tax in the nation where such returns are earned. The authors suggest a case study to demonstrate how a digital service provider could extract a source from nations all over the world without paying any taxes to the country from which they get profit. This could be done by simply applying the non-abusive rules contained in the 2014 OECD Model Tax Convention on Income and Capital. Report interim published by OECD Action-1 (2015) The paper was released by addressing the tax issues that the digital economy may present. And specifically, the definition of tax purposes has been extensively expanded by international taxation.

Pistone (2015). It talks about the primary feature of the PE Nexus and considers the idea of sourcing in the global economy for income tax reasons. A potential reconstruction in the context of a new dimension for the benefit theory supports the idea of a new PE nexus based on digital presence. In the age of the digital economy, this study emphasizes the necessity for a structural revision of the rules for allocating taxing rights on cross-border corporate income. A.H.S.

Pemerathna (2016) finds that digital taxation has an unimaginable impact on a variety of economic indicators, including those relating to investment, consumption, and exports. With this perspective, the researcher has determined that the Information and Communications Technology sector serves as the primary setting for the production of digital goods. Data from interviews and survey questions are mostly used for this research's qualitative interpretation. **Lahiri, Ashok K. Ray, Gautam, and Sengupta (2017)** makes an argument for three key factors that influence governmental decisions. . Second, since the burden on buyers and sellers has been researched in order to standardize the rate, the effect of digital taxing on cum tax price is far from transparent. As the passthrough to occupant buyers increases, it is harder to agree on a rate reduction. Thirdly, the digital economy has accelerated the shift in tax control that favors "home" countries compared to "source" countries.

Sestakova Monika (2018) The paper's main goal is to clarify why new strategies should be used in circumstances where old tax forms and laws are insufficient due to the digital economy. It has been examined in the larger context of the Digital economy and a new business model utilized by Digitalized businesses. Moreover, the relevant location shifts regularly and the elements impacting value creation are quite mobile. The 2019 report from the UN committee of experts on international cooperation provides analysis and evaluation of current difficulties brought on by the economic use of digital taxation. The vocabulary related to the "Digital Economy" is also defined. The combination of the conventional tax code with the substantial economic loosening

for business has been elaborated. Also, it shows admiration for countries who have taken unilateral action to conduct international trade in this digital economy.

Gillian Neky's (2019) with trade being accompanied without the need for a physical presence, which is a requirement for tax administration, Gillian Neky's (2019) study aims to explore the taxability of the digital economy. In an economy that mainly relies on intangible assets and the business model based on data, the different network effects, and user-generated content, the study has examined how states, and particularly Kenya, can detect their permanent establishment, required for tax administration.

Aqib Aslam and Alpa Shah (2020) focuses on the information required to harness inputs that come from digital enterprises. It makes the point that a scenario could arise about the value produced by users under the corporate income tax. However, in order for user-based tax measures to become certain, a number of issues need to be addressed. These include international agreements on whether user value justifies a reorganization of taxing rights, establishing the legal authority to tax income derived from user value, and developing an appropriate metric for valuing user-generated data if it is to be used as a data base. A modified definition of a permanent establishment paired with formulaic distribution taxation, user-based royalty-type taxes, and other taxing methods are all possible, each with advantages and disadvantages.

Tarun Jain (2021) aims to suggest and make a case for a new regime treaty provision to impose tax on digital services. Several main motivations for this analysis stand out among the other entries. First, an anti-unilateralism clause in a treaty.

Profit of Sample unit

1) Paytm

The Indian multinational financial technology business Paytm, sometimes known as "pay through mobile," is situated in Noida and specializes in digital payments and financial services. Vijay Shekhar Sharma, working for One97 Communications, founded it in 2010. Consumers can use the company's mobile payment services, and its point of sale, internet payment gateway, and QR code solutions make it possible for businesses to accept payments. Paytm provides its customers and merchants with financial services like microloans and buy now, pay later in collaboration with financial institutions. The business also offers online games, retail brokerage services, and ticketing services in addition to bill payments and money transfers. One97 Communications, the parent company of Paytm, underwent the largest IPO in India history to become listed on the Indian stock exchanges on November 18, 2021.

2) Razor pay

Razor pay is an India-based, fintech company that provides payment gateway services to vendors, merchants and ecommerce platforms. It is an online system that is designed to handle end-to-end payments that can also be integrated with different websites and apps. The company was founded by IIT Roorkee alumni Shashank Kumar and Harshil Mathur in 2014. It is headquartered in Bangalore, India.

3) Android Pay

Google Pay is a digital wallet and payment platform from Google. Users can use their Android devices to pay for purchases both online and in physical stores, as well as on websites, mobile apps, and Google services like the Google Play Store. Users' Google Pay accounts are linked to credit or debit cards, which are used to complete transactions for both in-person and online purchases. Near field communication (NFC) is a technology that Google Pay on Android devices employs to communicate with payment terminals. Users can complete transactions using Google Pay on websites that accept the service by logging into their Google account in the Chrome

browser. The business's first mobile payment system, Google Wallet, was created in 2011 for Android handsets. Google Wallet was rebranded Android Pay in 2015 and made only focused on peer-to-peer (P2P) transactions. Google declared in 2018 that Google Wallet would merge with the other payment options under the Google Pay name. Thereafter, Google Wallet became Google Pay Send. For contactless purchases on Android smart phones, use Google Pay. On iOS, the peer-to-peer features and account access are accessible. Unfortunately, only Apple Pay is compatible with this use case when making NFC payments using an iPhone or Apple Watch.

4) Cash free Payments

Bangalore-based Cashfree Payments is a provider of banking and payment technology. As a full-service payments' platform, it assists more than 100,000 businesses in collecting and sending money with tools like an easy-to-integrate payment gateway that supports instant refunds, Payouts, an API banking platform for disbursements, a split payment solution for marketplaces, a bank account verification API, a dedicated UPI stack for businesses, and Auto Collect, a virtual account tool to match inbound payments to customers. Customers include Google-backed Dunzo, Xiaomi, Tencent, Zomato, Zoomcar, Cred, Club Factory, Shell, and contribution platforms Ketto and Milaap. Working with all major banks, including ICICI Bank, HDFC Bank, Kotak Mahindra Bank, and Yes Bank, Cash free Payments is developing the foundational banking and payments infrastructure that underpins all of Cash free's offerings.

CONCLUSION

The government should give more insights about the digital taxation in India. The government should specify all the rules and laws on digital taxations. While the technology sector and e-commerce will undoubtedly be affected by the digital tax, it is unclear what effect it will have on companies that use digital components embedded in non-digital products. To regain public support for treating multinationals fairly, governments must remain actively involved in finding solutions to the problem. Some people are angry that the government has taken unilateral actions that could violate existing trade agreements. Worse, there is not enough information about the types of organizations affected by the digital tax and how to distribute taxable income more equitably.

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