

**Two-Day National Conference on
"GST Reforms: Challenges, Opportunities, and Socio-Economic Effects in Telangana State"
on 09th & 10th June 2026**



CMR TECHNICAL CAMPUS

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad
Kandlakoya (V), Medchal, Hyderabad – 501401



Implications of GST Reforms on Digital Platforms in India

Dr. Snehal Bhosale, Guest Faculty, Department of Management
Karnataka State Akkamahadevi Women University, Vijayapur
Email: snehalb19@gmail.com

Abstract

The rise of digital payments in India has been significantly influenced by government initiatives aimed at promoting a cashless economy, particularly through the adoption of mobile wallets and the Unified Payments Interface (UPI). India's digital public infrastructure has played a crucial role in facilitating this shift, enabling seamless access to various services and enhancing economic productivity. The implementation of the Goods and Services Tax (GST) in India has transformed the taxation framework of the digital economy. Digital platforms such as e-commerce marketplaces, OTT services, online gaming applications, cloud computing services, digital advertising agencies, and software-as-a-service (SaaS) providers have experienced significant regulatory and operational changes due to GST reforms. This research article examines the implications of GST reforms on digital platforms with emphasis on compliance requirements, taxation of Online Information and Database Access or Retrieval (OIDAR) services, revenue generation, pricing strategies, and technological adaptation. The study concludes that GST reforms have enhanced transparency and tax compliance while simultaneously increasing compliance burdens for digital businesses.

Keywords

GST, Digital Platforms, E-commerce, OIDAR, Digital Economy, Tax Compliance, India

1. Introduction

The introduction of the Goods and Services Tax (GST) in India on 1 July 2017 marked one of the most significant indirect tax reforms in the country's economic history. GST replaced multiple indirect taxes such as Value Added Tax (VAT), service tax, excise duty, central sales tax, and entertainment tax with a unified tax system. The primary objective of GST was to create a "One Nation, One Tax" framework that would simplify taxation, reduce cascading effects of taxes, improve transparency, and enhance ease of doing business.

With the rapid growth of digitalisation and internet penetration, digital platforms have emerged as an essential component of the Indian economy. Digital platforms include e-commerce marketplaces, online streaming services, digital payment applications, food delivery platforms, ride-sharing applications, cloud computing services, online gaming platforms, online education portals, and software-as-a-service (SaaS) providers. India's digital economy has experienced substantial growth due to increasing smartphone usage, affordable internet services, digital payment systems, and government initiatives such as Digital India and Startup India.

The expansion of digital platforms has created new opportunities for businesses and consumers by improving accessibility, convenience, and market reach. However, it has also posed significant challenges for tax administration because digital transactions are often borderless, technology-driven, and difficult to regulate through traditional taxation mechanisms. To address these challenges, GST reforms introduced various provisions specifically aimed at regulating digital services and e-commerce transactions.

One of the major GST reforms affecting digital platforms is the introduction of provisions relating to Online Information and Database Access or Retrieval (OIDAR) services. These provisions ensure that foreign digital service providers supplying services to Indian consumers are liable to pay GST even without having a physical presence in India. In addition, e-commerce operators are required to collect Tax Collected at Source (TCS), maintain transaction records, and comply with digital invoicing and return filing systems.

GST reforms have had both positive and negative implications for digital platforms. On one hand, GST has improved transparency, enhanced tax compliance, formalised the digital economy, and increased government revenue collections. On the other hand, digital businesses face challenges such as high compliance costs, complex return filing procedures, classification disputes, and operational burdens associated with GST regulations.

The digital economy contributes significantly to India's economic growth and employment generation. According to recent estimates, India's digital economy is expected to contribute nearly 20% of the country's GDP by 2030. The increase in GST collections from digital transactions and online businesses indicates the growing importance of digital taxation in India's economic framework.

In this context, the present study aims to analyse the implications of GST reforms on digital platforms in India. The study focuses on understanding the impact of GST reforms on compliance requirements, operational challenges, formalisation of the digital economy, and recent statistical trends relating to GST collections and digital transactions. The study also attempts to provide suggestions for improving GST administration and supporting the growth of digital businesses in India.

2. Literature Review

A literature review helps in understanding previous studies, theories, and findings related to GST reforms and digital platforms. Several researchers and institutions have examined the impact of GST on digital businesses, e-commerce platforms, tax compliance, and the digital economy.

Kumar and Gupta (2018): Kumar and Gupta studied the impact of GST on e-commerce businesses in India. The study found that GST simplified indirect taxation and improved transparency in online business transactions. However, the researchers also observed that small online sellers faced difficulties in complying with multiple GST return filing requirements and Tax Collected at Source (TCS) provisions.

The study concluded that GST increased formalisation in the e-commerce sector but created compliance burdens for small businesses.

Sharma (2019): Sharma analysed the taxation of digital services under GST with special reference to OIDAR provisions. The study highlighted that GST reforms expanded the tax base by bringing foreign digital service providers under the Indian tax system.

The researcher found that OTT platforms, cloud computing services, and SaaS providers became subject to GST regulations even without physical operations in India. The study concluded that OIDAR provisions strengthened digital taxation but increased complexities in cross-border transactions.

Reserve Bank of India (2021): The Reserve Bank of India, in its reports on the digital economy and payment systems, observed a substantial increase in digital transactions after GST implementation. The RBI stated that GST encouraged digital payments and electronic invoicing, leading to improved transaction traceability and reduction in cash-based transactions.

The report concluded that GST reforms contributed significantly to the formalisation of India's economy.

India Brand Equity Foundation (2024): According to IBEF reports, GST collections in India have consistently increased due to improved compliance mechanisms and expansion of the digital economy. The report indicated that digital platforms and e-commerce transactions contributed significantly to indirect tax revenue growth.

The study also highlighted that GST reforms promoted transparency and technological integration in business operations.

Patel and Mehta (2022): Patel and Mehta examined the operational challenges faced by digital businesses under GST. Their study identified issues such as:

- Frequent policy amendments
- Complex compliance systems
- Multi-state registration requirements
- Classification disputes

The researchers suggested that the government should simplify compliance procedures and provide better technological support for startups and small digital enterprises.

Reuters Economic Analysis (2025): Reuters economic analysis on GST reforms observed that GST rate rationalisation and simplification measures positively influenced online consumer markets and digital commerce. The report noted that GST reforms improved revenue collection efficiency while also supporting the growth of formal digital businesses.

Moneycontrol Digital Economy Report (2025): The report highlighted that online prices in several digital and consumer sectors witnessed correction after GST rationalisation measures. The report concluded that simplified GST structures can positively impact consumer demand and digital market expansion.

3. Research Gap

Although several studies have examined GST and e-commerce taxation, limited research is available on the combined impact of GST reforms on multiple digital platforms such as OTT services, SaaS companies, online gaming applications, and cloud computing services. Furthermore, recent statistical trends and policy developments after 2024 have not been extensively analysed.

Therefore, the present study attempts to bridge this gap by providing a comprehensive analysis of GST reforms and their implications on digital platforms using recent statistical data and updated policy developments.

4. Objectives of the Study

1. To examine the impact of GST reforms on digital platforms in India
2. To analyze the compliance and operational challenges faced by digital businesses.
3. To evaluate the role of GST in formalising the digital economy.
4. To study recent statistical trends relating to GST collections and digital transactions.

5. Research Methodology

1. Research Design

The present study is descriptive and analytical in nature. The research attempts to analyse the implications of GST reforms on digital platforms in India by examining taxation policies, compliance requirements, operational challenges, and statistical trends in the digital economy.

The descriptive approach is used to explain the concepts, provisions, and implications of GST reforms, while the analytical approach is adopted to interpret current statistical data and evaluate the impact of GST on digital businesses.

2. Nature of Data

The study is based entirely on secondary data. Secondary data refers to information that has already been collected and published by various government agencies, institutions, researchers, and organisations.

The use of secondary data is appropriate for the present study because GST reforms and digital platform regulations involve policy analysis, statistical reports, and existing research findings.

3. Sources of Data

The secondary data for the study has been collected from the following sources:

a) Government Publications

- Ministry of Finance Reports
- GST Council notifications and circulars
- Annual Economic Surveys
- Reports published by the Reserve Bank of India (RBI)

b) Research Journals and Articles

- Published research papers relating to GST and digital economy
- Articles from national and international journals
- Academic publications on e-commerce taxation

c) Websites and Online Databases

- GST official portal
- RBI official website
- Ministry of Commerce and Industry reports
- India Brand Equity Foundation (IBEF)
- Business Standard
- Economic Times
- Reuters

- Moneycontrol

d) Industry Reports

- Digital economy reports
- E-commerce sector analyses
- Reports on online transactions and digital payment systems.

6. Major GST Reforms Affecting Digital Platforms**1. GST on OIDAR Services**

One of the most essential reforms was the taxation of Online Information and Database Access or Retrieval (OIDAR) services. OIDAR includes digital services delivered over the internet with minimal human intervention.

Examples :

- Online advertising
- Cloud services
- Streaming platforms
- Digital subscriptions
- E-books and software downloads

Foreign digital service providers supplying services to Indian consumers became liable to register under GST and pay taxes in India.

2. Tax Collection at Source (TCS) for E-Commerce Operators

Under GST provisions, e-commerce operators are required to collect TCS on taxable supplies made through their platforms.

3. Mandatory GST Registration for E-Commerce Sellers

GST reforms made it compulsory for many online sellers operating through digital platforms to obtain GST registration regardless of turnover limits in certain categories.

4. E-Invoicing and Digital Compliance

The government introduced e-invoicing requirements to improve transparency and reduce fake invoicing practices.

Recent GST reforms further expanded mandatory e-invoicing and strengthened digital authentication systems.

5. Equalisation Levy and Digital Taxation

India introduced the Equalisation Levy to tax foreign digital companies earning revenue from Indian users without a physical presence in India.

Key developments include:

- 6% levy on online advertisements introduced in 2016
- 2% levy on e-commerce operators introduced in 2020
- Withdrawal of the 2% levy in 2024
- Abolition of the 6% digital advertising levy from April 2025

6. Strengthening of Digital Authentication and Compliance

- The GST system introduced:
- Multi-factor authentication (MFA)
- Automated return filing
- E-way bill integration
- Auto-populated GST returns

These reforms improved digital governance and reduced fraudulent practices.

7. Impact of GST Reforms on Digital Platforms

Area	Positive Impact	Negative Impact
Tax Transparency	Improved Compliance	Increased administrative
Government Revenue	Higher tax collection	Initial implementation costs

Digital Platforms	Formalization of digital economy	Higher compliance requirements
Consumers	Better accountability	Increased service prices in some sectors
Small Sellers	Access to organized markets	Complex GST procedures

8. Challenges Faced by Digital Platforms

1. Complex Compliance Requirements

Frequent changes in GST provisions create compliance difficulties for digital businesses.

2. High Technology Costs

Implementation of e-invoicing and automated compliance systems requires significant investment.

3. Cross-Border Taxation Issues

International digital companies face challenges regarding place of supply and jurisdictional taxation.

4. Burden on Small Businesses

Small online sellers often struggle with GST filing and documentation procedures.

Suggestions

- To improve the efficiency of GST implementation for digital platforms, the government should simplify compliance procedures
- Reduce the burden on startups,
- Simplify GST compliance procedures for small digital sellers.
- Ensure stability in tax policies to encourage investment.
- Provide clarity in OIDAR regulations
- Promote AI-based compliance systems.

Conclusion

GST reforms have significantly transformed the taxation environment for digital platforms in India. The reforms have enhanced transparency, increased government revenue, and promoted formalization of the digital economy. Future reforms focusing on simplification and technological integration can further strengthen India's digital taxation system.

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