

Navigating GST Compliances - E-Commerce Warehouses

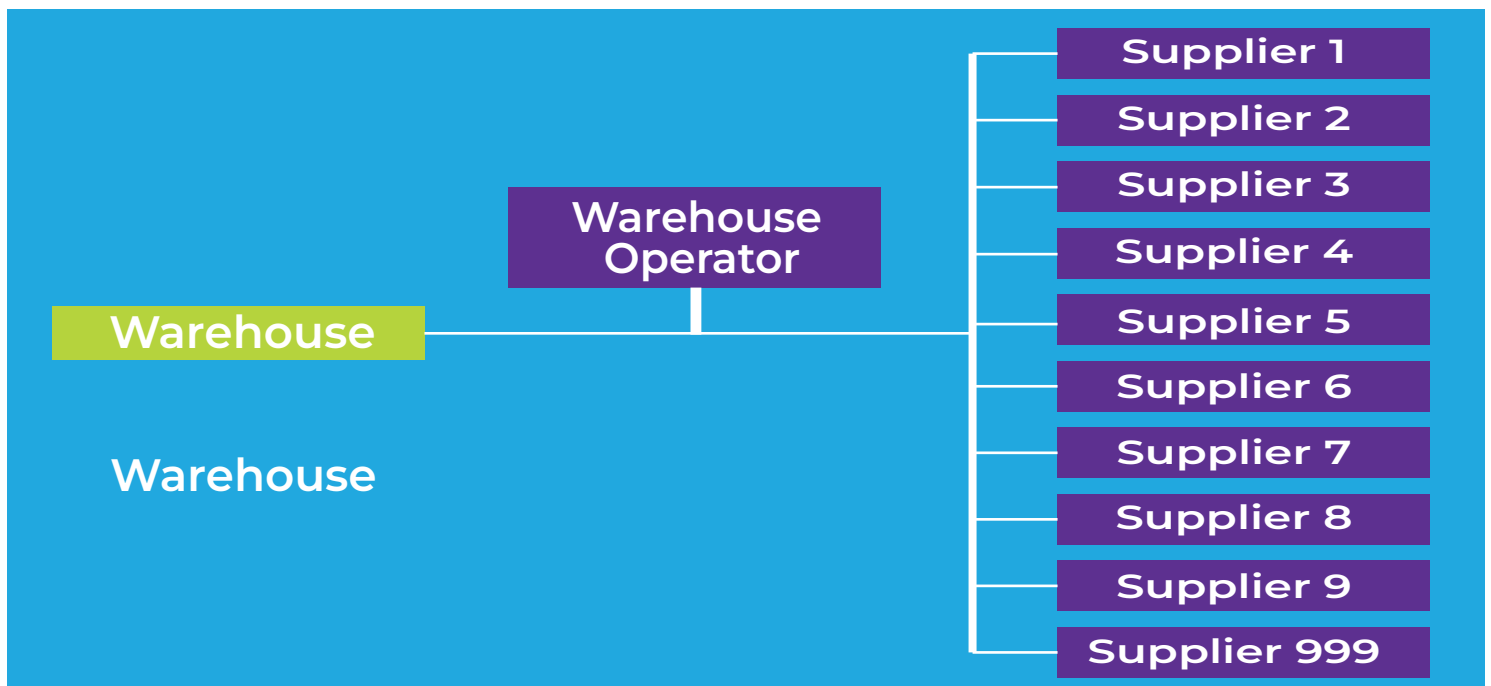


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In the realm of GST compliance, E-commerce fulfillment centers stand as crucial hubs managing various aspects of product handling for online businesses. These centers, including notable names like Shiprocket Fulfillment, Amazon, and Flipkart, are pivotal in ensuring seamless order processing and customer satisfaction in India's e-commerce landscape.

Below is a basic map of warehouse/ E-fulfillment centre



As e-commerce dynamics evolve, so do the intricacies of tax compliance. GST REG-01 serves as the gateway for both taxpayers (businesses utilizing the warehouse) and warehouse operators (entities offering warehousing services) to register, following identical procedural norms. However, challenges emerge particularly with shared warehousing arrangements.

Under the current GST framework, suppliers to e-commerce platforms can store their inventory in shared warehouses, necessitating the inclusion of these warehouses as principal/ additional places of business^[1] in GST registrations. Yet, it raises concerns among tax authorities about potentially fraudulent activities. Introduction of Geo-tagging adds to the complication.

The presence of numerous taxpayers at a single warehouse address complicates tax enforcement, posing challenges in distinguishing legitimate businesses from potential tax evaders. This confusion can lead to delays and administrative burdens during audits, as tax authorities struggle to verify records accurately.

Furthermore, shared warehouses raise accountability issues. If one supplier faces legal actions, it raises questions about the liability of other suppliers registered at the same location. This scenario not only burdens warehouse operators but also unfairly implicates e-commerce companies due to the actions of individual suppliers.

For instance, if a supplier faces penalties for non-compliance, does it imply similar risks for other suppliers at the same location? Additionally, if a warehouse operator's registration is cancelled, what happens to the status of suppliers who declared that warehouse as their place of business?

GST law mandates every owner or operator of a warehouse to maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt and disposal of such goods. Also, such owner or the operator of the warehouse is responsible to store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

Section 52(12) of GST law adds to further responsibility of warehouse operator. Such provisions stipulate that a tax officer either before or during the course of any proceedings under this Act, requiring the warehouse 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.

Non-compliance of any of the above provisions adds to tax risk on a warehouse operator, thereby business community at large is worried to get into the business of operating warehouses.

With the proliferation of shared warehouses, a more sophisticated tax system is imperative to distinguish between warehouse entities and individual taxpayers. This entails refining tax systems to accurately assess compliance risks without unfairly implicating warehouse operators or other suppliers sharing the same location.

GST authorities are actively exploring solutions to address the unique challenges posed by shared warehouses in e-commerce. It is reported by some media outlets that recent discussions among Central and state GST officers have centered on the feasibility of implementing a new registration mechanism for shared workplaces.

Businesses offering coworking space^[2] like WeWork, Table Space, Incuspaze, Awfis, 91Springboard, Cowrks, Regus, The Hive, Innov8, Altf coworking may also be toggling with the same issues. Although their issues would be much more complicated and intriguing as they generally deal with service sector, where things are opaque.

Conclusion

Navigating GST compliances in e-commerce warehouses and co-working space demands a nuanced understanding of the challenges at hand. Tax issues related to shared spaces, accountability, and risk allocation underscore the necessity for transparent and equitable regulatory practices. Recent developments offer optimism for collaborative efforts between regulators and industry stakeholders, essential for fostering a resilient and compliant e-commerce ecosystem in India.

[1] As per section 2(85) “place of business” includes—

(a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or

(b) a place where a taxable person maintains his books of account; or

(c) a place where a taxable person is engaged in business through an agent, by whatever name called.

[2] Coworking space typically serve as community centers and social hubs where individuals from diverse backgrounds, professions, and companies converge to work. In recent years, these spaces have significantly contributed to the expansion of the flexible workspace industry in India.