

To Study on Impact of Taxation on Electronic Goods and Products

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Abstract

The Swift development of the electronic business has altered the global trade greatly, especially on the exchange of electronic materials and digitized products. E-commerce can lead to a very high level of efficiency and accessibility in the market, but on the other hand, the conventional taxation systems are facing very severe threats. Physical absence, transactions without borders and delivery using the computer make it difficult to apply the current tax laws perpetrating revenue loss and tax inequities. The developing countries are particularly susceptible since they rely on the tariff and indirect taxes. The paper discusses effects of taxation on electronic goods and products, theoretical and practical issues, and response by other countries. The study concludes that international organizations like OECD and UNCTAD should work to harmonize tax reforms to provide the digital economy with neutrality, equity, and sustainability in the provision of revenue by the respective governments.

Keywords: Electronic Commerce, Digital Goods, Taxation, Revenue Loss, Developing Countries, OECD, UNCTAD.

Introduction

Electronic commerce has transformed how goods and services are manufactured, sold as well as being used. The digital delivery of products, including software, music, films, e-books, and online services has been possible through technological advancements and has minimized the need to use the physical distribution channel. But this change has upset the traditional systems of taxation based on physical presence, territorial jurisdiction and collection of revenue based on customs. The traditional taxation schemes find it difficult to categorize digital transactions, define taxpayers, and source of revenues. Consequently, the electronic products tend to be tax free or even have a better deal, which distort the market and provide unfair competition between online and offline enterprises. This essay discusses the impact of taxation on electronic goods and products and recommends that there should be adaptive tax policies in the digital economy.

Statement of the problem

The electronic trading system and the digital delivery of electronic products have posed tremendous threats to the usual taxation systems. The current taxation systems are modelled majorly on tangible goods and transactions of a territorial nature, which are insufficient in dealing with cross-border digitized trade. This has seen a lot of electronic goods and digital products being under-taxed or not taxed at all and consequently the governments lose revenue and the online and offline sellers compete unequally.

Scope of study

1. The paper is specifically based on the effects of taxation on electronic product and digitized products that are sold via online commerce applications.
2. It looks into the problems with the traditional tax systems of determining jurisdiction, taxable events, and taxpayers in digital transactions.
3. It covers issues of analysis of revenue implication of tax exemptions on electronic goods with special reference to developing countries.

Objectives of the study

- To study the impact of taxation on electronic goods
- To analyse the effect of tax on prices

- To understand consumer purchasing behaviour
- To examine changes in demand due to taxation
- To assess the effect of taxation on market competition

Research methodology

1. Source of Data

This report uses both primary data as well as secondary data

Primary Data

Data collected directly from respondents through questionnaires for the study.

Secondary Data

Data collected from books, journals, reports, research papers and websites.

2. Data collection method

Primary data

Secondary data

3. Sampling techniques and sample size

Sampling technique

The study adopted non-probability sampling techniques, specifically.

Sample size: 100 respondents

Respondents were selected from the chosen area of study.

4. Tools used

- Simple Percentage analysis
- Chi square test

5. Period of study

The period of study was conducted from November 2025 to January 2026

Review of literature

1. Widuri, Christabel, and Lavinia (2024) In the article examined the investigated how tax knowledge, tax sanctions, and tax compliance of e-commerce MSME taxpayers in Indonesia were found to be influenced by tax awareness, as an intermediate variable. The study based on survey data of 117 people and Partial least squares analysis established that tax knowledge is a key determinant of tax compliance, whereas there is no direct relationship between tax sanctions and compliance. Nonetheless, it was found that tax awareness mediates the correlation between tax knowledge, tax sanctions and tax compliance. The results demonstrate that better tax knowledge and awareness is important to increase compliance among digital MSMEs.

2. Paramathi Nita, Yoga, and Adyatma (2021) In the article examined the analyzed how tax imposition affects electronic transactions in Indonesia focusing on e-commerce that uses a marketplace. Based on the Focus Group Discussions and Regulatory Impact Analysis, the study concluded that the implementation positively affected the increase in the VAT revenues and tax fairness between traditional and digital business. The authors pointed out that electronic transactions taxation ensured that marketplace agents enjoyed certainty in their operations and emergency in creating competition. Nonetheless, the paper also highlighted on the necessity of improved socialization and awareness to deliver effective compliance of players in digital businesses sphere.

3. Lavanya Kumari (2017) In the article examined the investigated the effect of Goods and Services Tax (GST) effect on Indian Micro, Small and Medium enterprises (MSMEs). The paper has also identified GST as one of the key tax reforms in the state in the peak of the unification of national market by replacing a variety of central and state taxes. It discovered that GST can decrease cascading tax consequences using the input tax credit system, thus decreasing operational and logistics expenses among MSMEs. First compliance issues were also mentioned by the author, since the digital filing needs and the reduced exemption levels were introduced. In general, the research has found out that, even amid temporary challenges, GST helps the Indian MSMEs to increase their transparency, competitiveness, and future growth opportunities.

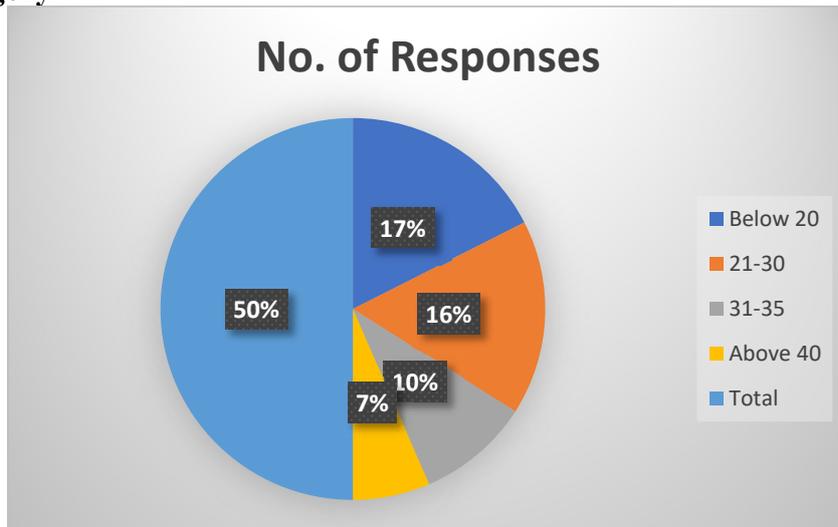
Data analysis & Interpretation
Simple Percentage Analysis

Table 1.1 Age Category

Age	No. of Responses	Percentage
Below 20	17.5	35
21-30	16.5	33
31-35	9.5	19
Above 40	6.5	13
Total	50	100

Source: Primary Data

Chart 1.1 Age Category



Interpretation

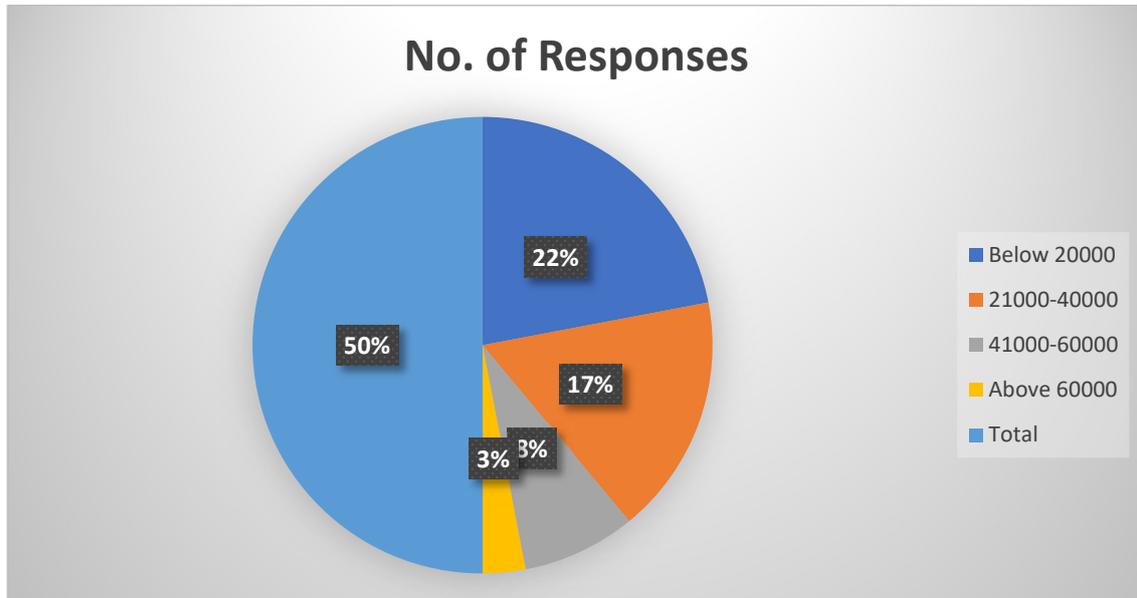
The Above Table No.1.1: The respondent's personal outline: Interpretation: Table No. 1 shows that most respondents are under 20 years old (35%), followed by those between 21 and 30 years old (33%). 19% of the respondents are between the ages of 31 and 35, and 13% are older than 40. This suggests that younger respondents, especially those under 30, make up the majority of the study's participants.

Table 2.1 Monthly Salary

Monthly Salary	No. of Responses	Percentage
Below 20000	22	44
21000-40000	17	34
41000-60000	8	16
Above 60000	3	6
Total	50	100

Source: Primary data

Chart 2.1 Monthly Salary



Interpretation

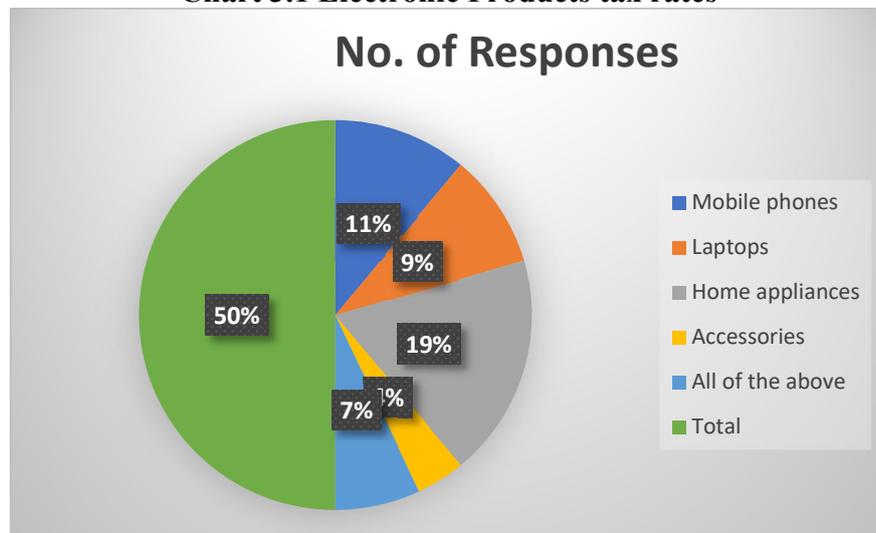
Brief Interpretation The majority of respondents (44%) make less than ₹20,000 a month, with 34% making between ₹21,000 and ₹40,000. The majority are in the low- to middle-income range, as only a small percentage (22%) make more than ₹40,000.

Table 3.1 Electronic Products tax rates

Electronic Products	No. of Responses	Percentage
Mobile phones	11	22
Laptops	9.5	19
Home appliances	18.5	37
Accessories	4	8
All of the above	7	14
Total	50	100

Source: Primary Data

Chart 3.1 Electronic Products tax rates



Interpretation

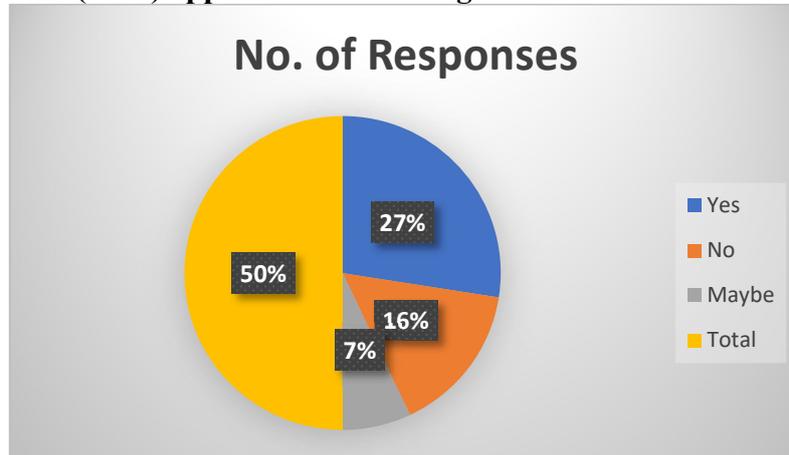
Most respondents prefer home appliances (37%), followed by mobile phones (22%) and laptops (19%), while accessories (8%) receive the least preference.

Table 4.1 Current tax rate (GST) applied to electronic goods

Current tax rate applied electronic goods	No. of Responses	Percentage (%)
Yes	30.5	55
No	19.5	31
Total	50	100

Source: Primary Data

Chart 4.1 Current tax rate (GST) applied to electronic goods



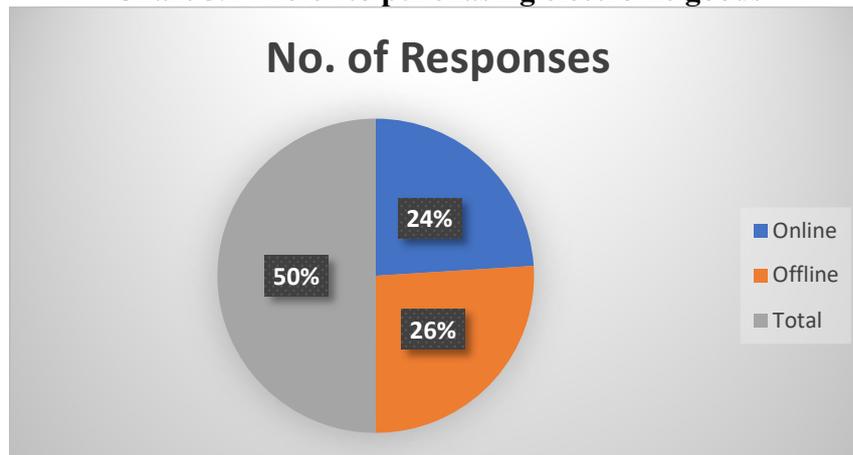
Out of 50 respondents, 55% agreed with the current GST rate on electronic goods, 31% objected, and 14% were unclear, according to Table 4.1. This indicates that a majority of respondents supported the current tax rate. This indicates that customers generally accept the current GST system.

Table 5.1 Prefer to purchasing electronic goods

Purchasing electronic goods	No. of Responses	Percentage
Online	24	48
Offline	26	52
Total	50	100

Source: Primary Data

Chart 5.1 Prefer to purchasing electronic goods



Interpretation

The Above Table No:5.1, Offline Purchases: 26 respondents, or 52% of the sample, said they prefer to purchase electronics offline. Online Purchases: 24 respondents, or 48% of the sample, said they prefer to purchase electronics online. Total Respondents: Fifty people responded to the survey.

Chi square test
Table 6.1: Chi Square Table

Consumer Perception Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Tax rate is reasonable	6	52	23	14	5	100
High tax discourages purchase	10	40	38	9	3	100
Tax offers motivate purchase	8	38	34	14	6	100
Retailers pass tax to consumers	14	38	26	16	6	100
Total	38	168	121	53	20	400

Calculated Value	Table Value	Degree of Freedom	Null hypothesis	Result
14.93	21.03	12	Accepted	14.93 < 21.03

Interpretation

The table shows the chi-square analysis of consumer perception towards taxation on electronic goods. Responses were collected using a five-point Likert scale. The calculated chi-square value is 14.93 and the table value is 21.03. The degree of freedom is 12. Since the calculated value is less than the table value, the null hypothesis is accepted. This shows that there is no significant difference in consumer opinions and tax factors. Overall, consumers have a similar perception towards tax on electronic goods.

Findings

Most of the respondents are of the opinion that the online facilities are more tax-beneficial than the offline shops. High taxation and low demand on the electronic products and influence the household budget largely. Increased tax burden is likely to cause the consumers to move to less expensive alternatives. Home appliances are considered to be the most taxed electronic products. Taxation affects the purchase intention, brand price disparity and promotion. Retailers usually reduce the tax burden into consumers, raising the final prices. High taxes lead to negative influence on the general growth of the electronic market. Findings of the study include the fact that standardized and multilateral concerted action on tax reforms is necessary to decrease leakage in revenue and equitable competition in the digital economy.

Conclusion

Taxation of electronic goods and other digital products has been a complicated issue that is not traditional and includes legal, economic, and administrative issues. Unpredictable or exemption taxation in online trading results in loss of revenue to governments and unfair competition between online and offline traders. Increased taxation decreases consumer buying behaviour, changes the purchasing habits to less expensive products and affects the household purchasing power, with the perception of home appliances and high end electronics as the most highly taxed. The retailers tend to transfer the tax pressure to the consumer and raise the price of the products and influence the growth of the market. Absence of the standard and stable tax policies, particularly in developing economies, obstructs business compliance and gives disparities between the traditional and digital market. Consequently, uniform and synchronized tax reforms, which are consistent with the international collaboration, are important in order to reduce leakage of revenue and to enhance fair competition. The adaptive taxation policies that will guarantee efficiency, equity, and consumer affordability, as well as a heightened awareness and compliance among the e-commerce players, is crucial to cushion government revenue and promote sustainable growth and competitiveness in the digital economy.

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