CHAPTER 4

GST and Changing Consumption Patterns in India: A Comparative Look at the Pre-GST and Post-GST Tax Burden on Digital Streaming Services in India

Vedant Zade, Vishnavi Marathe**, Priyanshi Kishore**, Chakradhar Londhe** and Utkarsh Pandey***

ABSTRACT

GST came into force on 1 July 2017 and replaced the service tax, the state-level entertainment tax and VAT with a single 18% rate on OTT services. India's streaming market has grown very quickly in the years since. Our paper tries to work out whether this change in the tax regime actually left subscribers paying less, and whether the government ended up collecting more, particularly from foreign platforms. We use Netflix India for the calculations. The Rs. 149 mobile plan is the baseline, since it is the widest-reach tier. Service tax before GST was about 15%, which sounds lower, but entertainment tax in some states went as high as 110% and VAT also applied in parts. After adding everything up, the total burden came to roughly 20-25% in most regions. After GST the rate is a uniform 18%, and Input Tax Credit further reduces the cost on the platform side, so the effective burden on the consumer came down even though the headline rate technically went up. Revenue collection from foreign OTT providers was weak before 2023. The Finance Act, 2023 widened the OIDAR definition, and CBIC Notification No. 28/2023 removed the exemptions that foreign suppliers had been relying on. Netflix, Amazon Prime Video and similar platforms now register, file GSTR-5A every month and pay 18% IGST. Our Netflix-only estimate shows annual GST collections of around Rs. 335 crore, against roughly Rs. 287 crore under the old regime — a 17% increase. 18% on digital content is still high compared to several other jurisdictions. For a cost-sensitive market, a lower slab on entry-level subscriptions may be worth thinking about.

Keywords: Goods and Services Tax (GST); Over-the-Top (OTT) services; Digital taxation; Netflix India; OIDAR compliance.

1.0 Introduction

Streaming has become the default way Indians watch things. Netflix, Amazon Prime

**Corresponding author; School of Economics and Commerce, Dr. Vishwanath Karad MIT World Peace University, Pune, Maharashtra, India (E-mail: vedant.zade@mitwpu.edu.in)*

***School of Economics and Commerce, Dr. Vishwanath Karad MIT World Peace University, Pune, Maharashtra, India (E-mail: vishnavi.marathe@mitwpu.edu.in; priyanshi.kishore@mitwpu.edu.in; chakradhar.londhe@mitwpu.edu.in; 1202220392@mitwpu.edu.in)*

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Video and others coexist with domestic platforms like Disney+Hotstar, ZEE5 and SonyLIV, and more than 30 crore people in India now hold at least one paid subscription as of 2025. Cheap mobile data and regional-language content are usually cited as the two main reasons.

The tax treatment of this sector before 2017 was complicated. Service tax was around 15%. Entertainment tax, which was a state subject, ranged from zero to over 100% depending on the state. VAT showed up in some combinations as well. The effective rate a subscriber paid could therefore be anywhere between 15% and 30%, sometimes higher, and it depended on where they lived. Platforms dealt with different rules in different markets, which made consistent pricing difficult.

GST was introduced on 1 July 2017. OTT services were classified under OIDAR — Online Information Database Access and Retrieval — and a flat 18% tax became applicable. The classification is in Section 2(17) of the IGST Act, 2017. Domestic compliance became relatively straightforward. Cross-border supplies did not, and issues around place of supply, foreign-supplier registration and what counts as OIDAR in a digital context kept coming up for the next several years. What we try to do in this paper is compare the effective tax burden under the two regimes, using Netflix India as a concrete example, and then look at what the Finance Act, 2023 did to foreign platform compliance. A smaller thread runs alongside — what 18% on digital content means for subscription uptake in a price-sensitive market.

2.0 Hypothesis

The hypothesis is that GST, despite raising the headline rate from 15% to 18%, reduced the total tax burden on OTT subscribers, because the earlier regime's entertainment tax and VAT layers disappeared. A related claim is that collection from foreign OTT firms improved once OIDAR compliance was made mandatory. A third claim, which we are less confident about, is that 18% is higher than ideal for a price-sensitive market.

The three parts are:

- **Part 1.** The effective burden fell. Under the old regime the total could reach 20-25% once entertainment tax and VAT were layered on. Under GST it is a flat 18%, with ITC available on the supply-chain side. So the headline rate is higher, but the number the user actually pays is lower in most states.
- **Part 2.** Revenue collection from foreign providers improved after 2023. The Finance Act, 2023 and CBIC Notification No. 28/2023 brought Netflix, Amazon Prime, Disney+ and others fully into the OIDAR net with monthly GSTR-5A filings and 18% IGST. Before this, enforcement was patchy.
- **Part 3.** 18% is on the high side when compared to digital service tax rates in several other jurisdictions, which have either reduced slabs or no separate digital levy. A lower rate on entry-level plans might raise adoption enough to keep total collections roughly neutral.

3.0 Literature Review

There is not a lot of academic work specifically on OTT taxation in India. Practitioner commentary from tax consultancies, industry publications and occasional government documents fills most of the gap. The sources we used are grouped below.

3.1 Pre-GST digital service taxation

OTT services pre-2017 were taxed under the Service Tax regime. The base rate was 14%, with Swachh Bharat Cess and Krishi Kalyan Cess adding roughly one percentage point combined. Classification was inconsistent — some jurisdictions treated streaming as telecom, some as broadcasting, some as a generic internet-based service. On top of all this was the state entertainment tax. In some states there was no entertainment tax at all. In others it was enough to almost double the subscription price. The combined burden in many regions worked out to 20-25% on the final bill (ClearTax, 2023; Enterslice, 2024).

3.2 GST rules and OIDAR classification

The definition of OIDAR in Section 2(17) of the IGST Act, 2017 covers services supplied over the internet or a similar network with minimal human intervention. Streaming fits this definition, so OTT subscriptions attract 18% GST. For intra-state supplies the split is 9% CGST plus 9% SGST. For inter-state and cross-border supplies the full 18% is charged as IGST. The earlier variation across states disappeared after this (Chartered Club, 2023; Fonoa, 2023).

3.3 Finance Act, 2023 changes

Two amendments in the Finance Act, 2023 matter for the OTT sector. First, the OIDAR definition was widened — the earlier reference to services being 'essentially automated' and 'involving minimal human intervention' was removed, which meant a broader set of digital services came under the category. Second, the definition of Non-Taxable Online Recipient (NTOR) was updated to include unregistered individuals in India regardless of whether they were using the service for personal or business purposes. CBIC Notification No. 28/2023, effective 1 October 2023, then removed the exemptions some foreign providers had been using. Every foreign OIDAR supplier serving Indian customers now has to register, collect IGST and file returns.

4.0 Objectives of the Study

The specific objectives:

- Examine how GST has reshaped OTT taxation in India, in rupee terms, for consumers and for the government.

- Compare the pre-GST and post-GST regimes on compliance ease, classification clarity and predictability.
- Examine where OTT platforms sit within the OIDAR framework and what this means for reporting and audit obligations.
- Study the effect of GST on OTT pricing and subscription take-up, at the platform and the consumer level.
- Identify practical compliance challenges for domestic and foreign OTT platforms.
- Assess the effect of the 2023 OIDAR and cross-border reforms on OTT operations, particularly for foreign suppliers.
- Analyse the contribution of OTT platforms to government revenue through GST.

5.0 Research Methodology

5.1 Research design

A descriptive and analytical design, using secondary sources only. A legal and policy subject lends itself to qualitative work of this kind. The analysis combines comparative study of the two regimes, a worked numerical example, and legislative reading. No primary data was collected.

5.2 Data sources

Primary legislation — CGST Act, 2017 and IGST Act, 2017 — administered by the CBIC. Apart from the base Acts, we drew on:

- Finance Act, 2023 amendments relating to OIDAR and NTOR.
- CBIC Notifications 28/2023 and 51/2023 on foreign OIDAR compliance.
- Subscriber numbers and revenue figures for the major OTT platforms, taken from publicly available industry reports.
- Practitioner analysis from ClearTax, TaxGuru, Chartered Club, Enterslice, Fonoa and Bhatt & Joshi Associates.

5.3 Methods of analysis

- Comparative analysis. The pre-GST and post-GST regimes are compared side by side — multiple overlapping levies earlier, a single 18% rate plus ITC now.
- Netflix India case study. Netflix India's entry-level Rs. 149 mobile plan is used to calculate the tax burden under both regimes. The numbers are indicative, not exact.
- Legislative analysis. OIDAR-related amendments are traced from 2017 through the Finance Act, 2023 and the CBIC notifications that followed.

5.4 Limitations

The revenue figures we use are based on publicly available subscription data and approximate pricing. Granular internal revenue data for individual platforms was not available. Our Netflix calculations rely on the Rs. 149 mobile plan as a baseline, so premium tiers, promotional discounts and telco-bundled plans are not fully reflected. The aggregates are therefore reasonable approximations rather than precise numbers.

6.0 Amendments and Reforms Over Time

India's approach to taxing digital services evolved in stages. Early attempts in 2016 to bring foreign providers into the service tax net; the equalisation levy debates of 2018-2020; amendments under the Income Tax Act; and finally the post-2023 OIDAR regime. Table 1 sets out the main checkpoints.

Table 1: Legislative Timeline of OTT Taxation Reforms

Year / Date	Amendment or Reform	Impact on OTT
Pre-2017	Service tax of about 15%, state entertainment tax of 0-110%, VAT in some states.	Uneven burden across states, inconsistent treatment, compliance difficult to plan.
December 2016	Foreign service providers brought under Service Tax for OIDAR services, before GST.	First serious attempt to tax foreign streaming services in India.
1 July 2017	GST rollout; OTT classified under OIDAR.	Flat 18%, ITC conditionally available, unified compliance replacing the earlier patchwork.
2017-2022	Gradual build-out of foreign compliance rules; GSTR-5A return introduced.	Foreign platforms start formal compliance, with gaps.
Finance Act, 2023	Widened OIDAR definition; NTOR revised to cover unregistered individuals.	Broader category of online content pulled in; streaming subscriptions unambiguously taxable.
1 October 2023	CBIC Notification No. 28/2023 removes earlier exemptions for foreign providers; gaming treated separately.	All foreign OTT providers fully liable; long-running classification uncertainty largely resolved.
2024-25	GST 2.0 procedural simplifications; headline OTT rate held at 18%.	Stable rate, continued compliance, incremental simplification.

7.0 OTT Market Overview

India's OTT market has grown rapidly over the last decade. Mobile data pricing and smartphone penetration are the two most commonly cited drivers, with regional-language programming playing a significant role in pulling audiences away from cable. Competition has intensified — platforms are chasing a shared user base, content budgets have risen and subscriber fatigue has become a measurable concern.

7.1 Competitive Landscape (2025)

Table 2: OTT Market Share in India (2025)

OTT Platform	Owned By	Subscribers (Cr)
Disney+Hotstar	JioStar	14
Amazon Prime Video	Amazon	6
Netflix	Netflix Inc.	4
ZEE5	Zee Entertainment	3.7
SonyLIV	Culver Max Entertainment	2.5

7.2 Annual subscription pricing

Table 3: Indicative Annual Subscription Prices (2025)

Platform	Minimum Annual (Rs.)	Maximum Annual (Rs.)
Disney+Hotstar	499	1,499
Amazon Prime Video	799	1,499
Netflix	1,788	7,788
ZEE5	499	1,299
SonyLIV	699	1,499

8.0 Taxation of OTT Platforms: Before and After GST

8.1 The pre-GST regime

Service tax of approximately 15% applied to streaming services under the earlier regime. The rate was not the main problem.

- Classification was unsettled — OTT was variously treated as broadcasting, telecom or a general internet-based supply, depending on the authority.
- No specific OIDAR category existed, so edge cases were argued by analogy.
- In several states a subscriber paid VAT and service tax on the same subscription.
- Enforcement against foreign platforms was weak in practice.
- State entertainment tax was the most unpredictable layer — 0% in some states, close to 110% in others. Competitive pricing varied by state for reasons unrelated to the service itself.

8.2 The Post-GST regime

OTT services are now classified under OIDAR, and the rules apply uniformly across India.

- 18% GST applies on every OTT subscription. Intra-state supplies are 9% CGST + 9% SGST; inter-state and cross-border supplies attract 18% IGST.
- Advertising revenue earned by OTT platforms also attracts 18% GST.
- Input Tax Credit is available on platform procurement — server costs, content production, office infrastructure.
- Foreign OTT platforms are required by law to register under GST and file GSTR-5A.

8.3 Core comparison

Table 4: Pre-GST and Post-GST Tax Comparison

Component	**Before GST (pre-July 2017)**	**Post-GST (current)**
Primary Tax	Service Tax at about 15%	GST at 18% (9% CGST + 9% SGST)
Entertainment Tax	0% to 110% across states; average around 30%	Subsumed into GST at 18%
VAT	Applied in some states	Subsumed; no longer a separate levy
Cascading Effect	Tax-on-tax; levies stacked	Largely eliminated through ITC
Foreign Platforms	Weak enforcement in practice	Mandatory GSTR-5A filing; 18% IGST
Classification	Ambiguous	Clear OIDAR rules under the IGST Act
ITC	Limited across tax types	Available across the supply chain
Effective Burden	Roughly 20-25% cumulative	Flat 18%

9.0 Netflix India: A Working Tax-Burden Model

Netflix India is a subscription video-on-demand service. The entry-level plan is priced at Rs. 149 per month, mobile-only. For FY 2023-24, public sources place the subscriber count at roughly 1.23 crore. We use this plan as our baseline because of its reach and because it is the most relevant tier for affordability questions.

9.1 Post-GST calculation (base scenario)

Netflix India's reported FY24 revenue was Rs. 2,845.7 crore. Our bottom-up estimate, using the Rs. 149 plan as a proxy and excluding advertising and other income, comes to around Rs. 2,199 crore. The estimate is lower than the actual figure, but close enough that the calculation appears directionally correct. It was not meant to be exact.

Table 5: Netflix India GST Estimate (FY 2023-24)

Component	Value
Inclusive Price	Rs. 149 per month
Base Price (ex-GST)	Rs. 126.27 (149 / 1.18)
GST at 18%	Rs. 22.72 per user per month
Monthly GST Collection (1.23 Cr users)	**Rs. 27.95 crore**
Annual GST Collection	**Rs. 335.4 crore**

9.2 Pre-GST counterfactual

The same Rs. 149 plan under the pre-GST regime would have looked different. Service tax was lower, but the additional layers pushed the effective rate well above today's 18%.

Table 6: Tax Breakdown on the Rs. 149 Netflix Plan

Component	Pre-GST	Post-GST
Base Subscription	Rs. 149	Rs. 149
Primary Tax	Service tax at 15% = Rs. 19.43	GST at 18% = Rs. 22.72
Entertainment Tax	Rs. 12.96 to Rs. 19.43 in several states	Nil (subsumed)
Cascading	Additional tax layered on service charges	Eliminated
Effective Tax Range	**15% to about 30%**	**Flat 18%**
ITC	Not available	Available

9.3 Revenue collection comparison

The per-user rate went from 15% to 18%, and yet the average subscriber ended up paying less in most states. Entertainment tax — which used to sit on top of the service tax at 10-30% in many regions — has been absorbed into the 18% rate, not added to it. On the revenue side, collection from foreign platforms improved substantially after mandatory OIDAR compliance. Two things that look as though they should conflict — a higher headline rate and lower consumer cost — are both true, for the same reason.

Table 7: Government Revenue Comparison

Metric	Pre-GST	Post-GST
Monthly Tax per User	Rs. 19.43	Rs. 22.72
Monthly Collection	About Rs. 23.9 Cr	About Rs. 27.95 Cr
Annual Collection	About Rs. 287 Cr	About Rs. 335 Cr
Foreign Compliance	Minimal	Full (OIDAR mandatory)
Net Revenue Gain	**Baseline**	**+17% with full foreign compliance**

10.0 Compliance Framework

Four categories of compliance apply to OTT platforms operating in India. General business licences, domestic GST registration and returns, export of services (zero-rated with supporting paperwork), and foreign OIDAR-specific rules for overseas platforms.

- Domestic Platforms. GSTIN is mandatory. Invoices must show the 18% tax split clearly — CGST + SGST for intra-state, IGST for inter-state. ITC records have to be maintained for the prescribed period. Returns — GSTR-1, GSTR-3B, annual GSTR-9 — are filed on schedule.
- Export of Services. Services supplied to subscribers outside India are zero-rated. Annual Letter of Undertaking (LUT), export invoices without GST, FIRC or BRC records for foreign exchange receipts, and Form RFD-01 for refund of accumulated ITC.
- Foreign OIDAR Providers. Non-resident suppliers register under the simplified OIDAR regime. An authorised Indian representative handles compliance. GSTR-5A is filed monthly. 18% IGST is collected and remitted on all Indian supplies. Tax invoices follow the prescribed format.

Netflix and Amazon both contribute directly to GST collections through these monthly GSTR-5A filings, as do the other major foreign platforms. The classification uncertainty that existed before 2023 has been largely resolved. The appendix at the end of this paper lays out the full set of compliance documents.

11.0 Findings and Analysis

11.1 Unified tax structure

A single rate applies across India now. Pre-GST, the same Netflix plan could carry very different total tax loads depending on which state the subscriber lived in, because the entertainment tax layer varied so much. Combined rates of 20-25%, occasionally higher, were common. Post-GST, the rate is 18% everywhere. State-specific surcharges have gone. This is the most straightforward simplification in the reform.

11.2 Foreign platforms now comply

Tax collection from overseas digital service providers used to be the weakest part of the Indian system. The earlier framework did not have a clean mechanism for non-resident suppliers, and enforcement was limited. After the Finance Act, 2023 and the October 2023 CBIC notification, Netflix, Amazon Prime Video, Disney+ and others are required to register under OIDAR, file GSTR-5A every month, collect 18% IGST and remit it. The compliance loop closed in 2023, effectively.

11.3 Revenue gain

The Netflix slice of the market alone gives an estimated Rs. 335 crore of annual GST collection under the current regime, against about Rs. 287 crore under the pre-GST counterfactual — a 17% increase. Scaled to the 30+ crore subscriber base across all OTT services, the aggregate revenue uplift is significant.

12.4 Lower effective cost

Headline rate up from 15% to 18%, effective cost down in most states. The entertainment tax layer and the cascading are both gone. In states where entertainment tax used to be high, the subscriber saves under the current regime. ITC along the supply chain reduces the platform's cost structure further.

11.5 Affordability

18% is still high for digital content compared to several other jurisdictions, some of which offer reduced rates on online services or no separate digital levy at all. A lower slab on basic OTT subscriptions — mobile-only tiers particularly — could boost adoption enough to raise total tax collected. It is not certain, but the argument is worth considering.

12.0 Conclusion and Suggestions

12.1 Conclusion

The evidence supports most of our hypothesis. GST simplified the OTT tax regime and reduced the effective cost on the consumer in most states, even though the headline rate rose. Entertainment tax was the dominant component of the earlier burden — once it was subsumed, 18% under GST came out ahead of 15% service tax plus the state overlay. Foreign platforms are now fully inside the compliance net. The Netflix slice alone shows a 17% uplift in annual GST collections compared with the pre-GST counterfactual.

We are more cautious on the third leg. 18% is simple and it has worked. But in a market where scale matters and a large part of the potential subscriber base sits at the price-sensitive end, a single slab is a blunt instrument. A lower rate on entry-level plans would probably not cost the government much revenue and could be recovered through faster growth in the paying subscriber base.

12.2 Suggestions

- Consider a reduced GST rate — something like 12% — on entry-level OTT subscriptions. Price elasticity in this segment is real, and a lower rate could grow the subscriber base enough to keep total collections roughly neutral or positive.

- Simplify GSTR-5A filing for foreign OIDAR providers. The monthly cadence and documentation could be streamlined, particularly for smaller non-resident suppliers, without weakening the revenue case.
- Expand ITC benefits to incentivise OTT investment in Indian content production — aligned with broader policy on domestic creative industries.
- Issue a clear circular distinguishing OTT services from online real-money gaming. The two carry very different tax treatments, and classification disputes have caused avoidable friction.
- Introduce a tiered GST structure for digital subscriptions, with a lower rate on mobile-only plans, to support digital access in price-sensitive segments.

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Appendix: Compliance Documents - Detailed Tables

The documentation framework that OTT platforms in India are expected to maintain. Referenced in Section 11, reproduced in full below for convenience.

A.1 General Operational Documents

Document	Purpose	Authority
Certificate of Incorporation	Establishes a legal entity in India	MCA
MoA and AoA	Sets out the company's scope and governance	MCA
Trade Licence	Required to carry on business operations	Local authorities
IT Rules, 2021	Appointment of CCO, Nodal Contact and Grievance Officer	MeitY
Content Licensing	Contractual arrangements with content creators	Private / contractual
Privacy Policy and Terms of Service	Data handling and user rights	IT Rules, 2021

A.2 Domestic GST Rules

Document	Purpose	Authority
GSTIN Registration	Mandatory for OIDAR providers	GSTN
GST / Tax Invoices	Show the 18% GST split (CGST + SGST or IGST)	GST laws
ITC Documentation	Vendor invoices supporting Input Tax Credit claims	GST laws

A.3 Export of Services (Zero-Rated)

Document	Purpose	Requirement
LUT / Bond	Permits export of services without paying IGST	Filed annually
Export Invoices	Issued to overseas subscribers without GST	GST laws
FIRC / BRC	Verification of foreign exchange receipts	Bank-issued
Form RFD-01	Claim refund of accumulated ITC on exports	GSTN

A.4 Foreign OIDAR Rules

Document	Purpose	Requirement
OIDAR GST Registration	Simplified registration for foreign suppliers	GSTN
Authorised Representative	Appointed person in India handling compliance	GST laws
GSTR-5A Filing	Monthly return including IGST details	GSTN
IGST at 18%	Collected and remitted on all Indian supplies	GST laws
Tax Invoices	GST-compliant invoices using the OIDAR GSTIN	GST laws