CHAPTER 10

GST and OTT Platforms: Taxation Dynamics in India - A Comparative Analysis of Pre-GST and Post-GST Tax Burden on Digital Streaming Services

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ABSTRACT

The rapid proliferation of streaming services has fundamentally reshaped media consumption across India. When the Goods and Services Tax (GST) came into force on July 1, 2017, it consolidated several discrete levies — including service tax, entertainment tax, and VAT — into a single uniform rate of 18%. This paper examines how that structural reform altered the financial burden for users of online video platforms. Netflix India is employed as a case illustration to trace shifts in consumer pricing and government revenue. Prior to GST, regional entertainment levies reached as high as 110%, resulting in highly uneven effective tax rates across states. Post-GST, those disparities were eliminated. Although the base rate increased modestly relative to the earlier service tax level, the actual cost to users declined across numerous states, primarily because the Input Tax Credit (ITC) mechanism reduced cascading effects. Revenue flows also improved, particularly after the Finance Act 2023 mandated GST compliance for overseas digital service providers. While the findings confirm that GST has broadly supported the growth of online video platforms, industry analysts recommend reducing the applicable rate on digital content to better align subscription affordability with the diverse economic profile of Indian consumers.

Keywords: Goods and Services Tax (GST), Streaming Services, Digital Taxation, Netflix India, and Input Tax Credit (ITC).

1.0 Introduction

Driven by wider broadband penetration and a surge in mobile device ownership, video-on-demand services have rapidly transformed how Indian audiences access entertainment. The market accommodates global platforms such as Netflix and Amazon Prime Video alongside established domestic alternatives including Disney+Hotstar, ZEE5, and SonyLIV. Investment in regional-language programming has further accelerated adoption, and by 2025 more than 300 million users subscribe to at least one streaming service — a figure that reflects deep digital integration across urban and semi-urban markets.

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Prior to the GST regime, OTT platforms operated within a fragmented tax environment. Service Tax was levied at approximately 15%, while state-level Entertainment Tax ranged from nil to over 100%, and VAT was applied inconsistently across jurisdictions. The resulting stacking of levies inflated effective tax rates, complicated compliance, and created significant competitive asymmetry between states.

On July 1, 2017, India replaced this patchwork structure with the unified GST framework. OTT platforms were classified under OIDAR — Online Information and Database Access or Retrieval Services — and subjected to a standardised 18% rate. While the reform brought welcome clarity, it also introduced new challenges around cross-border supply determination and the digital characterisation of services.

1.1 Research questions

This paper addresses three interrelated questions: (i) Does the introduction of GST reduce the effective tax burden on streaming service consumers compared to the earlier layered regime? (ii) Has the consolidated framework improved government revenue through mandated compliance by overseas digital service providers? (iii) Does the current 18% rate pose an affordability barrier for price-sensitive consumers, and what policy adjustments would be appropriate?

2.0 Hypothesis

The paper advances a tripartite hypothesis that can be empirically evaluated:

Part 1 — Reduced Effective Burden

The replacement of multiple overlapping levies with a single 18% GST, combined with the availability of Input Tax Credit throughout the supply chain, has reduced the net financial burden on consumers. Where the earlier regime imposed effective rates of 20–25%, the unified structure stabilises liability at 18%.

Part 2 — Improved Revenue Collection

Provisions introduced under the Finance Act 2023 require overseas digital service providers — including Netflix, Amazon Prime, and Disney+ — to register for GST in India and submit monthly GSTR-5A returns. This has closed a significant enforcement gap, enabling 18% IGST to be collected on cross-border digital transactions that were previously largely untaxed.

Part 3 — Affordability Concern

At 18%, India's GST on digital content is substantially above international benchmarks for digital media. This elevated rate may suppress subscriber growth among price-sensitive households, suggesting that a reduced slab for streaming services could simultaneously expand access and enhance total tax collection through increased user uptake.

3.0 Literature Review

The taxation of digital services in India has evolved markedly over the past decade, transitioning from an uncoordinated multi-levy structure to a unified national framework. This section surveys the key regulatory developments and scholarly observations that contextualise the analysis.

3.1 Taxation of digital services before GST

Prior to GST, OTT platforms were subject to Service Tax at approximately 14%, subsequently augmented by Swachh Bharat Cess and Krishi Kalyan Cess, raising the effective federal levy to approximately 15%. Jurisdictional inconsistency compounded the burden: depending on how state regulators classified a platform — as a telecom service, a broadcast service, or an internet utility — applicable Entertainment Tax ranged from nil to approximately 110%. The cumulative effective rate borne by consumers in several states fell between 20% and 25% (ClearTax, 2023; Enterslice, 2024).

3.2 GST classification and the OIDAR framework

Section 2(17) of the IGST Act, 2017 defines OIDAR services as those delivered via the internet or an electronic network with minimal human intervention. Upon GST's introduction, OTT subscriptions were uniformly classified within this category and subjected to an 18% rate — comprising 9% CGST and 9% SGST on intra-state transactions, or 18% IGST on inter-state and cross-border supplies. This classification eliminated the jurisdictional fragmentation that had characterised the pre-GST era (Chartered Club, 2023; Fonoa, 2023).

3.3 Finance Act 2023 — Amendments to OIDAR and NTOR rules

The Finance Act 2023 materially broadened the scope of GST on digital services. The removal of the 'minimal human intervention' criterion as a qualifying threshold for OIDAR brought a wider range of online activities within the tax net. Simultaneously, amendments to the Non-Taxable Online Recipient (NTOR) definition extended liability to unregistered individuals consuming digital services. CBIC Notification No. 28/2023, effective October 1, 2023, withdrew the exemption previously available to overseas OTT providers, subjecting all such supplies to full IGST liability (Chartered Club, 2023).

4.0 Study Objectives

- To examine how the introduction of GST reshaped the tax structure applicable to digital streaming services in India, with reference to shifts in regulatory enforcement and revenue collection mechanisms.

- To assess the transition from a fragmented multi-levy regime to a harmonised national rate, evaluating improvements in compliance consistency and administrative efficiency.
- To analyse the classification of OTT platforms as OIDAR services under the IGST Act and its implications for cross-border tax obligations and reporting requirements.
- To evaluate the influence of GST on OTT subscription pricing, consumer expenditure, and platform revenue, with particular attention to the impact of Input Tax Credit on net cost.
- To identify compliance challenges faced by domestic and international streaming platforms operating under the GST framework.
- To assess the impact of the 2023 OIDAR amendments and cross-border tax provisions on foreign OTT operators and their operational cost structures.
- To quantify OTT platform contributions to government revenue under the GST regime and identify opportunities for further revenue optimisation.

5.0 Research Methodology

5.1 Research design

This study adopts a descriptive and analytical research design, drawing exclusively on secondary data. The methodology combines comparative analysis, legislative review, and a single-firm case study to explore the implications of GST for India's OTT sector. Each method supports the others, yielding a multi-dimensional assessment without requiring primary data collection.

5.2 Data sources

- CGST Act, 2017 and IGST Act, 2017 — foundational legislative instruments governing the GST framework.
- Finance Act 2023 — amendments to the OIDAR definition and Non-Taxable Online Recipient (NTOR) provisions.
- CBIC Notifications 28/2023 and 51/2023 — regulatory updates to foreign OIDAR compliance obligations.
- Publicly available financial reports and industry analyses from streaming platforms.
- Commentaries and analyses from recognised tax advisory and legal research publications.

5.3 Methods of analysis

Comparative Analysis: The study contrasts the pre-GST multi-levy structure with the post-GST unified rate, examining changes in effective tax burden, compliance complexity, and revenue yield.

Case Study — Netflix India: Netflix India serves as a representative case to quantify tax implications under both regimes. Estimates are constructed from the bottom up using publicly available subscription pricing and user-base data for FY 2023-24.

Legislative Analysis: Key OIDAR-related regulatory changes from 2017 through 2023 are tracked to identify patterns in policy intent and compliance evolution.

5.4 Limitations

Detailed revenue figures of streaming platforms are not publicly disclosed. The Netflix India model therefore relies on the entry-level mobile-only plan (149 per month) as a baseline and does not account for higher-tier subscriptions, promotional pricing, or bundled carrier packages. Estimates should accordingly be interpreted as directional rather than definitive.

6.0 Regulatory timeline: OTT taxation reforms

The table below chronicles the key legislative and regulatory developments that have shaped OTT taxation in India from the pre-GST era through the present.

Table 1: Legislative Timeline of OTT Taxation Reforms

Period / Date	Reform / Amendment	Impact on OTT Sector
Pre-2017	Service Tax ~15%; state Entertainment Tax 0–110%; VAT in select states	Uneven regional burden; inconsistent platform treatment
Dec 2016	Service Tax extended to foreign OIDAR providers ahead of GST launch	Early move to tax overseas streaming services
1 Jul 2017	GST introduced; OTT classified as OIDAR services	Flat 18% rate; ITC available; unified compliance structure
2017–2022	Phased rollout of GSTR-5A compliance for foreign digital providers	Formal GST obligations begin for overseas platforms
Finance Act 2023	OIDAR definition broadened; NTOR rules extended to unregistered individuals	Wider range of online services becomes taxable; streaming explicitly included
1 Oct 2023	CBIC Notification 28/2023 removes exemption for overseas digital providers; gaming classified separately	Full tax liability for all foreign streaming services; classification uncertainty reduced
2024–25 (GST 2.0)	Simplification measures under consideration; top rate maintained at 18%	Stable tax environment; ongoing compliance refinement

7.0 OTT market overview

India's streaming market has expanded rapidly, propelled by affordable mobile data, rising smartphone penetration, and strong demand for regional-language content. By 2025, the market is characterised by intense competition among a small number of dominant platforms, even as subscriber growth moderates and production costs escalate.

7.1 Competitive Landscape (2025)

Table 2: OTT Market Share in India, 2025

OTT Platform	Parent / Owner	Estimated Subscribers (Crore)
Disney+Hotstar	JioStar	14.0
Amazon Prime Video	Amazon	6.0
Netflix	Netflix Inc.	4.0
ZEE5	Zee Entertainment	3.7
SonyLIV	Culver Max Entertainment	2.5

7.2 Annual Subscription Pricing (2025)

Table 3: Annual Subscription Prices, 2025

Platform	Minimum Annual Plan	Maximum Annual Plan
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: Pre- and post-GST regimes

8.1 Pre-GST regime

Prior to July 2017, streaming services were subject to Service Tax at approximately 15%, though their categorisation varied — classified as telecom, broadcast, or internet utility services depending on the state. This ambiguity gave rise to overlapping charges:

- Absence of a specific OIDAR classification created significant legal uncertainty.
- VAT and Service Tax were concurrently applied in several states on the same transaction.
- Foreign streaming platforms faced minimal regulatory oversight and limited tax enforcement.
- Entertainment Tax ranged from nil in some states to nearly 110% in others, distorting competitive conditions.

8.2 Post-GST regime

Following the introduction of GST, OTT platforms are uniformly classified under OIDAR:

- A standardised 18% GST applies to all OTT subscriptions across India, irrespective of state.
- Advertising revenue generated by OTT platforms is also subject to 18% GST.
- Input Tax Credit is available on platform procurement costs, reducing net tax liability.
- Foreign OTT platforms are required by law to register and comply with GSTR-5A filing obligations.

8.3 Comparative overview

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

Component	Before GST (Pre-July 2017)	After GST (Current)
Primary Tax	Service Tax ~15%	GST at 18% (CGST 9% + SGST 9%)
Entertainment Tax	0% to 110% across states; ~30% average	Subsumed under GST at 18%
VAT	Applied in select states	Eliminated — fully subsumed
Cascading Effect	Tax-on-tax across multiple levies	Eliminated via single-stage levy and ITC
Foreign Platforms	Weak enforcement; limited compliance	Mandatory GSTR-5A filing; 18% IGST applies
Classification	Ambiguous; varied by state	Clearly defined under OIDAR (IGST Act)
Input Tax Credit	Limited availability across tax types	Fully available; reduces effective burden
Component	Before GST (Pre-July 2017)	After GST (Current)
Effective Burden	~20–25% cumulative (multi-state)	Flat 18% nationwide

9.0 Case Study: Netflix India — Tax Burden Working Model

Netflix India operates primarily as a subscription video-on-demand service, with significant penetration in the mobile-first segment. The following analysis estimates government revenue and consumer tax burden under both regimes, using publicly available data for FY 2023-24. Netflix India's subscriber base was approximately 1.23 crore, with the entry-level mobile plan priced at 149 per month.

9.1 Post-GST calculation

Note: Netflix India reported total revenues of 2,845.7 Crore in FY 2023-24. The modelled estimate of 2,199 Crore — derived from the mobile-only plan baseline, excluding higher-tier subscriptions — is directionally consistent with reported figures, validating the analytical approach.

Table 5: Netflix India — Post-GST Revenue Estimate

Component	Value
Subscription Price (GST-inclusive)	149 per month
Base Price Before GST	126.27 (= 149 ÷ 1.18)
GST @ 18% per subscriber	22.72 per month
Monthly GST Collection (1.23 Crore subscribers)	27.95 Crore
Annual GST Collection (Estimated)	335.4 Crore

9.2 Pre-GST counterfactual

Table 6: Netflix 149 Plan — Tax Breakdown Comparison

Component	Pre-GST	Post-GST
Base Subscription	149	149
Primary Tax	19.43 (Service Tax @ 15%)	22.72 (GST @ 18%)
Entertainment Tax (select states)	12.96 – 19.43	Nil — subsumed
Cascading Effect	Present; additional cost layered	Eliminated
Effective Tax Range	15% to ~30% (state-dependent)	Flat 18%
Input Tax Credit	Not available	Available; reduces net cost

9.3 Government revenue comparison

Table 7: Comparative Government Revenue — Pre- and Post-GST

Metric	Pre-GST	Post-GST
Monthly Tax per User	19.43	22.72
Monthly Collection (1.23 Cr)	~23.9 Crore	~27.95 Crore
Annual Collection	~287 Crore	~335 Crore
Foreign Platform Compliance	Minimal	Full (mandatory OIDAR)
Net Revenue Gain	Baseline	+17% with full foreign compliance

Despite an increase in the nominal rate from 15% to 18%, consumers in states that previously levied high Entertainment Tax rates have experienced a net reduction in effective cost. The elimination of cascading and the availability of ITC account primarily for this outcome. Simultaneously, government revenue has grown by approximately 17%, driven by the formalisation of foreign platform compliance under the GSTR-5A framework.

10.0 Compliance Framework

OTT platforms operating in India must adhere to obligations across four principal compliance dimensions:

Domestic Platforms

- Obtain a Goods and Services Tax Identification Number (GSTIN).
- Issue compliant tax invoices reflecting the 18% GST breakdown.
- Maintain documentation to support Input Tax Credit claims.
- File GST returns within prescribed timelines.

Export of Services (Zero-Rated)

- Services supplied to overseas subscribers qualify as zero-rated exports.
- A Letter of Undertaking (LUT) or bond must be filed to export without payment of IGST.
- Foreign Inward Remittance Certificates (FIRC) or Bank Realisation Certificates (BRC) serve as supporting documentation.
- Input Tax Credit refunds on exported services are claimed via Form RFD-01.

Foreign OIDAR Providers

- Mandatory registration under India's simplified OIDAR GST registration mechanism.
- Appointment of a local representative responsible for compliance.
- Monthly GSTR-5A returns, reporting all taxable supplies to Indian consumers.
- 18% IGST applicable on all supplies; compliant tax invoices must be issued.

11.0 Findings and Analysis

11.1 Unified tax structure

The replacement of a multi-levy structure with a single 18% rate has standardised the tax treatment of OTT services nationwide. Effective rates, which ranged from approximately 15% to over 30% depending on state, have been compressed to a uniform 18%, removing competitive distortions and simplifying compliance for platforms.

11.2 Enhanced foreign platform compliance

Prior to GST, enforcement against overseas digital service providers was minimal. The Finance Act 2023 introduced a structured compliance architecture requiring registration, monthly GSTR-5A filings, and remittance of 18% IGST by platforms such as Netflix, Amazon Prime Video, and Disney+. This has materially strengthened revenue collection from cross-border digital transactions.

11.3 Net government revenue gain

Estimated annual GST collection from Netflix India alone increased from approximately 287 Crore under the pre-GST regime to 335 Crore post-GST — a gain of approximately 17%. Extrapolated across India's 30+ Crore streaming subscribers, the aggregate revenue impact is substantial.

11.4 Reduced net consumer burden

Notwithstanding the nominal rate increase from 15% to 18%, consumers in states that previously imposed Entertainment Tax have experienced a net reduction in effective cost. The elimination of cascading effects and the availability of ITC have together reduced the total financial burden on subscribers in most markets.

11.5 Affordability constraint

The 18% rate, while administratively simpler, does not include a concessional slab for digital content — an approach adopted by several peer economies. This positions India's streaming tax rate above international norms and may constrain subscriber growth among price-sensitive households. A reduced rate could, counterintuitively, increase total tax revenue by enabling greater platform uptake.

12.0 Conclusion and Policy Recommendations

12.1 Conclusion

The introduction of GST has broadly benefited India's OTT sector. The unified 18% rate replaced a fragmented, inconsistently applied system, reducing effective consumer costs in high-Entertainment-Tax states and increasing government revenue through improved compliance, particularly among foreign platforms. The Netflix India case study illustrates both dimensions: a nominal rate increase of three percentage points coexists with lower effective consumer costs and a 17% improvement in government revenue yield. Nevertheless, the absence of a concessional tier for digital content remains a policy gap. As India seeks to expand digital access across diverse economic strata, the current 18% rate may represent an unnecessary barrier to adoption for casual or first-time subscribers.

11.2 Policy Recommendations

- Introduce a reduced GST slab of 12% for basic mobile-only streaming subscriptions to improve affordability and drive subscriber growth.
- Simplify GSTR-5A filing requirements for foreign OIDAR providers to reduce compliance friction while maintaining revenue integrity.
- Expand Input Tax Credit eligibility to cover OTT investment in Indian original content, supporting domestic production activity.
- Establish clear regulatory guidelines to delineate OTT streaming services from online gaming, preventing classification disputes and compliance uncertainty.
- Consider a tiered GST structure that distinguishes between premium and basic subscription tiers to balance revenue objectives with consumer access goals.

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Appendix: Compliance Documentation Framework for OTT Platforms in India

A.1 General Operational Documents

Table A.1: General Operational Documents

Document	Purpose	Issuing Authority
Certificate of Incorporation	Establish legal entity in India	Ministry of Corporate Affairs
MoA and AoA	Define corporate scope and governance	Ministry of Corporate Affairs
Trade License	Authorise business operations	Local Municipal Authority
IT Rules 2021 Compliance	Appoint Chief Compliance Officer, Nodal Contact, and Grievance Officer	MeitY
Content Licensing Agreements	License content from creators and distributors	Private / Contractual
Privacy Policy and Terms of Service	Govern data handling and user rights	IT Rules 2021

A.2 Domestic GST Compliance Documents

Table A.2: Domestic GST Compliance Documents

Document	Purpose	Governing Authority
GSTIN Registration	Mandatory for all OIDAR service providers	GSTN
GST Tax Invoices	Document 18% GST apportionment on each transaction	GST Laws
ITC Documentation	Vendor invoices supporting Input Tax Credit claims	GST Laws

A.3 Export of Services (Zero-Rated Supplies)

Table A.3: Export of Services Compliance Documents

Document	Purpose	Requirement
Letter of Undertaking (LUT) / Bond	Enable export of services without IGST payment	Filed annually with GST authorities
Export Invoices	Invoice overseas subscribers without domestic GST	Compliant with GST Laws
FIRC / BRC	Evidence receipt of foreign exchange	Issued by authorised bank
Form RFD-01	Claim refund of ITC on zero-rated exports	Filed via GSTN portal

A.4 Foreign OIDAR Provider Compliance

Table A.4: Foreign OIDAR Provider Compliance Documents

Document	Purpose	Governing Authority
OIDAR GST Registration	Simplified registration for overseas digital providers	GSTN
Authorised Local Representative	Person in India responsible for GST compliance	GST Laws
GSTR-5A Monthly Return	Report all taxable supplies and remit IGST	GSTN
IGST @ 18%	Collect and remit tax on all supplies to Indian consumers	GST Laws
Compliant Tax Invoices	Invoices meeting OIDAR GSTIN requirements	GST Laws