

Government of India
Ministry of Finance
Department of Revenue

LOK SABHA
UN-STARRED QUESTION NO. 1220
TO BE ANSWERED ON MONDAY, DECEMBER 11, 2023
Agrahayana 20, 1945 (Saka)

**DROPOUT RATE OF MSMEs DOING BUSINESS
THROUGH E-COMMERCE PLATFORMS**

1220. SHRI KESINENI SRINIVAS:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note that MSMEs doing business through e-commerce platforms have a high dropout rate of 60 to 70 per cent and if so, the details thereof;
- (b) the steps taken/being taken by the Government to reduce the compliance burden for MSMEs without a Goods and Services Tax (GST) registration on e-commerce platforms;
- (c) whether the Government is considering to allow unregistered MSMEs below a certain turnover threshold to conduct inter-state transactions;
- (d) if so, the details thereof;
- (e) whether the Government is considering permitting a single Virtual Place of Business registration in lieu of a mandatory Principle Place of Business registration in every State where taxable supplies are made; and
- (f) if so, the details thereof?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): The Ministry of Micro, Small & Medium Enterprises has not received any such information.

(b): The requirement of mandatory registration for intra-state supply of goods through e-commerce operators (ECOs) has been conditionally waived off with effect from 01.10.2023. Composition taxpayers have also been allowed to make intra-State supply through ECOs subject to certain conditions with effect from 01.10.2023.

(c) to (d): As per provisions of existing law, GST registration is mandatory for making inter-state supplies. GST law is amended with recommendation of the GST Council. The Council has not made any recommendation to amend this provision.

(e) to (f): Considering the special nature of e-Commerce operators, a simplified procedure for registration of e-Commerce operators has already been notified. It provides that when an e-Commerce operator applies for registration in a particular State or Union Territory where he does not have a physical presence, he can apply for registration by giving details of the principal place of business located in another State or Union Territory. Further, the following amendments have been made in GST Rules to strengthen the registration process.

i. Biometric-based Aadhaar authentication would be done for applicants seeking GST registration who have opted for authentication of Aadhaar number and have been identified as high risk, along with the verification of the original copy of the documents uploaded with the application at one of the Facilitation Centers notified for the purpose. A Pilot project for this was launched in the State of Gujarat. Further, in July 2023, the said Pilot project has been extended to the State of Puducherry and in November, 2023, extended to the State of Andhra Pradesh.

ii. Details of bank account, in name and PAN of the registered person, is required to be furnished within 30 days of grant of registration or before filing of statement of outward supply, whichever is earlier. The registration in respect of such registered persons who do not furnish the details of valid bank account within the time period prescribed would be suspended automatically by the system. However, upon compliance with this provision subsequently, by the registered persons such system based suspension would be automatically revoked by the system.
