

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

LOK SABHA

**STARRED QUESTION NO. 118.
TO BE ANSWERED ON MONDAY, THE 2ND MAY, 2016.**

e-COMMERCE

***118. SHRI C. MAHENDRAN:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether the Government is encouraging e-commerce in the country;
- (b) if so, the details thereof along with the steps taken by the Government in this regard;
- (c) whether the e-commerce industry is currently facing many challenges/issues such as infrastructural problems, absence of cyber laws, privacy and security concern, payment and tax related issues, digital illiteracy and consumer psyche and virus problem; and
- (d) if so, the details thereof along with the remedial action taken or proposed to be taken by the Government in this regard?

ANSWER

**वाणिज्य एवं उद्योग राज्यमंत्री (स्वतंत्र प्रभार)(श्रीमती निर्मला सीतारमण)
THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)**

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN THE REPLY TO LOK SABHA STARRED QUESTION NO. 118 FOR ANSWER ON 02.05.2016.

(a) & (b): To encourage investment in e-commerce sector, FDI policy permits 100% foreign investment under the automatic route in companies engaged in e-commerce provided that such companies would engage only in Business to Business (B2B) e-commerce. Further, an entity is permitted to undertake retail trading through e-commerce under the following circumstances:

- i) A manufacturer is permitted to sell its products manufactured in India through e-commerce retail.
- ii) A single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.
- iii) An Indian manufacturer is permitted to sell its own single brand products through e-commerce retail. Indian manufacturer would be the investee company, which is the owner of the Indian brand and which manufactures in India, in terms of value, at least 70% of its products in house, and sources, at most 30% from Indian manufacturers.

Recently, with the objective of bringing clarity on the FDI policy on e-commerce sector, the Government vide Press Note 3 (2016) **(Annexure)** issued on 29.03.2016 introduced Guidelines for Foreign Direct Investment (FDI) in e-commerce and clarified that 100% FDI under automatic route is permitted in marketplace model of e-commerce and FDI is not permitted in inventory based model of e-commerce.

(c) & (d): The Government undertakes consultations with Industry, Industry-bodies and other stakeholders to address the issues concerning e-commerce industry. However, no specific study has been conducted by the Government regarding challenges/issues being faced by e-commerce industry. Development of infrastructure in the country is the priority of the Government. The Information Technology Act, 2000 (21 of 2000) including amendments in 2008, deal inter alia with the issues relating to Cyber Security, privacy and security concerns. Payments for e-commerce activities are regulated by Reserve Bank of India. Tax related issues are governed by relevant Central and State statutes. The Government has launched Digital India programme with a vision to transform India into a digitally empowered society and knowledge economy.

**ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF THE LOK SABHA
STARRED QUESTION NO 118 FOR ANSWER ON 02.05.2016.**

**Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
(FC Section)**

Press Note No 3 (2016 Series)

Subject: Guidelines for Foreign Direct Investment (FDI) on E-commerce

As per the FDI policy, contained in the 'Consolidated FDI Policy Circular 2015' (FDI Policy) as amended from time to time, FDI up to 100% under automatic route is permitted in Business to Business (B2B) e-commerce. No FDI is permitted in Business to Consumer (B2C) e-commerce. However, FDI in B2C e-commerce is permitted in following circumstances:

- i) A manufacturer is permitted to sell its products manufactured in India through e-commerce retail.
- ii) A single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.
- iii) An Indian manufacturer is permitted to sell its own single brand products through e-commerce retail. Indian manufacturer would be the investee company, which is the owner of the Indian brand and which manufactures in India, in terms of value, at least 70% of its products in house, and sources, at most 30% from Indian manufacturers.

2.0 In order to provide clarity to the extant policy, guidelines for foreign direct investment on e-commerce sector have been formulated and are enumerated below:

2.1 Definitions:

- i) **E-commerce-** E-commerce means buying and selling of goods and services including digital products over digital & electronic network.
- ii) **E-commerce entity-** E-commerce entity means a company incorporated under the Companies Act 1956 or the Companies Act 2013 or a foreign company covered under section 2 (42) of the Companies Act, 2013 or an office, branch or agency in India as provided in section 2 (v) (iii) of FEMA 1999, owned or controlled by a person resident outside India and conducting the e-commerce business.
- iii) **Inventory based model of e-commerce-** Inventory based model of e-commerce means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly.
- iv) **Marketplace based model of e-commerce-** Marketplace based model of e-commerce means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller.

2.2 Guidelines for Foreign Direct Investment on e-commerce sector:

- i) 100% FDI under automatic route is permitted in marketplace model of e-commerce.
- ii) FDI is not permitted in inventory based model of e-commerce.

2.3 Other Conditions:

- i) Digital & electronic network will include network of computers, television channels and any other internet application used in automated manner such as web pages, extranets, mobiles etc.
- ii) Marketplace e-commerce entity will be permitted to enter into transactions with sellers registered on its platform on B2B basis.
- iii) E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfillment, call centre, payment collection and other services.
- iv) E-commerce entity providing a marketplace will not exercise ownership over the inventory i.e. goods purported to be sold. Such an ownership over the inventory will render the business into inventory based model.
- v) An e-commerce entity will not permit more than 25% of the sales affected through its marketplace from one vendor or their group companies.
- vi) In marketplace model goods/services made available for sale electronically on website should clearly provide name, address and other contact details of the seller. Post sales, delivery of goods to the customers and customer satisfaction will be responsibility of the seller.
- vii) In marketplace model, payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines of the Reserve Bank of India.
- viii) In marketplace model, any warrantee/ guarantee of goods and services sold will be responsibility of the seller.
- ix) E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field.
- x) Guidelines on cash and carry wholesale trading as given in para 6.2.16.1.2 of the FDI Policy will apply on B2B e-commerce.

3.0 Subject to the conditions of FDI policy on services sector and applicable laws/regulations, security and other conditionalities, sale of services through e-commerce will be under automatic route.

4.0 The above decision will take immediate effect.

(Atul Chaturvedi)

Joint Secretary to the Government of India

D/o IPP File No.: No. 5/3/2015-FC.I dated: 29.03.2016

Copy forwarded to:

1. **Press Information Officer, Press Information Bureau-** for giving wide publicity to the above Press Note.
2. **Joint Secretary(I&C), Department of Economic Affairs, North Block, New Delhi**
3. **Reserve Bank of India, Foreign Exchange Department, Mumbai**
4. **NIC Section in the Department of Industrial Policy and Promotion-** for uploading the Press Note on DIPP's website.
5. **Hindi Section, DIPP-** for providing Hindi version.

For suitably incorporating the policy changes in Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and the relevant schedules thereof.
