



SETTING UP OF E-COMMERCE BUSINESS IN INDIA AND ITS COMPLIANCES

Introduction

E-commerce has transformed the way of doing business and trade throughout the world. Considering the population and demand, India is a big market for E-commerce.

The E-commerce sector in India is witnessing an incredible growth and backed by increasing internet penetration and upgradation of smartphones. With the advance increase of internet service provider at very reasonable prices, user-friendly interface of E-commerce platforms, and upgradation of network speed to 5G, the E-commerce/M-commerce are set to record very high growth in near future.

Government Initiatives

Since 2014, the Government of India has announced various initiatives to support the growth of E-commerce such as Digital India, Start-up India, Skill India, Make-in-India, Innovation Fund Etc. The Government of India has allocated \$1.24 billion to a project name "BharatNet Project" to improve internet services throughout India.

E-commerce Structure

Ecommerce can be defined as a platform for buying and selling of goods and services over digital & electronic network. In India, two models of E-commerce are followed:

- Marketplace model

In this model E-commerce provides only a platform connecting buyers and sellers as a facilitator and has no control over inventory its own.

- Inventory based model

In this model the marketplace owner owns the product and sale it using its own E-commerce platform where the owner manages the complete end-to-end sales process.

E-commerce Sector

It has also been categorized in three parts:

- Business-to-Business

Business-to-business (B2B) is a form of transaction between businesses, such as manufacturer to wholesaler, or a wholesaler to a retailer.

- Business-to-Consumer

Business-to-business (B2B) is a form of transaction between businesses and consumers who are the end users of the product.

- Consumer-to-Consumer

Consumer-to-Consumer refers to online dealing of goods and services between people where two people deal online on the basis of their requirement and needs.

How to set-up an E-commerce entity in India

To start an E-commerce the following compliances are necessary:

1. Incorporation

Every business entity must get registration in the Ministry of Corporate Affairs under the applicable laws. It must either be incorporated under the (Indian) Companies Act, 2013 or a foreign company or an office, branch or an agency outside India owned or controlled by a person resident in India.

It is mandatory requires physical/entity localization in India.

2. GST Registration

To start an E-commerce business GST registration is mandatory. Every e-commerce operator irrespective of his turnover, is required to be compulsorily registered under the CGST Act.

3. Bank Account

In order to operate, the Entity needs to open a bank account with any bank in India in the official name of the entity.

4. Payment Gateway

To process the customer payments in the E-commerce website business a payment gateway is necessary. It provides a route to accept the debit cards and credit cards and net banking payments from different banks and credit cards issued by the companies. For every e-commerce business, it is necessary to have a payment gateway to accept online payments. By payment gateway, the amount receive from the customers is sent/ transferred to the bank account of the business.

5. Legal Documentation

Drafting and Execution of various Legal agreements & contracts such as Website Term User Agreement, Employment Agreement etc.; Memorandum of Association, Articles of Association, Website Privacy Policy, and other related documents.

6. Cyber Law Due Diligence

All E-commerce businesses must ensure cyber laws due diligence in India.

7. Competition Issues

The entity must comply with the competition laws of India, while entering into any arrangements with the relevant parties.

8. Data Protection

E-commerce industry in India must ensure maintenance, privacy protection, data security, cyber security, confidentiality etc. And must comply with laws related to data protection.

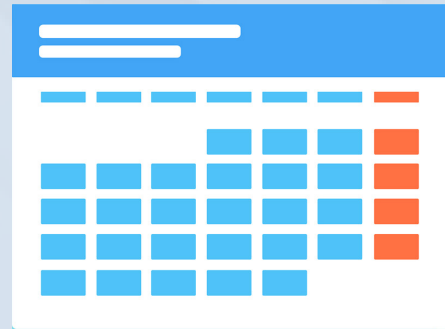
9. Appointment of Nodal Officer

An e-commerce entity based outside India is required to appoint a person /individual resident in India as Nodal Officer to ensure compliance with the relevant laws.

Implication of the Information Technology Act, 2000.

E-commerce entity based outside India requires to appoint a person /individual resident in India to ensure compliance with the Consumer Protection Act, 2019 and Consumer Protection (E-Commerce) Rules, 2020 even though such entity may not have an office / place of business in India.

COMPLIANCE CALENDER MAY 2021



GST	
GSTR 3B APR 2021(Turnover in the previous financial year more than Five Crores)	04-06-2021
GSTR 3B APR 2021 (Others)	22-06-2021
GSTR 1(Turnover more than Rs. 1.5 Crores)	26-05-2021
Income Tax	
Deposit of TDS	07-05-2021
ESI	
Payment for the month of APR 2021	15-05-2021
PF	
Payment for the month of APR 2021	15-05-2021
Return Filing for the month of APR 2021	25-05-2021