

The **ONDC** Network is live with **35,000+ Sellers** with **38 lakh+ SKUs** from **236 cities**

8

Buyer Network Participants

29

Seller Network Participants

6

Logistics Service Providers

ONDC Network is rapidly expanding across product categories and cities.

#VocalForLocal | #AtmanirbharBharat



#### Seller Network Participants

Will register & onboard you to their Seller Application so you can sell your products online, through the ONDC Network.



#### Buyer Network Participants

Budget shopping on these applications can purchase the products you sell through the ONDC Network.



#### Logistics Service Providers

You can choose your own terms of delivery services from a wide range of Logistics Service Providers, to get your products delivered to customers.



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An Initiative by the DPIIT

For more information, contact us at  
[team@ondc.org](mailto:team@ondc.org)

@ondc\_official @ondc\_tsi @open-network-for-digital-commerce (ondc) @ondc\_official



Scan to view the list of Seller Network Participants

visit [www.ondc.org/network-participants](http://www.ondc.org/network-participants)

visit [www.ondc.org/sellers](http://www.ondc.org/sellers)

to see other Sellers across India selling through the ONDC Network

\*Only for information purposes only. ONDC makes no claim abouts completeness or accuracy\*



**ONLINE BUSINESS MADE EASY & TRANSPARENT**

ONDC, backed by the Govt. of India, empowers you to sell to buyers across India and grow your business multifold

# How to Register as a Seller on ONDC: Step-by-Step Guide

Open Network for Digital Commerce (ONDC) is a network of platforms which breaks the traditional integrated setup of e-commerce into different components. Traditionally, an e-commerce platform controls the whole process, right from getting the customer to purchase a product to fulfilling the order through a logistics partner. ONDC unbundles all these components into individual services which are managed by individual entities. Based on the role these entities perform on the network; entities are classified as buyer network participants, seller network participants, and logistics Seller Network Participants. This guide is relevant for sellers who want to be a part of the ONDC network. This guide will support you in onboarding onto the seller network participant platform.

## How to Sell on ONDC Marketplace?

The primary aim of the government behind establishing the ONDC platform was to address the challenges that sellers have been facing on existing online marketplaces. Since its inception in December 2021, it has been transforming the way businesses operate, motivating over 5 lakh sellers to adapt to ONDC evolution.

The process of selling your products on the ONDC platform is extremely simple. All you will need to do is register on an ONDC seller app and post your products. Targeted customers can easily view your products on the buyer app and accordingly purchase them. Also, the transactions are secured, ensuring you receive the amount on time.

## What are the Steps for ONDC Seller Registration?

Registering yourself as a seller on the ONDC seller app is a simple process. Here are the steps that you need to follow to register yourself as an ONDC seller:

**Step 1:** Visit the online website of an ONDC seller app. <https://portal.ondc.org/user-confirmation>

**Step 2:** Enter other essential details such as product details, business logo, contact details, website, address, bank account details, cancelled cheque, GSTIN, and so on.

**Step 3:** Within 2 to 3 business days, your KYC details will be reviewed, and you will receive an account approval.

**Step 4:** Once done, list the products that you sell on the seller app so they get visible on the buyer app.

**Step 5:** Potential buyers can view your products on the buyer app and accordingly order those online.

## What are the Documents Required for ONDC seller Registration?

ONDC seller registration can be completed following the above-mentioned hassle-free steps. However, there are several documents that you will keep handy when registering on the ONDC platform to further hasten the process. These include:

- GSTIN and PAN copies of business
- ID proof and address proof documents of the seller
- Bank details and cancelled cheque of business payment account
- Agreement copy of payment terms and conditions.

Once a merchant uploads all these documents, their ONDC seller registration will be completed. However, the real challenge lies in selecting an appropriate seller app. Due to the presence of numerous online ONDC seller apps, it can be confusing for you to select the top-rated one. Check out some tips to choose the best ONDC seller app.

## Benefits of ONDC Marketplace for Sellers

The primary aim of the government behind setting up the ONDC platform was to end the 'monopolistic practices' of eCommerce giants in India. Additionally, there are numerous benefits that merchants can receive upon completing the ONDC seller registration process and start selling on ONDC:

1. **Increased market reach:** Upon registering on the ONDC platform, merchants can seamlessly connect their venture with multiple platforms. This helps them increase their reach and easily connect with potential customers. Also, it increases the visibility of their offerings, attracting targeted buyers and increasing sales.
2. **Cost-effective selling option:** Presently, online sellers have to pay huge fees upon registering on eCommerce platforms. Thus, a huge percentage of their profit evaporates just by paying this fee. Transitioning to ONDC platforms, helps sellers reduce these overhead expenses and increase profits.
3. **Transparent pricing system:** Transparency and fair pricing are essential to eliminate the undue influence of larger 'monolithic' eCommerce platforms. The ONDC platform ensures that sellers get a complete idea of prices of the market value of products. This strategy helps them in offering their products at competitive rates.
4. **Boost to small-scale businesses:** Small businesses need proper exposure so they can reach out to potential customers and grow. While this might be somewhat challenging on 'monolithic' eCommerce platforms, ONDC makes the process simpler, increasing their sales and reach to potential customers.
5. **Neutral eCommerce platform:** ONDC is a neutral eCommerce platform, which is independent of any entity. This makes it a fair and transparent platform, where all sellers

get equal opportunity to sell their products. This practice fosters digital commerce ecosystems where all sellers can thrive.

6. **Access to large-scale data:** With ONDC, sellers can get access to enormous data that helps them get an insight into the latest trends. Accordingly, they can offer advanced products that consumers are sure to love. Moreover, they can also decide on various offers and discounts based on trends to attract customers.

These benefits motivate various sellers to register on ONDC platforms and give an impressive boost to sales of their products.

### **Timeline and fees**

- The timeline for registration is 2-3 business days.
- There is no fee for registration. For more details, please refer to the ONDC website or contact a Seller Network Partner.

# OPEN NETWORK FOR DIGITAL COMMERCE

## Addendum - REVISED INCENTIVE PROGRAM

Date: 28 February 2023

This document is an addendum to the previously released document for [Revised Incentive Program](#) on 30th January 2023. The terms and conditions indicated below are in addition or in some cases, replace the terms and conditions mentioned in the document released on 30th January 2023 and will come in effect one week from the date of release of this document (7th March 2023). Expenses borne by the NPs from 30th January, 2023 to 7th March, 2023 would be reimbursed by ONDC as per the T&Cs defined in communication dated 30th January, 2023. Any expenses borne post one week from release of this document would be reimbursed based on the terms and conditions defined in this document.

Submission of claims by respective entities should be done on a monthly level. Claims till February 28th should be submitted by 10th of March in the given format at [nair@ondc.org](mailto:nair@ondc.org) keeping [team@ondc.org](mailto:team@ondc.org) in cc. Similarly, the claims for the month of March should be submitted by 10th of April in the given format at the same e-mail addresses. The subject should be 'Incentive Program Claims: <NP Name> for <Month Name>'.

### Program 1: Discount for Buyers for transactions

The following are additional terms and conditions that each of the buyer apps need to adhere to:

- A buyer is eligible for discount only for 3 orders per day from a buyer app
- A buyer is eligible for discount only for 30 orders during the duration of the program from a buyer app
- ONDC will reimburse buyer discount for upto 1000 transactions per day per buyer app. This limit would be re-evaluated once buyer apps reach this limit for 2 consecutive days.
- In case of using any promo code, buyer apps to use a common promo code 'ONDC50' for processing discounts.
- Buyer apps should put additional guardrails, wherever necessary, to prevent leakage/frauds.
- The format in which buyer apps need to claim this reimbursement is given in [this link](#)

- The NPs would adhere to the branding guidelines of ONDC in all their communication to buyers and sellers

## Program 2: Subsidised Delivery Cost for Buyers

Changes in incentive Structure, Qualification and Mechanics and Terms and Conditions for 'Subsidised Delivery Cost for Buyers' rolled out as per document dated 30th January, 2023 are highlighted in the table below. These will override the conditions stated in the earlier document. Please note that the unlisted terms and conditions remain the same.

	Old Communication dated 30th Jan, 2023	New Program effective from the date of this document
<b>Incentive</b>	INR 40 discount to be provided on-network delivery services for buyers on every order	Upto INR 75 discount to be provided for on-network and off-network logistics for buyers on every eligible order
<b>Qualification and Mechanics</b>	<ul style="list-style-type: none"> <li>- The program would be run by the seller apps and they would have the authority on structuring the program for the buyers, sellers and on-network logistics provider</li> <li>- ONDC will reimburse live seller applications up to Rs. 40 per successful delivery by an on-network logistics provider, which in-turn has to be provided as</li> </ul>	<ul style="list-style-type: none"> <li>- The program would be run by the seller NPs.</li> <li>- Only the orders which are successfully delivered are eligible for the discount.</li> <li>- Seller NPs have to send zero delivery charges for all hyperlocal deliveries and subsidised charges for inter-city delivery.</li> <li>- It is expected from the buyer app to communicate free delivery to the buyer as soon as possible in the buyer journey to generate demand.</li> <li>- ONDC will reimburse the seller app on the actual cost, upto INR 75, for genuine successfully delivered orders incurred by the seller NPs.</li> </ul>

	discount on the delivery charges to the buyer	- This subsidy would be claimed by Seller NP on a monthly basis. This amount would be reimbursed to Seller Apps after checking proofs for their claims
<b>Terms and Conditions</b>	- Format for additional information to be shared along with the claim will be shared by ONDC	- The format in which seller apps need to claim this reimbursement is given in <a href="#">this link</a> . - The seller NP would need to furnish proofs for on-network and off-network delivery charges incurred, if required by ONDC. - The apps would adhere to the branding guidelines of ONDC in all their communication to buyers and sellers

### Program 3: Incentive for Buyer Apps for demand generation

The following are additional terms and conditions that each of the buyer apps need to adhere to for Award category 1 and 2.

- The buyer app will get incentive for all the successful orders. Successful order is defined if all of these conditions are met
  - The order is successfully delivered
  - The buyer has done only upto 3 transactions in a day (including the transaction under evaluation)
  - The buyer has done only upto 30 transactions (including the transaction under evaluation) in the duration of program
  - The buyer app has had only upto 1000 successful transactions in a day (including the transaction under evaluation)
- The format in which buyer apps need to claim this reimbursement is given in [this link](#).
- The apps would adhere to the branding guidelines of ONDC in all their communication to buyers and sellers

#### Program 4: Incentive for Sellers for demand generation and fulfilment

The following are additional terms and conditions that each of the sellers need to adhere to for Award category 1 and 2.

- A seller is eligible for Rs. 50 per completed fulfilment for only the first 100 orders per day. This limit would be re-evaluated once sellers reach this limit for 2 consecutive days.
- The seller will get incentive for all the successful orders. Successful order is defined if all of these conditions are met
  - The order is successfully delivered
  - The order is within the first 100 orders successfully delivered in a day
- The format in which seller apps need to claim this reimbursement is given in [this link](#).
- The apps would adhere to the branding guidelines of ONDC in all their communication to buyers and sellers

#### Program 5: Incentive for Seller Apps for seller onboarding

In addition to the categories mentioned in the communication dated 30th Jan 2023, incentives for 2 more categories of sellers are added below:

##### Award Category 4 - Marketplace Seller NP - Farmer Producer Organisations

- INR 1000 Incentive will be paid for all eligible sellers
- To be counted, each existing/new seller should have
  - Min. 2 SKUs with all mandatory attributes
  - Should be incorporated as a Farmer Producer Organisation ( certificate will need to be shared by seller NP with ONDC for claiming the incentive)

##### Award Category 5 - Marketplace Seller NP - Marginalised sellers/groups/organisations supported by Developmental Organisations, Social Enterprises, and Government.

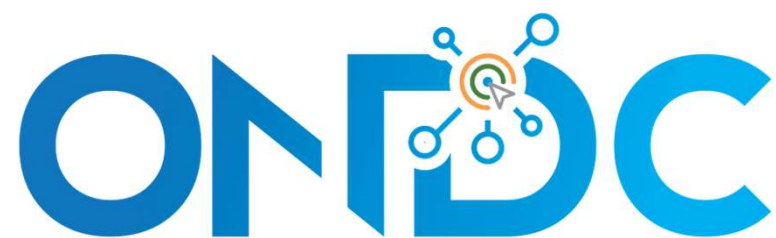
- INR 1000 Incentive will be paid for all eligible sellers
- To be counted, each existing/new seller should have
  - Min. 2 SKUs with all mandatory attributes
  - Identity as one of the 3 entities
    - Should be incorporated as a Self-Help Group. Either of the 3 documents should be shared by seller NP as proof for claiming the incentive - certificate issued by the supporting Bank certifying its an SHG, &/or photos of first 2 pages of passbook (listing out president, secretary, & treasurer), &/or PAN card of SHG



- Should be an individual Artisans with an Artisan ID card/ 'Pehchan Card', supported by Central or State Government Departments, including the Ministry of Textiles. ID Card will need to be shared by seller NP with ONDC for claiming the incentive.
- Should be incorporated as an Off-Farm Producer Organisation. Incorporation certificate will need to be shared by seller NP with ONDC for claiming the incentive.

The following are additional terms and conditions that each of the seller NPs need to adhere to for all categories.

- Sellers onboarded using FOS (Feet on Street) services through ONDC are not eligible to be counted towards achievement in this program. The seller apps will only get incentive for sellers on boarded through their own mechanisms.
- The format in which seller apps need to claim this reimbursement is given in [this link](#).
- The apps would adhere to the branding guidelines of ONDC in all their communication to buyers and sellers



Open Network for Digital Commerce

## Tax Implications on the ONDC Network

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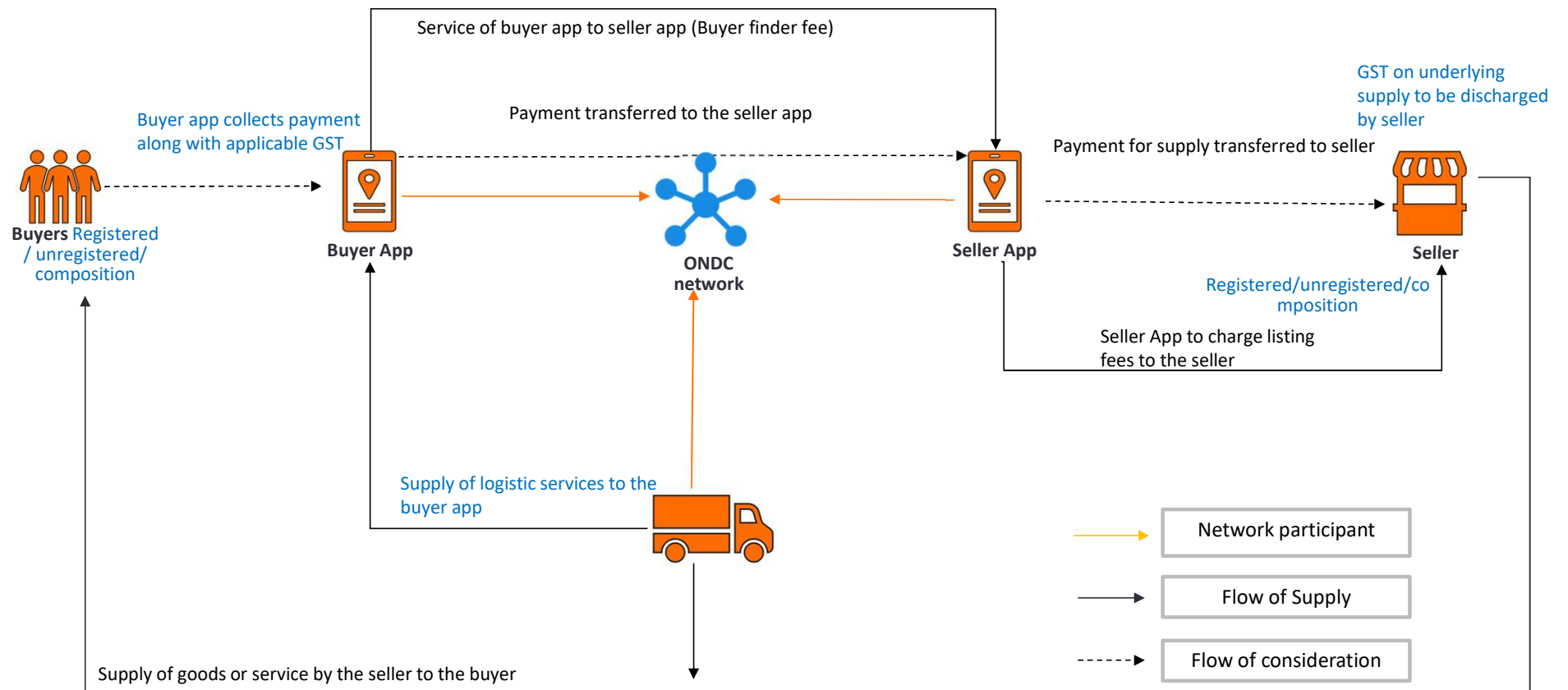
## Background

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# Background

## ONDC - Architecture

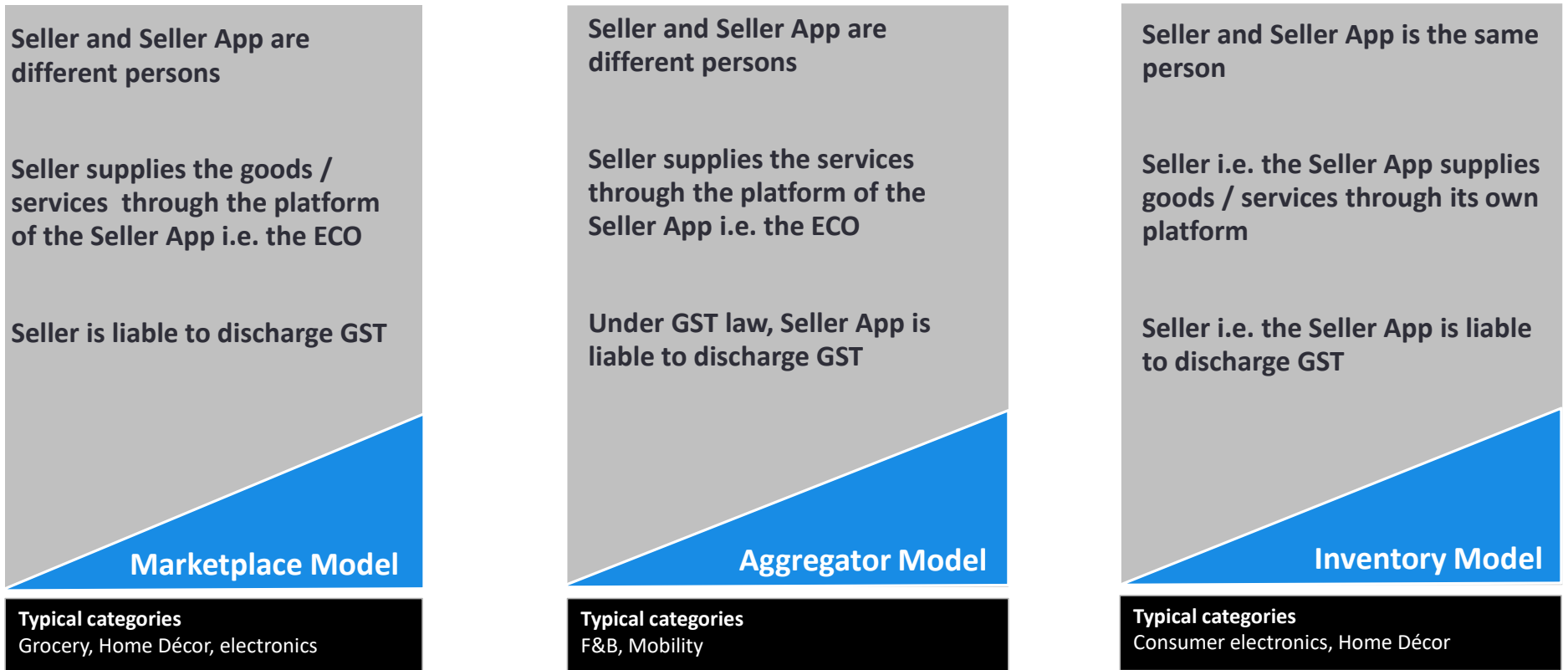
This transaction flow is for a sample scenario. The considerations in blue could vary in different scenarios



## Background

### Three Different Operating Models for the Seller Side App

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## Key considerations to determine Tax implications

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01

### Who collects payment from buyer?

- Buyer App
- Seller App
- Seller
- LSP appointed by Buyer App / Seller App / Seller

02

### Who gives discount?

- No discount
- Seller App / Seller
- Buyer App

03

### Who appoints LSP?

- Buyer App
- Seller App
- Seller

04

### GST registration status of Buyer / Seller

- Registered
- Unregistered
- Composite

05

### Operating Model of Seller Side App

- Marketplace
- Aggregator
- Inventory

## Overview – Key aspects covered in this document

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### Part 1: GST Implications on Network Participants

- GST liability on underlying supply
- E-Commerce & Applicability of GST TCS
- Value on which GST TCS is to be deducted
- Invoicing, E-invoicing & QR Code requirements under GST

### Part 2: TDS Implications on Network Participants

- Applicability of TDS under Section 194-O of the Income Tax Act
- Person responsible for deducting TDS under Section 194-O.
- Value on which TDS is to be deducted under Section 194-O

### Part 3: TDS and GST implications on NP Fees

- Buyer app fees
- Seller app fees
- Logistics Service Provider's fees



# Part I – GST Implication on Network Participants



**GST liability on  
underlying supply**

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## GST Liability on underlying supply

Particulars	Analysis
Marketplace model	<ul style="list-style-type: none"><li>▶ Underlying supply is made by the Seller</li><li>▶ Seller App/Buyer App provides platform to Sellers and Buyers; and are not engaged in making the supply of main goods on its own account</li><li>▶ Seller is liable to discharge GST on the underlying supply of goods/services and raise an invoice for the same</li></ul>
Inventory model	<ul style="list-style-type: none"><li>▶ Seller and the Seller App are the same under Inventory model</li><li>▶ Seller App is making the supply of the underlying goods</li><li>▶ The Buyer App is providing a platform to the Buyers and are not engaged in making the supply of the main goods / services on its own account</li><li>▶ Therefore the Seller i.e. Seller App is liable to discharge GST on the underlying supply of goods/services and raise an invoice for the same</li></ul>

## GST Liability on underlying supply

Particulars	Analysis
Aggregator model	<ul style="list-style-type: none"> <li>▶ Government has notified services where the GST on the outward supply would be paid by the ECO</li> <li>▶ Such services include:               <ul style="list-style-type: none"> <li>- Transportation of passenger services by a radio-taxi, motorcab, maxicab, motor cycle, omnibus or any other motor vehicle</li> <li>- Accommodation services in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes. except where the service provider is a registered person</li> <li>- Housekeeping services except where the service provider is a registered person</li> <li>- Restaurant services other than the services supplied by restaurant, eating joints etc. located at specified premises i.e. at premises providing hotel accommodation service having declared tariff of any unit of accommodation above INR 7500 per unit per day or equivalent</li> </ul> </li> <li>▶ Therefore ECO i.e. the Seller App through which Seller is providing services is liable to pay GST and raise an invoice for the same.</li> </ul>

## GST Liability on underlying supply

Particulars	Analysis
Aggregator model (Cont.)	<ul style="list-style-type: none"> <li>▶ Invoices for such services are to be raised by ECO</li> <li>▶ Key aspects in relation to restaurant services as clarified by CBIC                             <ul style="list-style-type: none"> <li>- ECOs are not required to take separate registration for payment of GST on restaurant services</li> <li>- ECOs will be liable to pay GST on all restaurant services supplied through them, including service by an unregistered restaurant</li> <li>- Restaurant is not required to get registered if supplying only through ECO</li> <li>- Aggregate turnover of restaurant providing restaurant service through ECOs shall include the aggregate value of supplies made by the restaurant through ECOs</li> <li>- Invoice on end customer for restaurant service provided through ECO will be raised by the ECO i.e. Seller App in this case</li> <li>- Restaurant to issue commercial invoice since the income will be accounted in their books of account</li> <li>- ECOs are not recipient for restaurant services and hence, the same would not qualify as inward supply for Seller App</li> <li>- Tax liability is to be paid mandatorily in cash</li> </ul> </li> </ul>



**E-Commerce Operator**

## GST: E-Commerce Operator

### E-Commerce Operator – Section 2(45) of the CGST Act

- ▶ Electronic Commerce Operator means any person who owns, operates, or manages digital or electronic facility or platform for electronic commerce

### Who will qualify as an ECO?

Buyer and Seller App	<ul style="list-style-type: none"><li>▶ Both the Buyer App and Seller App own, operate or manage digital or electronic facility or platform for supply of goods or services or both, including digital products over digital or electronic network</li><li>▶ Considering the same, both Buyer App and Seller App would qualify as ECO under the GST Law</li></ul>
ONDC	<ul style="list-style-type: none"><li>▶ ONDC acts as enabler and does not play any role in actual transaction of sale/services/collection. Transaction takes place on Seller App/ Buyer App</li><li>▶ Therefore ONDC does not qualify as an ECO</li></ul>



**GST Tax Collected at  
Source**

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## GST TCS – An overview

Particulars	Analysis
GST TCS	<ul style="list-style-type: none"> <li>▶ ECO is required to collect GST TCS on the taxable supplies made through it by Sellers where the consideration with respect to such supplies is received by ECO</li> </ul>
GST TCS Rate	<ul style="list-style-type: none"> <li>▶ To be collected by the ECO's @ 1% (IGST) or @ 0.5% each of CGST and SGST</li> </ul>
Amount on which GST TCS is to be collected	<ul style="list-style-type: none"> <li>▶ GST TCS is to be deducted from the net value of taxable supplies for the month</li> <li>▶ <b>Net value</b> of taxable supplies for the month is to be calculated separately for each underlying Seller and GST TCS is to be paid for each registration</li> <li>▶ Net value of taxable supplies means the aggregate value of taxable supplies each underlying Seller through the ECO reduced by the aggregate value of taxable supplies returned to each underlying Seller during the month (for respective tax heads)</li> <li>▶ GST TCS is withheld by the ECO from the amount collected for the underlying supply, the amount is deposited with the government and can be used by the Seller for making payment of GST on its outward supplies</li> <li>▶ If the underlying goods/services are exempt supplies, no GST TCS is to be deducted</li> </ul>
Registration	<ul style="list-style-type: none"> <li>▶ Every ECO who is required to collect TCS must be compulsorily registered. Hence, there is no threshold limits for registration as tax collector</li> <li>▶ Therefore, the ECO shall be required to register in every State where the concerned suppliers are located to comply with the TCS provisions</li> </ul>

## Who is liable to collect TCS

Who is liable to collect GST TCS- Marketplace Model		
Payment is collected by	Person liable to collect GST TCS	Basis
Seller App	Seller App	Payment is collected by Seller App (an ECO) on behalf of the Sellers on the supplies made through it
Buyer App	Seller App	Buyer App collects the payment from Buyer, it eventually passes it to the Seller App who then pays the Sellers. FAQ issued by CBIC clarifies that in case of multiple ECOs, TCS is to be collected by the person who is making payment to the Seller  Accordingly, GST TCS should be collected by the Seller App
LSP Appointed by Buyer App/ Seller App	Seller App	LSP will pass the consideration to the Buyer App / Seller App whosoever has appointed the LSP Seller App to whom eventually the consideration is transferred shall be liable to collect GST TCS
LSP Appointed by Seller	No GST TCS is deductible	Collection made by LSP will be paid to the seller, therefore no requirement of deducting GST TCS
Seller	No GST TCS is deductible	Payment directly collected by seller, consideration is not received by ECO, therefore no GST TCS is deductible

## Who is liable to collect TCS

Who is liable to collect TCS – Aggregator Model		
Payment is collected by	Person liable to collect GST TCS	Basis
Seller App	No GST TCS is deductible	<p>Certain services have been notified (as mentioned under the aggregator model) wherein liability to pay GST is on the aggregator</p> <p>As per GST Law, net value of taxable supplies on which TCS is required to be deducted shall not include supplies where aggregator is required to pay GST under Section 9(5) of CGST Act i.e. under the aggregator model</p> <p>Where aggregator is required to pay GST, TCS is not required to be deducted on such supplies</p>
Seller		
LSP Appointed by Buyer App / Seller App/ Buyer / Seller		
Buyer App		

## Who is liable to collect TCS

Who is liable to collect GST TCS- Inventory Model		
Payment is collected by	Person liable to collect GST TCS	Basis
Buyer App	Buyer App	Payment is collected by the Buyer App i.e. the ECO, therefore it shall be liable to deduct GST TCS
Seller i.e. Seller App	No GST TCS is deductible	Payment is directly collected by the Seller i.e. consideration is not received by the ECO and therefore no GST TCS is deductible
LSP Appointed by Buyer App	Buyer App	LSP will pass the consideration collected to Buyer App i.e. the ECO who has appointed the LSP therefore it shall be liable to deduct GST TCS
LSP Appointed by Seller i.e. Seller App	No GST TCS is deductible	LSP will pass the consideration to Seller App. Since the payment is directly collected by the Seller, consideration is not received by the ECO and therefore no GST TCS is deductible



**Value on which GST TCS  
is to be collected**

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## Value on which GST TCS is to be collected

Particulars	To be considered in net value of taxable supplies	Analysis
Discount offered by Seller	<b>No</b> If gross price of goods is INR 100 and discount offered by Seller is INR 10, GST TCS shall be deducted on INR 90	Discount offered by Seller does not form a part of the consideration /sale price. It will not be collected by the ECO.
Discount offered/charged by Seller App/Buyer App	<b>Yes</b> If gross price of the goods is INR 100, discount offered by Seller App is INR 5, GST TCS shall be deducted on INR 100, also GST shall be payable by Seller on INR 100	Discount is offered by the Seller / Buyer App on their own account and borne by them. It will form a part of the consideration that is required to be collected from Buyer i.e. it is a part of taxable supplies made by Seller.

## Value on which GST TCS is to be collected

Particulars	To be considered in net value of taxable supplies	Analysis
Convenience/ Delivery fee charged by Seller	<b>Yes</b> If gross price of goods is INR 100, convenience fee charged by Seller is INR 5, GST TCS shall be deducted on INR 105	It is a part of the consideration charged by the Seller for the taxable supplies and hence, TCS is required to be collected.
Convenience/ Delivery fee charged by Seller App / Buyer App	<b>No</b> If gross price of goods is INR 100, convenience fee charged by Seller App / Buyer App is INR 7, GST TCS shall be deducted on INR 100	It shall form a part of the value of services of the Buyer App/ Seller App and not of the Seller.  In case the delivery fee is separately collected by the Seller from the Buyer, it will be included in the value on which TCS is to be deducted.



## Compliance under GST

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## Compliance under GST

### Tax Invoice

▶ Tax invoice has to be issued by the Seller for the supply of goods or services. Tax invoice should contain all the following particulars as per the CGST Rules

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>i. Name, address and GSTIN of the Seller</li><li>ii. Consecutive serial number not exceeding 16 characters, containing alphabets or numerals or special characters "-" and "/" unique for a financial year</li><li>iii. Date of issue of invoice</li><li>iv. Name, address and GSTIN of the recipient (if registered)</li><li>v. Name, address, name of State and code of the recipient (if unregistered)</li><li>vi. HSN Code for goods / services</li><li>vii. Description of goods / services</li></ul> | <ul style="list-style-type: none"><li>viii. Quantity of goods</li><li>ix. Total value of supply</li><li>x. Taxable value of supply</li><li>xi. Rate of Tax (for CGST, SGST, IGST)</li><li>xii. Amount of tax (CGST, SGST, IGST)</li><li>xiii. Place of supply and name of the State</li><li>xiv. Address of delivery, if it is different from place of supply</li><li>xv. Declaration whether tax is payable under reverse charge basis</li><li>xvi. Signature / digital signature of the Seller / authorized representative</li><li>xvii. QR code and IRN in case of E-invoice</li></ul> |
|--|---|

## Compliance under GST

### E-Invoicing

- ▶ E-Invoice i.e. a tax invoice with IRN and QR Code is to be issued
  - ▶ for B2B supplies
  - ▶ made by registered Sellers whose aggregate turnover in any preceding financial year from 2017-18 onwards **exceeds INR 10 crores**

### Dynamic QR Code

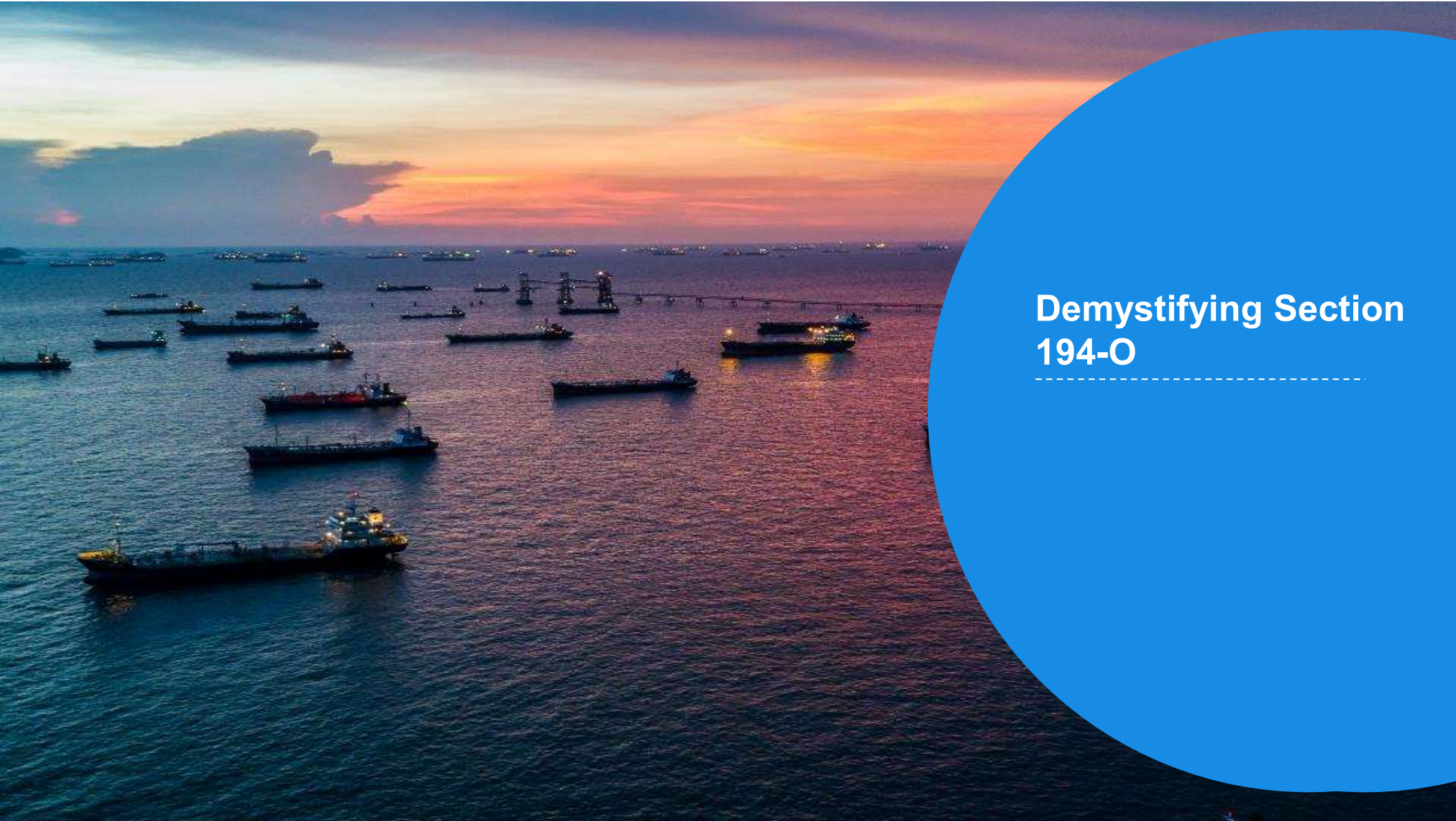
- ▶ Dynamic QR code is mandatory
  - ▶ for B2C supplies
  - ▶ Made by registered Sellers whose aggregate turnover in any preceding financial year from 2017-18 onwards **exceeds INR 500 crores**

#### ▶ Contents of a dynamic QR code:

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>▶ GSTIN of Seller</li><li>▶ Seller's UPI ID</li><li>▶ Payee's bank account number and IFSC code</li></ul> | <ul style="list-style-type: none"><li>▶ Invoice number and invoice date</li><li>▶ Total invoice value</li><li>▶ GST amount along with the break-up of CGST, SGST, IGST</li></ul> |
|---|--|

- ▶ In case where the payment is collected by some person other than the Seller, i.e. the ECO being the Seller App or the Buyer App, authorized by the supplier on his/ her behalf, the UPI ID of such person may be provided in the Dynamic QR Code, instead of UPI ID of the Seller

## Part 2 – TDS Implication on Network Participants

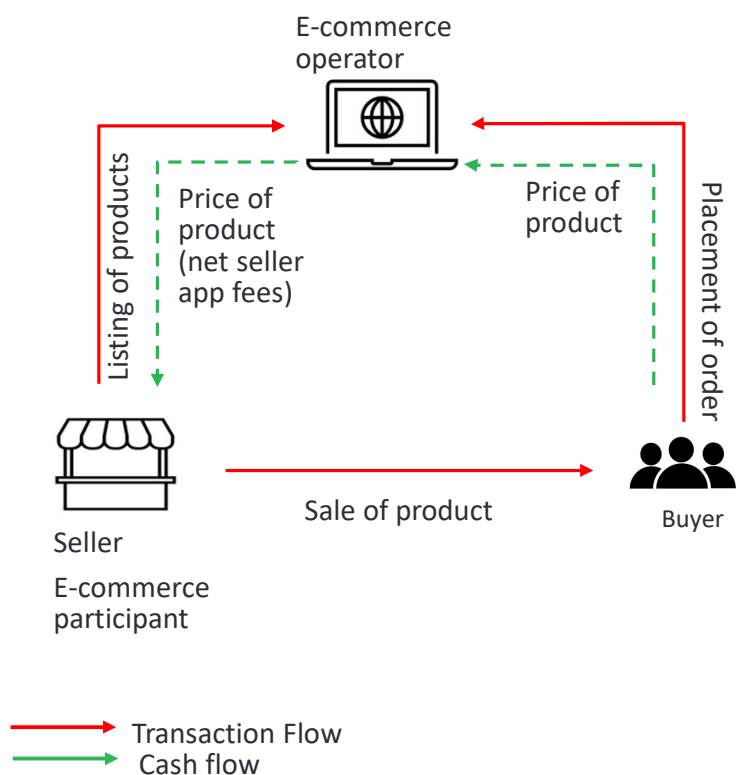


## Demystifying Section 194-O

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# Demystifying Section 194-O

## Overview



- **TDS Obligation on:** 'E-commerce operator'
- **Scope:** E-commerce transactions of e-commerce participant facilitated by e-commerce operator, including direct payments by buyer to e-commerce participants
- **TDS rate:** 1% (5% where e-commerce participant does not have PAN)
- **Threshold:** Threshold of INR 500,000, where e-commerce participant is individual / HUF
- **Quantum:** Gross amount of sales or services or both (including payments collected directly by seller)
- **Compliance requirement:** Monthly TDS payments and Quarterly TDS return filings

## Demystifying Section 194-O Overview

Key condition for trigger of Section 194-O	Definition under the law
<b>Condition 1</b> : Sale of goods/ Provision of services to qualify as 'E-commerce'	'E-commerce' means supply of goods or services or both, including digital products, over digital or electronic network
<b>Condition 2</b> : Presence of 'E-commerce operator'	'E-commerce operator' means a person who owns, operates or manages a digital or electronic facility or platform for electronic commerce
<b>Condition 3</b> : 'Facilitation' by E-commerce operator	Law has not provided any guidance as to the meaning of the term 'facilitate'. In general parlance, facilitate may mean to make things easy, to assist, to free from difficulty, etc.

**'E-commerce operator' is required to undertake TDS compliance under Section 194-O where prescribed conditions are satisfied**



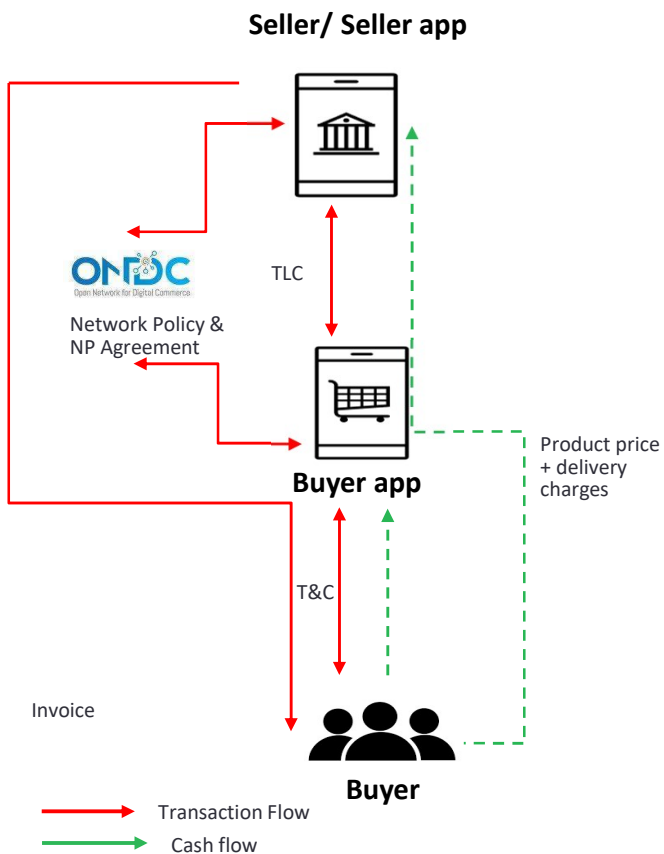
**Liability to undertake TDS :**

**Scenario A : Marketplace /  
Aggregator model** (ie Seller and  
seller app are same legal entity)

**Scenario B : Inventory model**  
(Seller and seller app are  
different legal entities)

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## Scenario A : Inventory model



### Mechanics

- Seller app and buyer app enter into a transaction level contract (TLC) for sale of product
- Seller app (as a seller) sells product to the buyer and raises the invoice on the buyer (privity of contract of sale is between buyer and seller app)
- Price of product is collected by the buyer app/ seller app (or the LSP appointed by one of them, in COD transactions)

### TDS

- Buyer app is likely to qualify as an 'e-commerce operator' as it is facilitating the sale of seller app's product to the buyer. Accordingly, **Buyer app** to deduct TDS under Section 194-O (irrespective of who collects the payment)

### TLC to factor the following:

- To facilitate TDS compliance, Seller App to provide its PAN to Buyer App
- In case Buyer App undertakes collections directly from the Buyer, Buyer App to deduct taxes at the time of payment/ credit of amounts payable to Seller App
- In case where Buyer App does not undertake collection (i.e. seller app or LSP collects), Seller app can either deposit TDS using TAN of buyer app or Seller app to pass TDS amount to Buyer App for Section 194-O compliance







**Quantum on which TDS  
under Sec 194-O applies**

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## Section 194-O

### Quantum on which TDS under Section 194-O applies

**Law : TDS @ 1% to be deducted on gross amount of sales or services or both**

Current law does not provide clarity on which component should be included or excluded for the purpose of arriving at the quantum on which Section 194-O should apply. Based on judicial precedents and past circulars issued in the context of TDS, we have outlined below the indicative TDS positions which can be explored. Please note that this is only the indicative technical position and risk of tax authorities taking a contrary view leading to unintended litigation cannot be ruled out.

Component	Technical view (Whether to be included?)	Indicative practical guidance (on the premise that gross transaction value (price) agreed between the seller and buyer is INR 100)
GST on sale of goods/ provision of services (where indicated separately on the invoice)	<b>Yes</b>	<b>No</b> - Where the price of goods/ services is INR 100 and GST of INR 18 on the same is separately indicated in the invoice, TDS under Section 194-O may be applied on INR 100 given the clarification provided by CBDT on exclusion of GST for other TDS sections
Discount offered by seller	<b>Yes</b>	<b>No</b> - Where the price of goods/ services is INR 100 and discount of INR 10 is offered by the seller in the invoice, TDS under Section 194-O may be applied on INR 90 as discount directly reduces the price

## Section 194-O

### Quantum on which TDS under Section 194-O applies

Component	Technical view (Whether to be included?)	Indicative practical guidance (on the premise that gross transaction value (price) agreed between the seller and buyer is INR 100)
Discount offered by seller app/ buyer app	<b>Yes</b>	<b>Yes</b> - Where the price of goods/ services is INR 100 and discount of INR 10 is offered by the seller app/buyer app, TDS under Section 194-O may be applied on INR 100 as the gross transaction value agreed between seller and buyer is INR 100
Convenience fees/ logistic delivery charges – charged by sellers on top of value of goods/ services	<b>Yes</b>	<b>Yes</b> – Where the price of goods/ services is INR 100 and convenience fees/ delivery charges of INR 10 are charged by the seller, TDS under Section 194-O may be applied on INR 110 as such charges are closely linked to sale/ supply of product
Convenience fees/ logistic delivery charges – charged by buyer app	<b>No</b>	<b>No</b> – Where the price of goods/ services is INR 100 and convenience fees/delivery charges of INR 10 are charged by the buyer app, TDS under Section 194-O may be applied on INR 100. as the gross transaction value agreed between seller and buyer is INR 100

## Section 194-O

### Quantum on which TDS under Section 194-O applies

Component	Technical view (Whether to be included?)	Indicative practical guidance (on the premise that gross transaction value (price) agreed between the seller and buyer is INR 100)
Returns/ Refunds	Yes	<b>No</b> – Where the price of goods/ services is INR 100 and returns/ cancellations of INR 10, TDS under Section 194-O may be applied on INR 90 as the said sum (ie INR 10) is not recoverable from buyer
Buyer app fees/ seller app fees	-	Where the price of goods/ services is INR 100 and the buyer app fees is INR 5 and seller app fees is INR 10, TDS under Section 194-O may be applied on INR 100 as the gross transaction value agreed between seller and buyer is INR 100

## Session 3 – Applicability of GST and TDS on NP fees

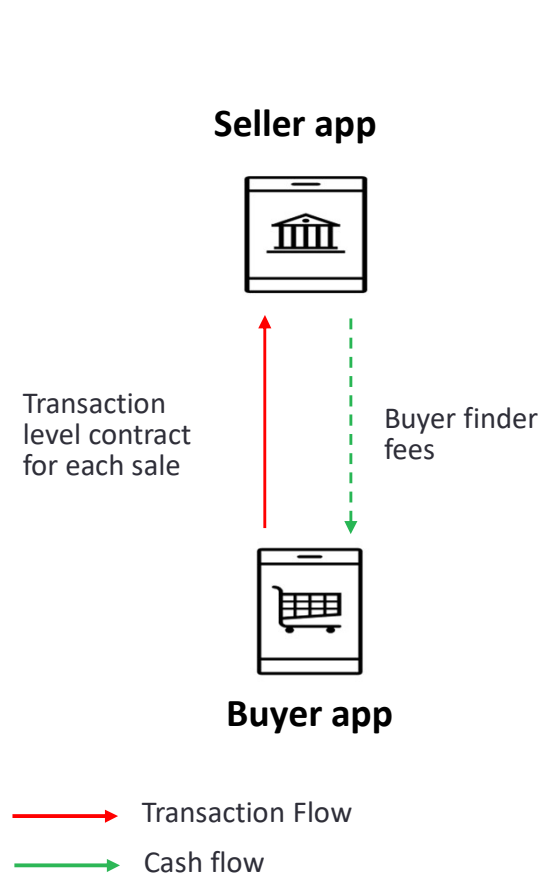


## **GST and TDS implications**

- **Buyer app fee**
  - **Seller app fee**
  - **LSP fee**
-

# GST and TDS implications

## I. Buyer app fee



### Buyer app fee

#### Understanding

- The Buyer App provides services of connecting the Buyer and the Seller and charges the finder fees and convenience fees as a consideration for the same.
- Nature of arrangement between buyer app and seller app would be on Principal-to-Principal basis

#### GST implications

- It shall be considered as a supply and leviable to GST
- Where location of Buyer App and location of the Seller App are in same state, CGST and SGST shall be charged @ 9% each
- Where location of Buyer App and location of the Seller App) are in two different states, IGST shall be charged @ 18%
- The Seller App should be eligible to avail the ITC of the GST charged on Buyer finder fees incurred by it for providing the Seller App services, subject to the restrictions as per the law and compliances to be done by Buyer App



## GST and TDS implications

### I. Buyer app fee

#### TDS Obligation on: Seller app

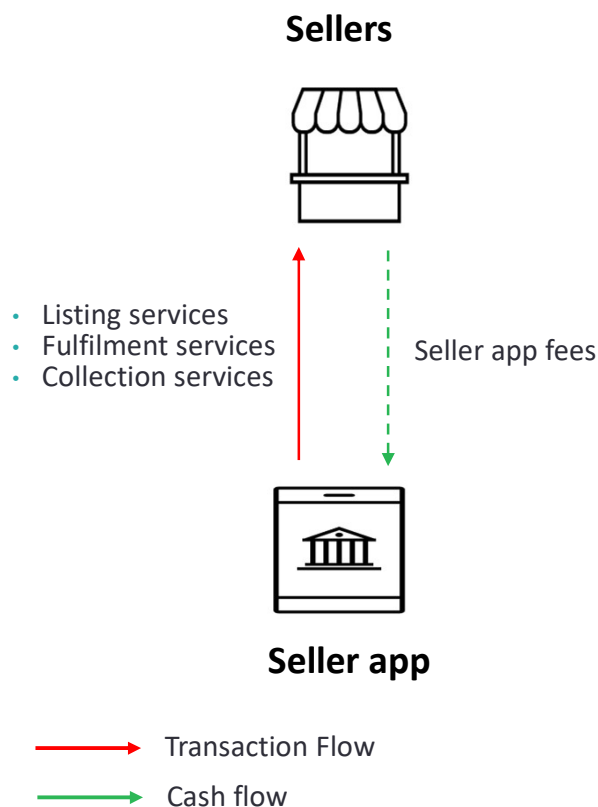
Rate of TDS : Technically, it maybe arguable that buyer app fee ought not to be subject to TDS as :

- ▶ **TDS @ 10% under Section 194J (Royalty/Fees for technical or profession service)** : As buyer app is not given access to seller app's systems/ app and is not providing any consultancy, technical, managerial or professional services, TDS under Section 194J ought not to trigger
- ▶ **TDS @ 2% under Section 194C (Work contract)** : As there is no 'contractual work' being performed by Buyer App for the Seller App, there ought not be TDS under Section 194C of the Act
- ▶ **TDS @ 5% under Section 194H (Commission)** : Absent Principal-to-agency relationship between buyer app and seller app, arguable that TDS under Section 194H of the Act ought not to trigger
- ▶ However, absent any explicit contract/ arrangement between parties and considering the role played by Buyer App is akin to a facilitator and existing judicial controversy on Section 194H, the Seller App may on conservative basis deduct TDS @ 5% under Section 194H of the Act on the buyer app fee\*

\*This is only the indicative position and risk of tax authorities taking a contrary view leading to unintended litigation cannot be ruled out. The reader is advised to make their own assessment of their obligations and liabilities for their specific case.

# GST and implications

## II. Seller app fee



### Seller app fee

#### Understanding

- Seller App provides collection services, fulfilment services (order management and delivery), display services to the Seller and charges Seller fees as a consideration in lieu of such services.
- Nature of arrangement between seller and seller app is typically on Principal-to-Principal basis

#### GST implications

- Same shall be considered as a supply and shall attract GST
- Where location of Seller App and location of the Seller are in same state, CGST and SGST shall be charged @ 9% each
- Where location of Seller App and location of the Seller are in two different states, IGST shall be charged @ 18%
- Seller App is using the services of ONDC, Buyer App, LSP for further providing services to the Sellers
- Accordingly, the Seller App should be eligible to avail the ITC of the GST charged on ONDC fees, Buyer finder fees and the LSP fees incurred by it for providing the Seller App services, subject to the restrictions as per the law and compliances to be done by respective NPs

## GST and implications

### II. Seller app fee

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#### TDS Obligation on: Seller

##### Rate of TDS:

- Technically, Seller App fees may be liable to TDS @ 2% under Section 194C of the Act as it is paid for carrying out 'work' (which inter-alia includes e-cataloguing, storage, handling and dispatch of goods)
- However, absent any explicit contract/ arrangement between the parties and activities of the Seller App being closer to a facilitator/ intermediary (functioning on behalf of the Seller), Seller may conservatively deduct TDS @ 5% under Section 194H of the Act on seller app fees
- The above TDS position is only indicative and may need to be analysed on case-on-case basis depending upon the exact nature of arrangement between seller app and seller

# GST and TDS implications

## III. LSP fee

### Buyer app/Seller app/ Seller



Logistic/  
Delivery Service

Logistic/  
Delivery charges



LSP

Transaction Flow

Cash flow

### LSP fee

#### Understanding

- ▶ LSPs shall be appointed by the Seller/ Seller App/ Buyer App for providing logistic services and charges the fee as a consideration for the same
- ▶ Nature of arrangement with LSP is typically on Principal-to-Principal basis

#### GST implications

- ▶ LSP Fee shall be considered as a supply and shall be leviable to GST
- ▶ Generally logistics services provided by LSPs is taxable @ 18%
- ▶ If LSP is GTA then he can opt to pay GST @5% / @12%
- ▶ If LSP opts for 5%, then it cannot claim ITC and GST paid by the recipient of service under prescribed RCM
- ▶ If LSP opts for 12%, then it can claim ITC and GST is payable by LSP under forward charge
- ▶ Where location of LSP and location of the registered Seller or the location at which such goods are handed over for their transportation in case of unregistered recipient are in same state, CGST and SGST shall be charged
- ▶ Where location of LSP and location of the registered Seller or the location at which such goods are handed over for their transportation in case of unregistered recipient are in two different states, IGST shall be charged

## GST and TDS implications

### III. LSP fee

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#### TDS Obligation on: Appointing party

#### Rate of TDS:

- ▶ Section 194C of the Act provides for withholding on payment/credit of any sum for carrying out any 'work' pursuant to a contract. Scope of 'work' is defined in an inclusive manner to include '*carriage of goods or passengers by any mode of transport other than by railways*'.
- Hence, any charges paid for carriage of goods to LSP is likely to fall within the ambit of 'work' and be **subject to TDS @ 1%/ 2% under Section 194C of the Act**
- The above TDS position is only indicative and may need to be analysed on case-on-case basis depending upon the exact nature of arrangement with LSP



## Summary

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## GST Summary

Particulars	Analysis
Marketplace model	<ul style="list-style-type: none"> <li>▶ Seller is liable to discharge GST on the underlying supply of goods/services and raise an invoice</li> <li>▶ Seller App is liable to deduct GST TCS, except when consideration is collected by the Seller</li> <li>▶ No GST TCS is deductible, if consideration is collected by the Seller / LSP appointed by Seller</li> </ul>
Aggregator model	<ul style="list-style-type: none"> <li>▶ ECO i.e. the Seller App through which Seller is providing services is liable to pay GST and raise an invoice</li> <li>▶ No GST TCS is deductible</li> </ul>
Inventory model	<ul style="list-style-type: none"> <li>▶ Seller i.e. Seller App is liable to discharge GST on the underlying supply of goods/services and raise an invoice</li> <li>▶ Buyer App is liable to deduct GST TCS, if consideration is collected by Buyer App / LSP appointed by Buyer App</li> <li>▶ No GST TCS is deductible, if consideration is collected by the Seller i.e. Seller App / LSP appointed by Seller</li> </ul>

*\*Value on which TCS is to be deducted - Aggregate value of taxable supplies reduced by the aggregate value of taxable supplies returned*

### GST on other revenue streams

- **Buyer finder fees** - Buyer App to discharge GST @ 18%
- **Seller App fees** - Seller App to discharge GST @18%
- **LSP fee** : Generally logistic services provided by LSPs is taxable @ 18%. If LSP is GTA then he can opt to pay GST @5% (without ITC) / @12% (with ITC)

## TDS Summary

Particulars	Analysis
Marketplace model / Aggregator Model	<ul style="list-style-type: none"><li>▶ Technically, both Buyer app and Seller app may be liable to deduct TDS under Section 194-O .</li><li>▶ Practically, from an ease of compliance perspective and to align with GST TCS provisions, <b>Seller app</b> may deduct TDS @ 1% under Section 194-O . A declaration may be obtained by the buyer app to this effect in the TLC.</li></ul>
Inventory model	<ul style="list-style-type: none"><li>▶ Buyer app to deduct TDS @ 1% under Section 194-O (irrespective of who collects the payment)</li></ul>

### **Quantum** : Gross value of sale or services

Indicative exclusions : GST, seller discount, returns/ refunds, buyer app's convenience fees

Indicative inclusion : Seller's convenience fees, Seller app/ buyer app's discount

### **TDS on other revenue streams**

- **Buyer app fee** : Seller App may on conservative basis deduct TDS @ 5% under Section 194H of the Act
- **Seller app fee** : Seller may conservatively deduct TDS @ 5% under Section 194H of the Act
- **LSP fee** : Appointing party may to deduct TDS @ 1%/ 2% under Section 194C of the Act



## Overall Summary

Model	Parties involved	GST obligation	TCS obligation	WHT obligation under Section 194-O
Inventory (E.g.: Ushop)	3 Parties	Seller	Buyer App*	Buyer App
Market place (E.g.: GoFrugal)	4 Parties	Seller	Seller App**	Both Parties. Practically, NPs can elect to designate Seller App
Aggregator (E.g.: Uber, Swiggy)	4 Parties	Aggregator	NA	Both Parties. Practically, NPs can elect to designate Seller App

\*On the assumption that Buyer App undertakes the collection

\*\* On the assumption that Buyer App or Seller App collects the payment

**END**