

# Info Capsule

## FDI IN E-COMMERCE<sup>1</sup>

Reserve Bank of India vide Notification No. FEMA.387/2017-RB dated March 09, 2017 notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017.

### ***E-commerce***

Regulation 2(ii E) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017 defines the term E-commerce.

- a. **'E-commerce'** means buying and selling of goods and services including digital products over digital & electronic network.
- b. **'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.
- c. **'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.
- d. **'Market place 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."

### ***B2B E-commerce activities***

Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017 provides that in B2B E-commerce activities, 100 % Foreign Direct Investment is allowed under Automatic route.

It may be noted that such companies would engage only in Business to Business (B2B) e-commerce and not in retail trading, inter alia implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.

### ***Market place model of e-commerce***

Further, Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017 provides that in Market place model of e-commerce, 100 % Foreign Direct Investment is allowed under Automatic route.

<sup>1</sup> Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10884&Mode=0>

**Other Conditions of investment are as follows:**

- 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.
- Marketplace e-commerce entity will be permitted to enter into transactions with sellers registered on its platform on B2B basis.
- E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfilment, call centre, payment collection and other services.
- 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.
- **An e-commerce entity will not permit more than 25% of the sales value on financial year basis affected through its marketplace from one vendor or their group companies.**
- 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.
- Payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines of the Reserve Bank of India.
- Any warranty/guarantee of goods and services sold will be responsibility of the seller.
- E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field.
- Guidelines on cash and carry wholesale trading shall apply to B2B e-commerce activities.

It may be noted that FDI is not permitted in inventory based model of e-commerce. Sale of services through e-commerce shall be under automatic route subject to the sector specific conditions, applicable laws/regulations, security and other conditionalities.

**BSE TO INTRODUCE NEW CORPORATE ANNOUNCEMENT FILING SYSTEM FOR INFORMATION DISSEMINATION OF CORPORATE ACTION INSTANTANEOUSLY<sup>2</sup>**

In continuation of the Exchange's ongoing endeavour to ensure that critical information / disclosures are available to the investors on real time basis, the Exchange has put up a new Corporate Announcement Filing System (CAFS) with effect from March 1, 2017. Initially, CAFS would be operated in 'Beta' mode and shall be available within the existing BSE filing portal - Listing Centre. Designated company personnel who file the CA would be required to first register their identification details using One Time Password verification post which they would be allowed to submit Corporate Action for their respective company.

By implementation of CAFS, the Exchange would be initiating *Seamless Dissemination of Corporate Announcements* without pre-verification by the Exchange. This would result in virtually instantaneous dissemination of Company Announcements on the Exchange Website and eliminate any time gap for price sensitive information to reach the investors.

<sup>2</sup> Available at : <http://www.bseindia.com/markets/marketinfo/DispMediaRels.aspx?page=ada8448e-d9a0-4e7c-bd02-c2baced2fb92>

## NET INDIRECT TAX COLLECTION UPTO FEBRUARY 2017 STOOD AT RS 7.72 LAKH CRORE, 22.2% MORE THAN THE CORRESPONDING PERIOD LAST YEAR<sup>3</sup>

The figures for indirect tax collections (Central Excise, Service Tax and Customs) up to February 2017 show that net revenue collections are at Rs 7.72 lakh crore, which is 22.2% more than the net collections for the corresponding period last year. Till February 2017, about 90.9% of the Revised Estimates (RE) of indirect taxes for Financial Year 2016- 17 has been achieved.

1. As regards Central Excise, net tax collections stood at Rs. 3.45 lakh crore during April-February, 2016-17 as compared to Rs.2.53 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of 36.2%.
2. Net Tax collections on account of Service Tax during April-February, 2016-17 stood at Rs. 2.21 lakh crore as compared to Rs.1.83 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of 20.8%.
3. Net Tax collections on account of Customs during April-February 2016-17 stood at Rs. 2.05 lakh crore as compared to Rs. 1.94 lakh crore during the same period in the previous Financial Year, thereby registering a growth of 5.2%.
4. During February 2017, the net indirect tax grew at the rate of 8.4% compared to corresponding month last year. The growth rate in net collection for Customs, Central Excise and Service Tax was 10.9%, 7.4% and 7.6% respectively during the month of February 2017, compared to the corresponding month last year.

## GOODS & SERVICES TAX<sup>4</sup>

Under the GST law, input credit against taxes paid by the purchaser can be availed only if the seller deposits the tax. In the event of non-compliance at the end of seller, it is the purchaser who will be denied input credit. Over 6 million businesses are due to fall under the GST net and most of them are MSMEs. The Confederation of All-India Traders (CAIT) raised their concern over the GST clause which links availability of input tax credit to payment of tax by their suppliers which will result in hardships in day to day working of these smaller entities.

## CIRCULARS TO LISTED COMPANIES<sup>5</sup>

The Exchange has revised its Annual Listing Fees to be paid by the listed entities for listing of its securities on the Exchange. The new Annual Listing Fees shall be effective from April 1, 2017.

- The capital to be considered for the above schedule Includes equity shares, preference shares, Indian Depository Receipts, Fully convertible debentures, partly convertible debentures and any other security convertible into equity shares
- In case of debenture capital (not convertible into equity shares) **listed prior** to April 1, 2017, the fees applicable will be 75% of the above fees
- Fees are applicable for the full year.

The Annual Listing Fee bill for the financial year 2017-18 shall attract the above fee schedule.

<sup>3</sup> Available at : <http://www.cbec.gov.in/resources//htdocs-cbec/press-release/indirect-taxes-10022017.pdf>

<sup>4</sup> Available at : <http://www.deccanchronicle.com/business/in-other-news/140317/cait-seeks-exemption-for-msmes-from-input-credit-under-gst.html>

<sup>5</sup> Available at : <http://www.bseindia.com/corporates/Displaydata.aspx?Id=290b4fbe-e8c9-4480-aa33-125f6c2725b8 & Page=cir>

## STARTUPS CAN SOON TAKE RS 5 CRORE LOAN WITHOUT COLLATERAL<sup>6</sup>

- Startups will soon be able to take loans of up to Rs. 5 crore without collateral through a **Credit Guarantee Scheme** prepared by the government.
- The scheme is awaiting cabinet approval and is likely to become functional soon under the supervision of the Department of Industrial Policy and Promotion.
- The purpose is to increase the number of ways for availability of finance to startups.
- The credit guarantee scheme would help the flow of “venture debt from the formal banking system.” The government will provide up to 80 per cent risk cover for collateral free credit given by banks to startups.

**Team ICSI**

*Disclaimer : The information in the Info Capsules is developed according to the information available in public domain and for academic purposes only. Any person wishing to act on the basis of this document should do so only after cross checking with the original source.*

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<sup>6</sup> Available at : <http://economictimes.indiatimes.com/small-biz/startups/startups-can-soon-take-rs-5-crore-loan-with-collateral/printarticle/57622035.cms>