

E-Commerce Policy

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E-commerce companies can operate under two different models in India.

1. The first is the marketplace model where the e-commerce firm simply acts as a platform that connects buyers and sellers. 100% FDI is allowed in e-commerce companies in this model.
2. The second model is inventory-based where the inventory of goods sold on the portal is owned or controlled by the e-commerce company. FDI is not allowed under this model.

Government in Dec 2019, made the following clarifications/changes in the FDI policy in e-commerce:

- Vendors that have any stake owned by an e-commerce company cannot sell their products on that e-commerce company's portal.
- Any vendor who purchases 25% or more of its inventory from an e-commerce group company will be considered to be controlled by that e-commerce group company and thereby barred from selling on its portal.
- E-commerce marketplace entity will not mandate any seller to sell any product exclusively on its platform only
- E-commerce firms will not be allowed to influence the price of a product sold on its portal by giving incentives to particular vendors.