



Tax Implications on the ONDC Network

DISCLAIMER / TERMS OF USE

This document is only for the information of the reader. Nothing in this document is to be construed as legal opinion or advice, or tax advice.

Any person using this document is advised to conduct an assessment of their liabilities and compliances based on their specific business model, contractual arrangements, corporate structure and other relevant considerations.

Open Network for Digital Commerce Ltd does not make any claims or give any guarantees or warranties regarding the completeness or accuracy of the information contained in this document.

Open Network for Digital Commerce Ltd (and/or its subcontractors, employees and directors) will not be liable for any losses, claims (including but not limited to claims by tax authorities), court orders/decrees, or any cause of action including (but not limited to) by any government agency or authority brought against the reader or the reader's associates as a result of the reader's use of the information contained in this document.

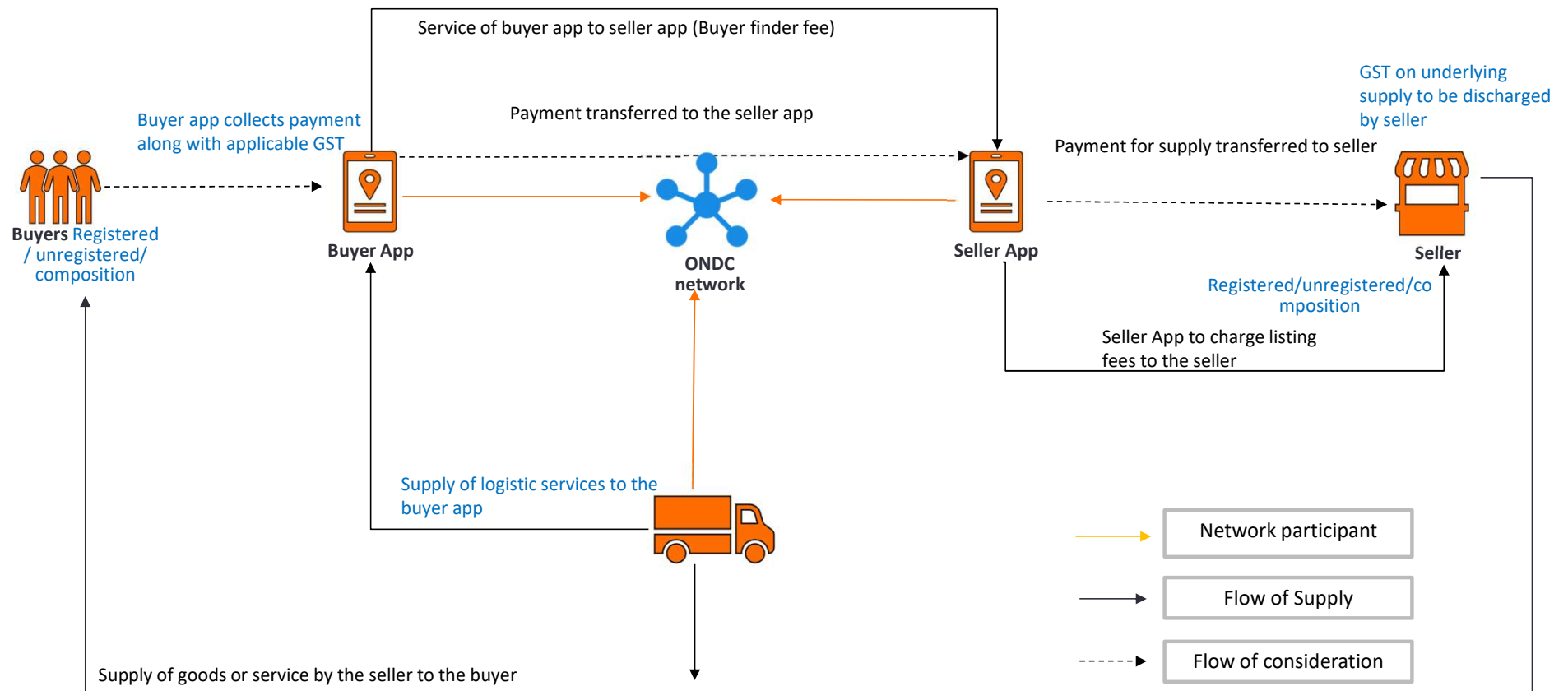


Background

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

Seller and Seller App are different persons

Seller supplies the goods / services through the platform of the Seller App i.e. the ECO

Seller is liable to discharge GST

Marketplace Model

Typical categories
Grocery, Home Décor, electronics

Seller and Seller App are different persons

Seller supplies the services through the platform of the Seller App i.e. the ECO

Under GST law, Seller App is liable to discharge GST

Aggregator Model

Typical categories
F&B, Mobility

Seller and Seller App is the same person

Seller i.e. the Seller App supplies goods / services through its own platform

Seller i.e. the Seller App is liable to discharge GST

Inventory Model

Typical categories
Consumer electronics, Home Décor

Key considerations to determine Tax implications

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

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

GST Liability on underlying supply

Particulars	Analysis
Marketplace model	<ul style="list-style-type: none">▶ Underlying supply is made by the Seller▶ 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▶ Seller is liable to discharge GST on the underlying supply of goods/services and raise an invoice for the same
Inventory model	<ul style="list-style-type: none">▶ Seller and the Seller App are the same under Inventory model▶ Seller App is making the supply of the underlying goods▶ 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▶ 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

GST Liability on underlying supply

Particulars	Analysis
Aggregator model	<ul style="list-style-type: none">▶ Government has notified services where the GST on the outward supply would be paid by the ECO▶ Such services include:<ul style="list-style-type: none">– Transportation of passenger services by a radio-taxi, motorcab, maxicab, motor cycle, omnibus or any other motor vehicle– 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– Housekeeping services except where the service provider is a registered person– 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▶ 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.

GST Liability on underlying supply

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



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">▶ 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▶ Considering the same, both Buyer App and Seller App would qualify as ECO under the GST Law
ONDC	<ul style="list-style-type: none">▶ 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▶ Therefore ONDC does not qualify as an ECO



GST Tax Collected at Source

GST TCS – An overview

Particulars	Analysis
GST TCS	<ul style="list-style-type: none"> ▶ 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
GST TCS Rate	<ul style="list-style-type: none"> ▶ To be collected by the ECO's @ 1% (IGST) or @ 0.5% each of CGST and SGST
Amount on which GST TCS is to be collected	<ul style="list-style-type: none"> ▶ GST TCS is to be deducted from the net value of taxable supplies for the month ▶ Net value 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 ▶ 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) ▶ 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 ▶ If the underlying goods/services are exempt supplies, no GST TCS is to be deducted
Registration	<ul style="list-style-type: none"> ▶ Every ECO who is required to collect TCS must be compulsorily registered. Hence, there is no threshold limits for registration as tax collector ▶ Therefore, the ECO shall be required to register in every State where the concerned suppliers are located to comply with the TCS provisions

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



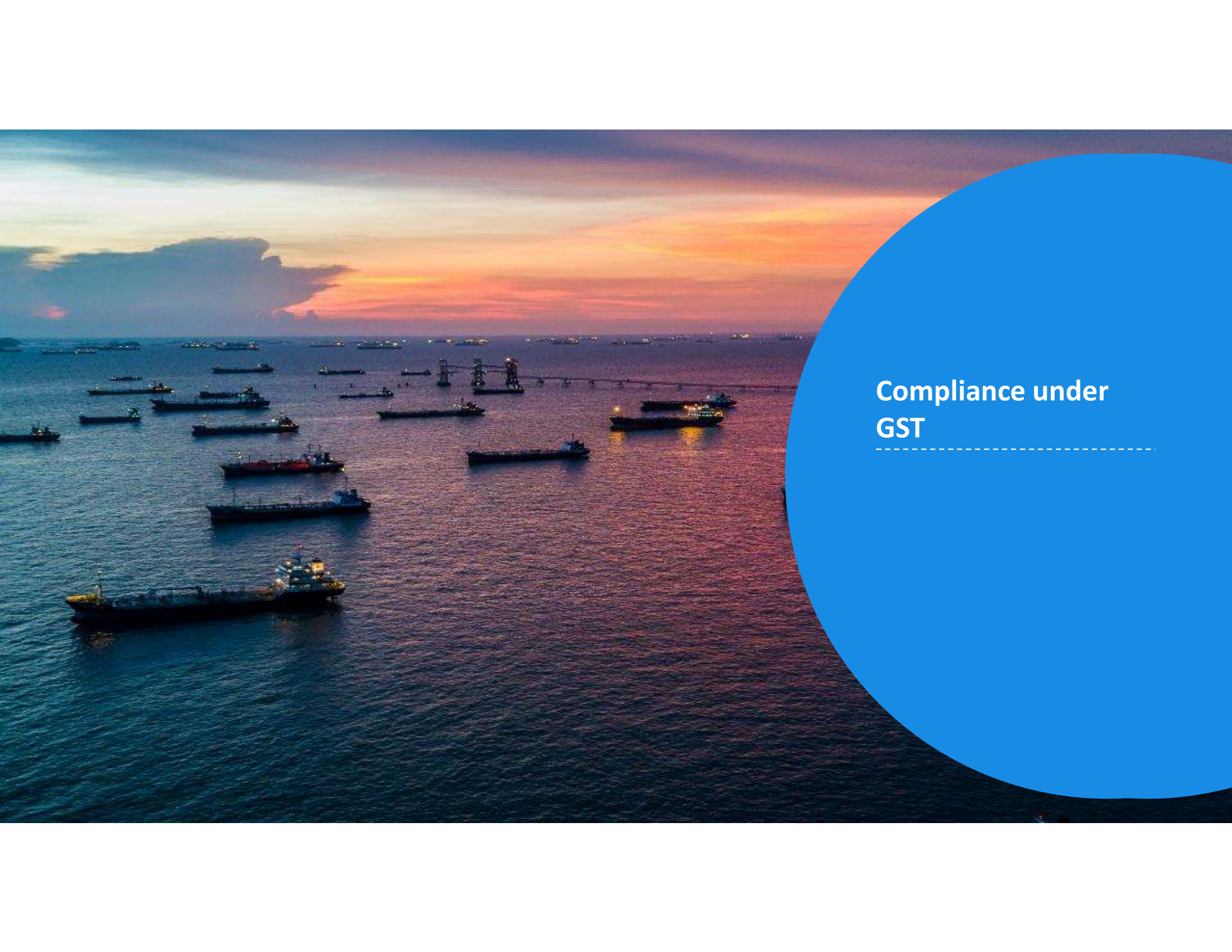
**Value on which GST TCS
is to be collected**

Value on which GST TCS is to be collected

Particulars	To be considered in net value of taxable supplies	Analysis
Discount offered by Seller	No 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	Yes 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	Yes 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	No 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

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">i. Name, address and GSTIN of the Sellerii. Consecutive serial number not exceeding 16 characters, containing alphabets or numerals or special characters "-" and "/" unique for a financial yeariii. Date of issue of invoiceiv. Name, address and GSTIN of the recipient (if registered)v. Name, address, name of State and code of the recipient (if unregistered)vi. HSN Code for goods / servicesvii. Description of goods / services | <ul style="list-style-type: none">viii. Quantity of goodsix. Total value of supplyx. Taxable value of supplyxi. Rate of Tax (for CGST, SGST, IGST)xii. Amount of tax (CGST, SGST, IGST)xiii. Place of supply and name of the Statexiv. Address of delivery, if it is different from place of supplyxv. Declaration whether tax is payable under reverse charge basisxvi. Signature / digital signature of the Seller / authorized representativexvii. QR code and IRN in case of E-invoice |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

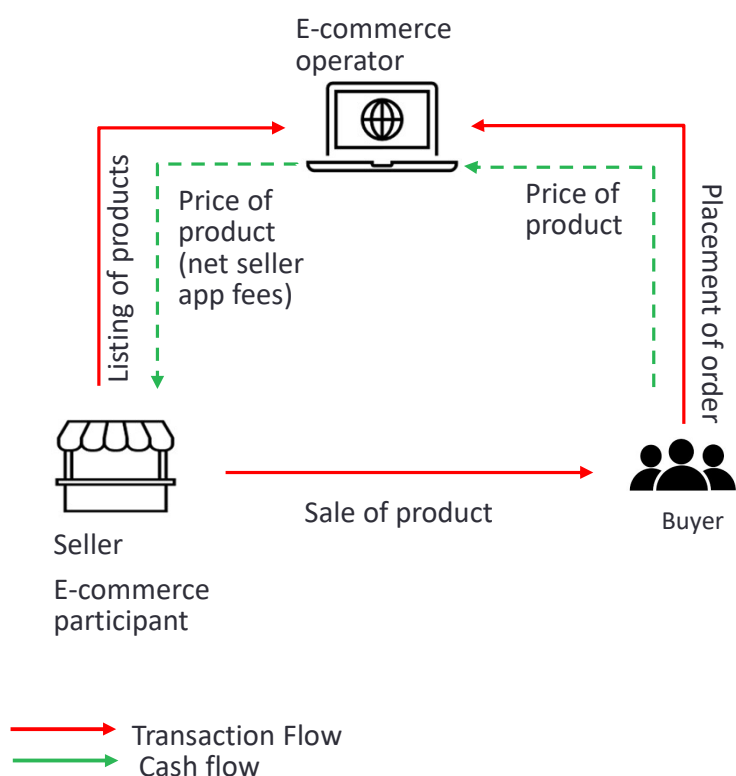
Part 2 – TDS Implication on Network Participants



Demystifying Section 194-O

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
Condition 1 : 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
Condition 2 : 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
Condition 3 : '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

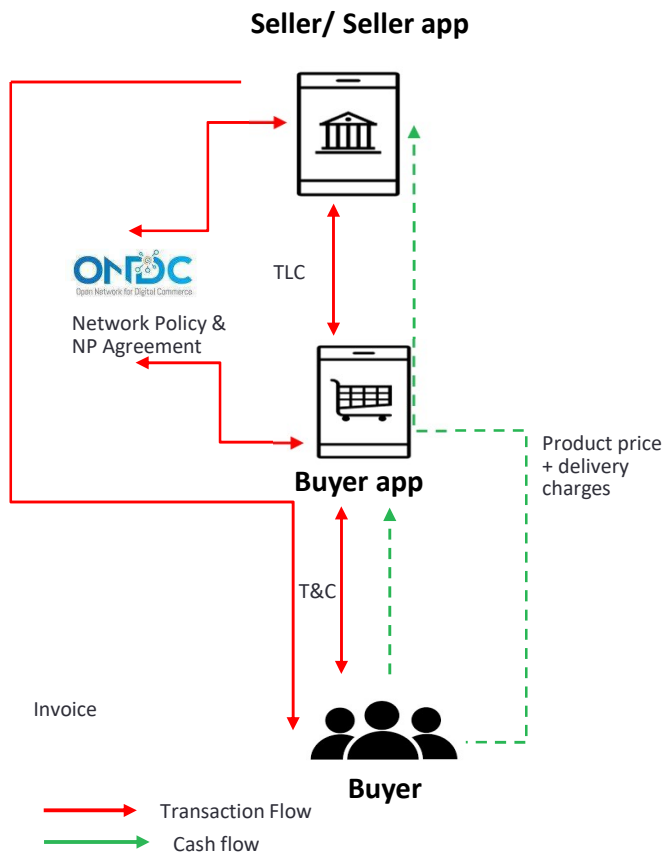


Liability to undertake TDS :

**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)

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)

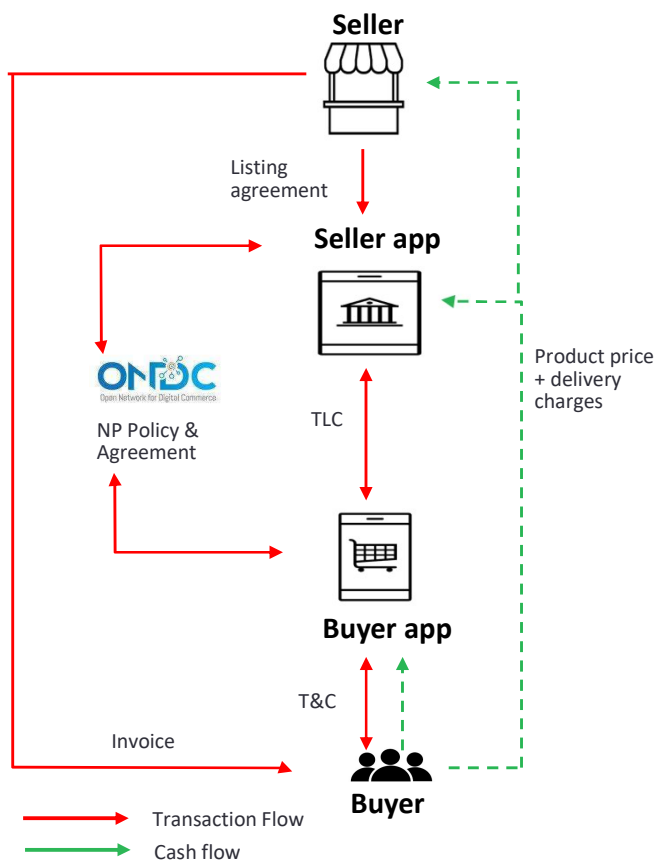
TDS

- 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

Scenario B : Marketplace/ Aggregator model



Mechanics

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

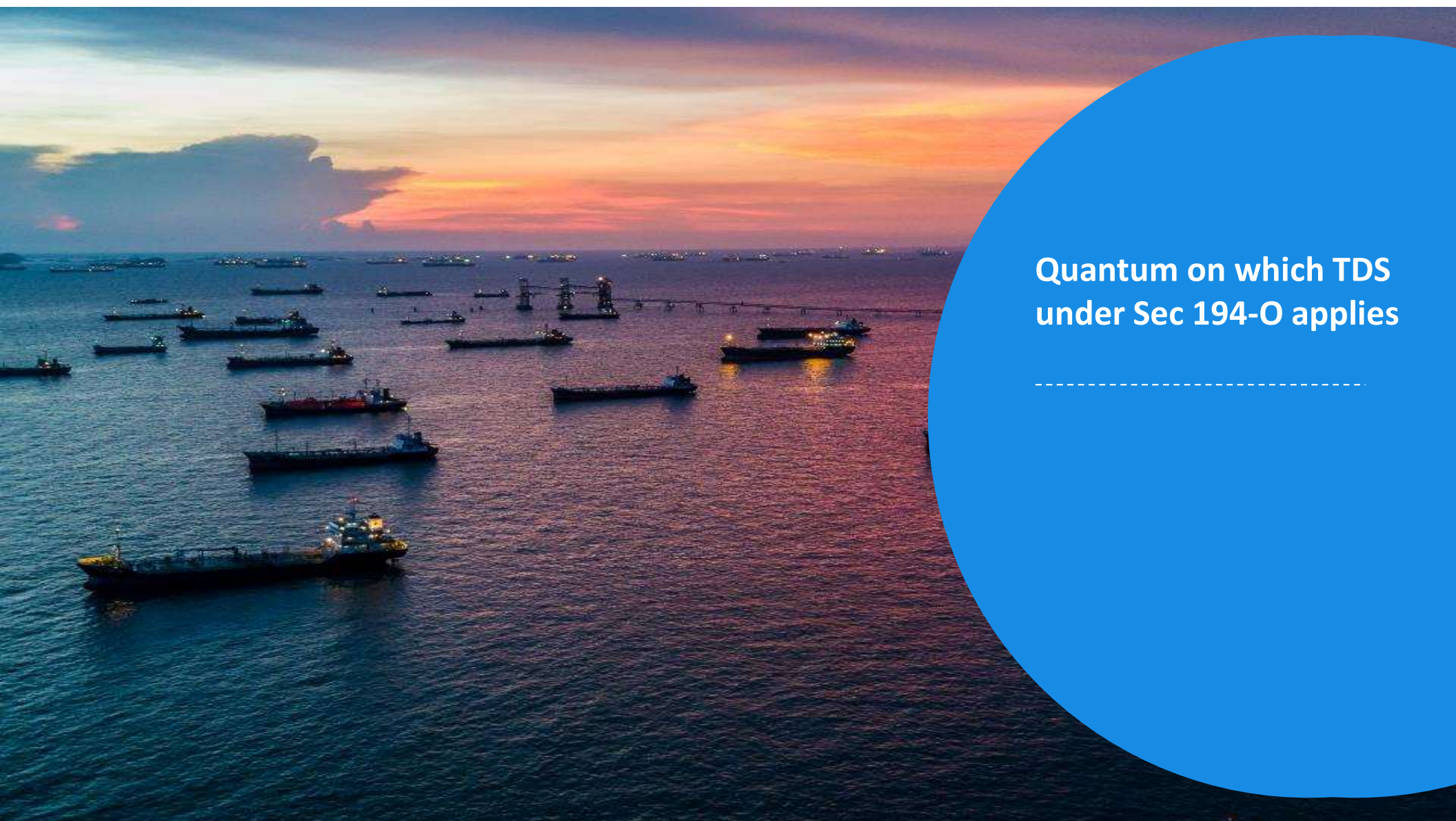
TDS

- Both Buyer app and Seller app are likely to qualify as an e-commerce operator as they are facilitating the sale of seller's product to the buyer. Technically, both Buyer app and Seller app may be liable to deduct TDS under Section 194-O

TLC to factor the following (Indicative guidance*):

- As there cannot be multiple TDS on the same underlying transaction, Seller App and Buyer App to mutually pre-decide on who will take the responsibility of complying under Section 194-O. From an ease of compliance perspective and to align with the GST TCS provisions, Seller app may undertake the responsibility of complying under Section 194-O.
- The TLC will be updated to allow a declaration by the seller app to the buyer app on TDS compliance in case seller app is a marketplace (if required)

*Current law does not provide clarity on obligation to withhold in case of multiple e-commerce operators. Accordingly, 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.



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

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)	Yes	No - 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	Yes	No - 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	Yes	Yes - 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	Yes	Yes – 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	No	No – 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	No – 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

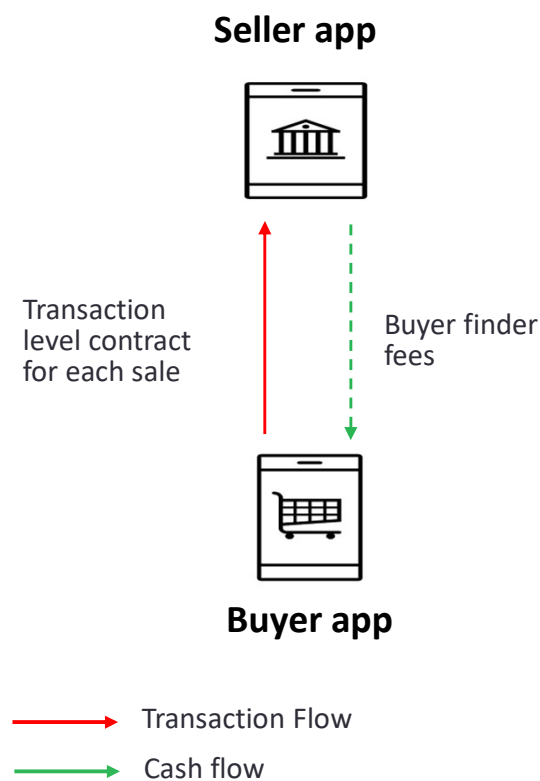


GST and TDS implications

- **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

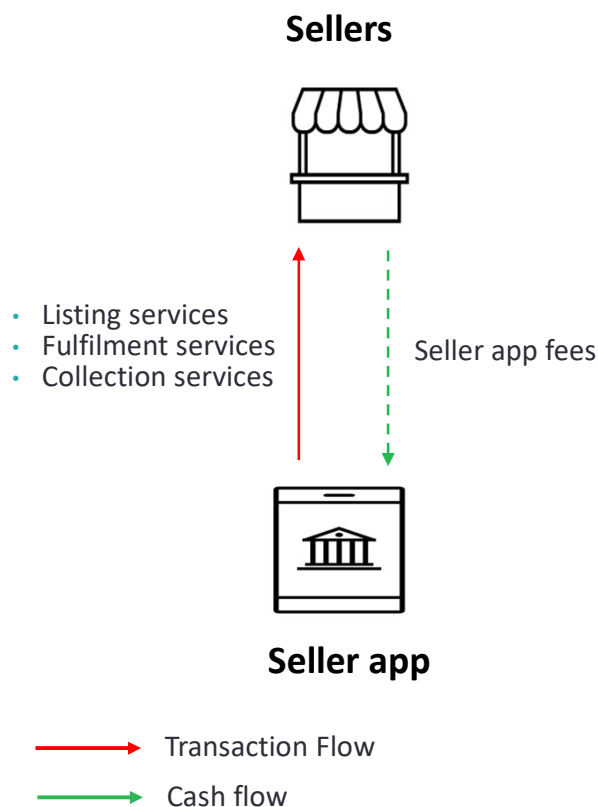
Rate of TDS : Technically, it maybe arguable that buyer app fee ought not to be subject to TDS as :

- ▶ **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

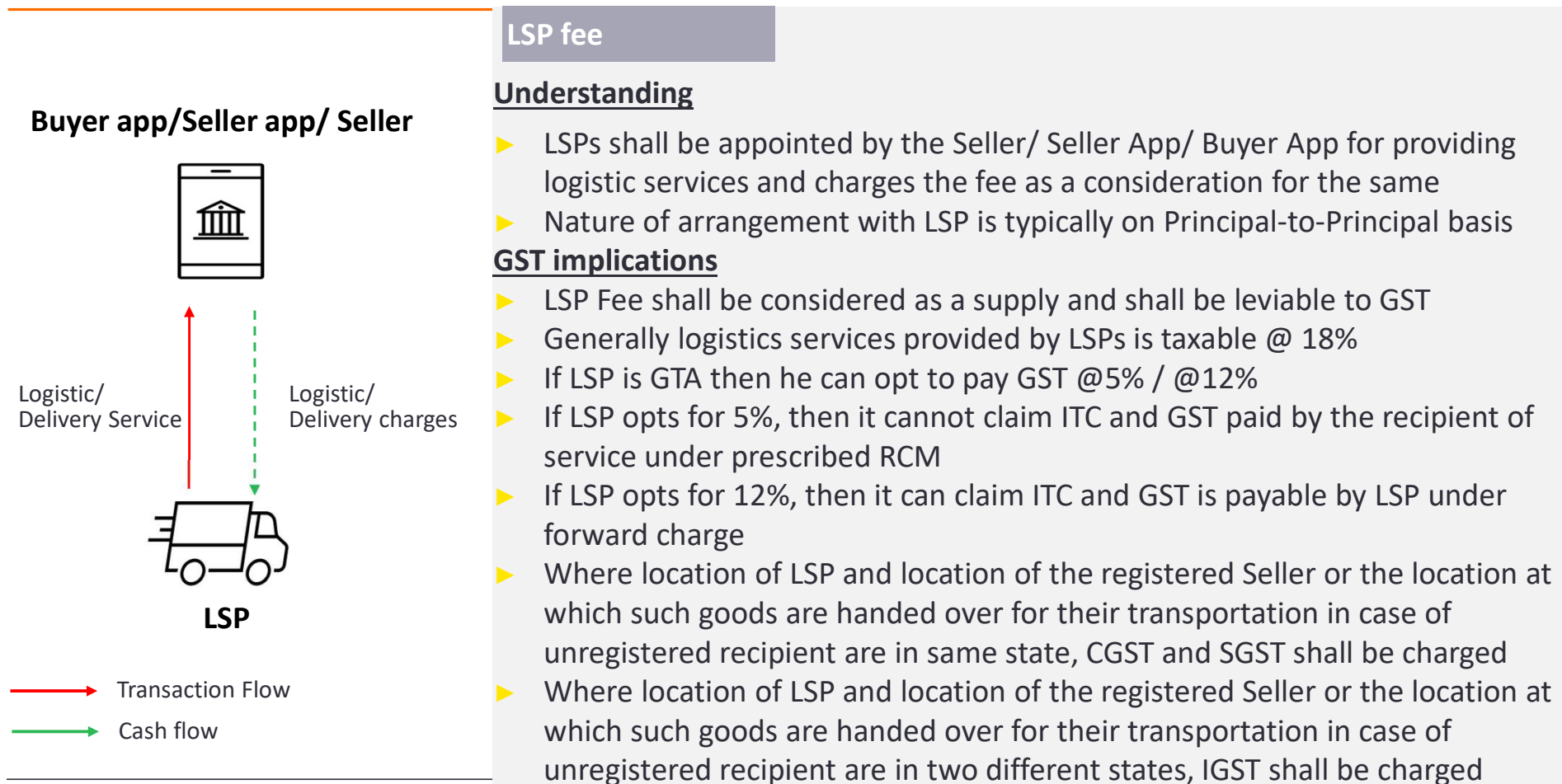
TDS Obligation on: Seller

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



GST and TDS implications

III. LSP fee

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

GST Summary

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

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

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