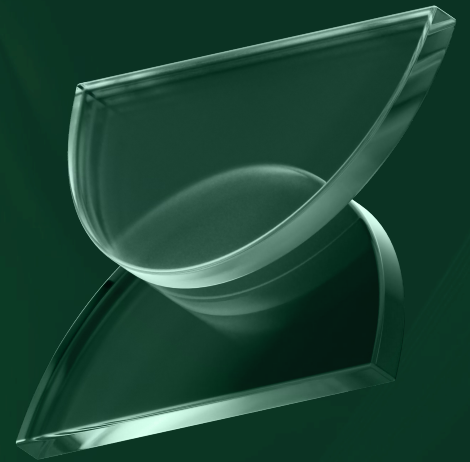


Begur Bulletin

E-Commerce

Whitepaper 2025

September, 2025



Managing Partner's Foreword

Welcome to this edition of the **Begur Bulletin**, where we strive to bring you insightful, relevant, and timely analyses on the legal and business developments shaping our industries today. At **Begur & Partners**, we take pride in our multifaceted expertise, which spans across multiple *"Focus Areas"* and a diverse range of *"Sectors"*, reflecting the depth of our practice established over three decades. In an ever-evolving global landscape, it is imperative to stay informed about the legal nuances and trends that impact businesses, individuals, and institutions alike. Through the **Begur Bulletin**, we aim to share not only our knowledge but also our perspective on these critical developments, empowering our readers to navigate challenges and seize opportunities with clarity and confidence.

Each **Begur Bulletin** is carefully curated to address pressing topics, offering deep analysis and insight that is not only legally sound but also practical and actionable. From corporate mergers to emerging technologies, our insights reflect our commitment to the pursuit of legal excellence and thought leadership in the legal domain. I invite you to explore this edition and reflect on the ideas shared within. As always, we welcome your feedback and look forward to continuing this dialogue with you, our esteemed readers, and hope to contribute to the ever-dynamic legal and business landscape.

Thank you for your continued trust and engagement.

Warm Regards,

Rajesh Begur

Managing Partner, Begur & Partners

White Paper

On

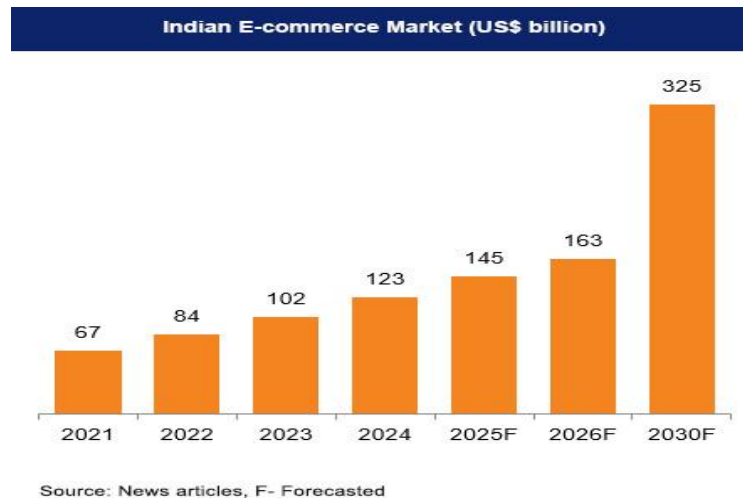
E-COMMERCE SECTOR

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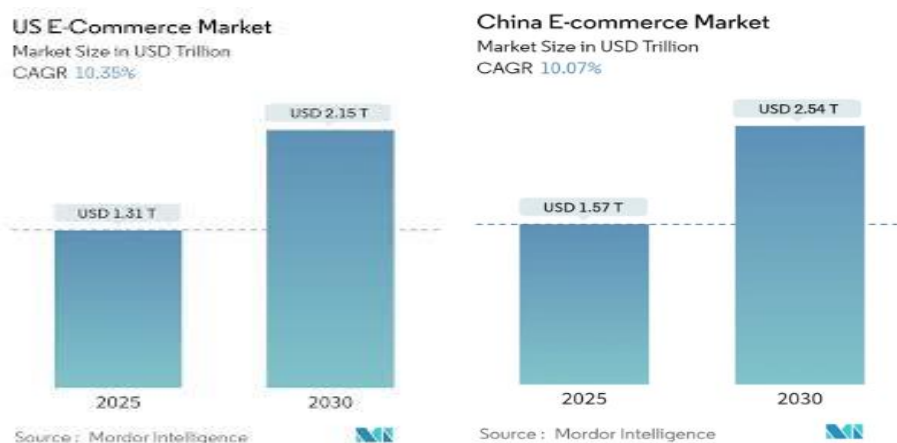
BIRD'S EYE VIEW

The Indian e-commerce sector has rapidly emerged as a key driver of the economy, expected to reach a GMV of US\$ 60 billion by FY2027. Its growth is fueled by rising internet and smartphone penetration, increasing incomes, and supportive government initiatives like Digital India, Make in India, and Start-up India. With a CAGR of 27%, India's e-commerce market is projected to grow to US\$ 163 billion by 2026 and US\$ 325 billion by 2030, driven by 500 million shoppers and expanding digital access, particularly in rural areas.



Source: IBEF

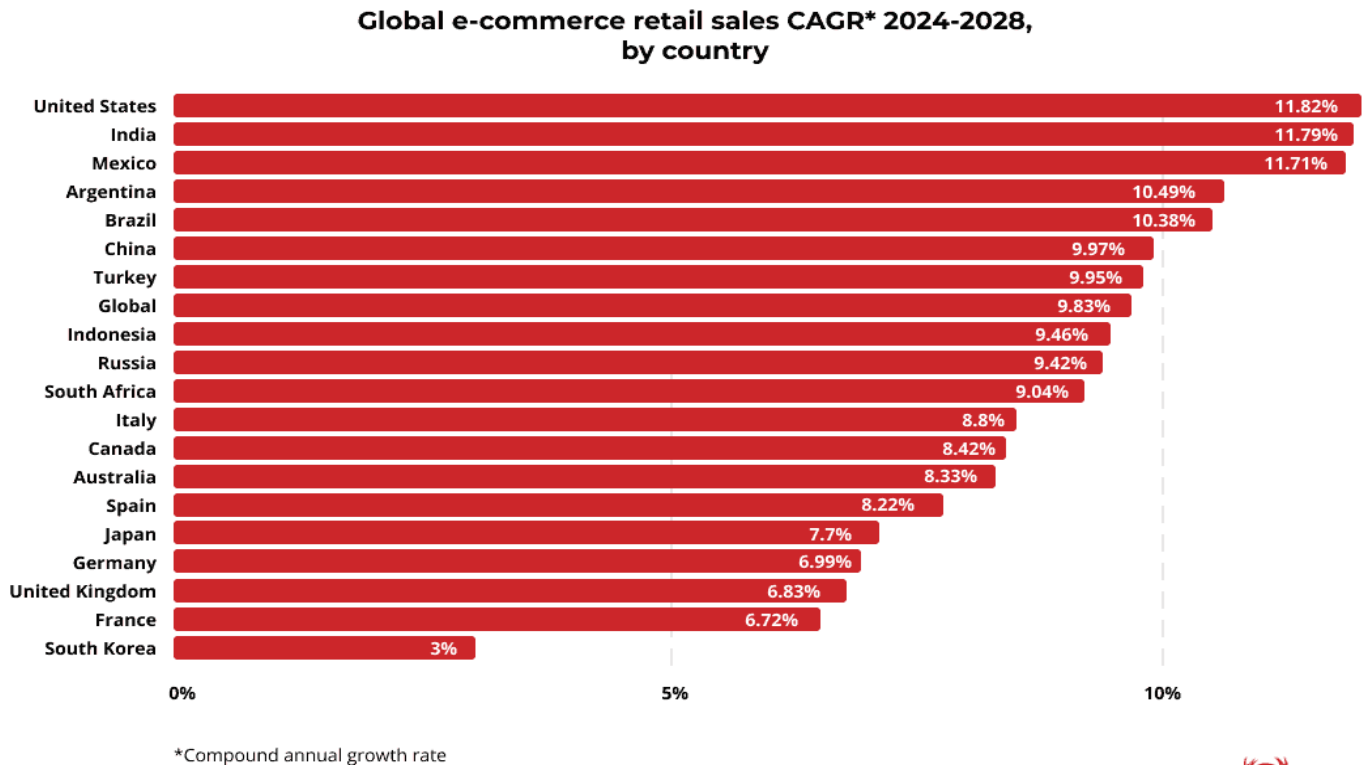
In comparison, the U.S. and Chinese e-commerce markets are projected to reach US\$ 1.31 trillion and US\$ 1.57 trillion respectively by 2025, expanding at a CAGR of 10.35% and 10.07%, respectively. By 2030, these markets are expected to grow further, reaching US\$ 2.15 trillion and US\$ 2.54 trillion respectively.



Source: Mordor Intelligence

Recent industry estimates suggest that between 2024 and 2028, the U.S. is expected to lead global 'retail e-commerce' growth, followed by India, among 20 countries worldwide, with an annual growth rate of 11.8%.

The following chart below illustrates the global e-commerce sales CAGR (2024–2028) country wise:

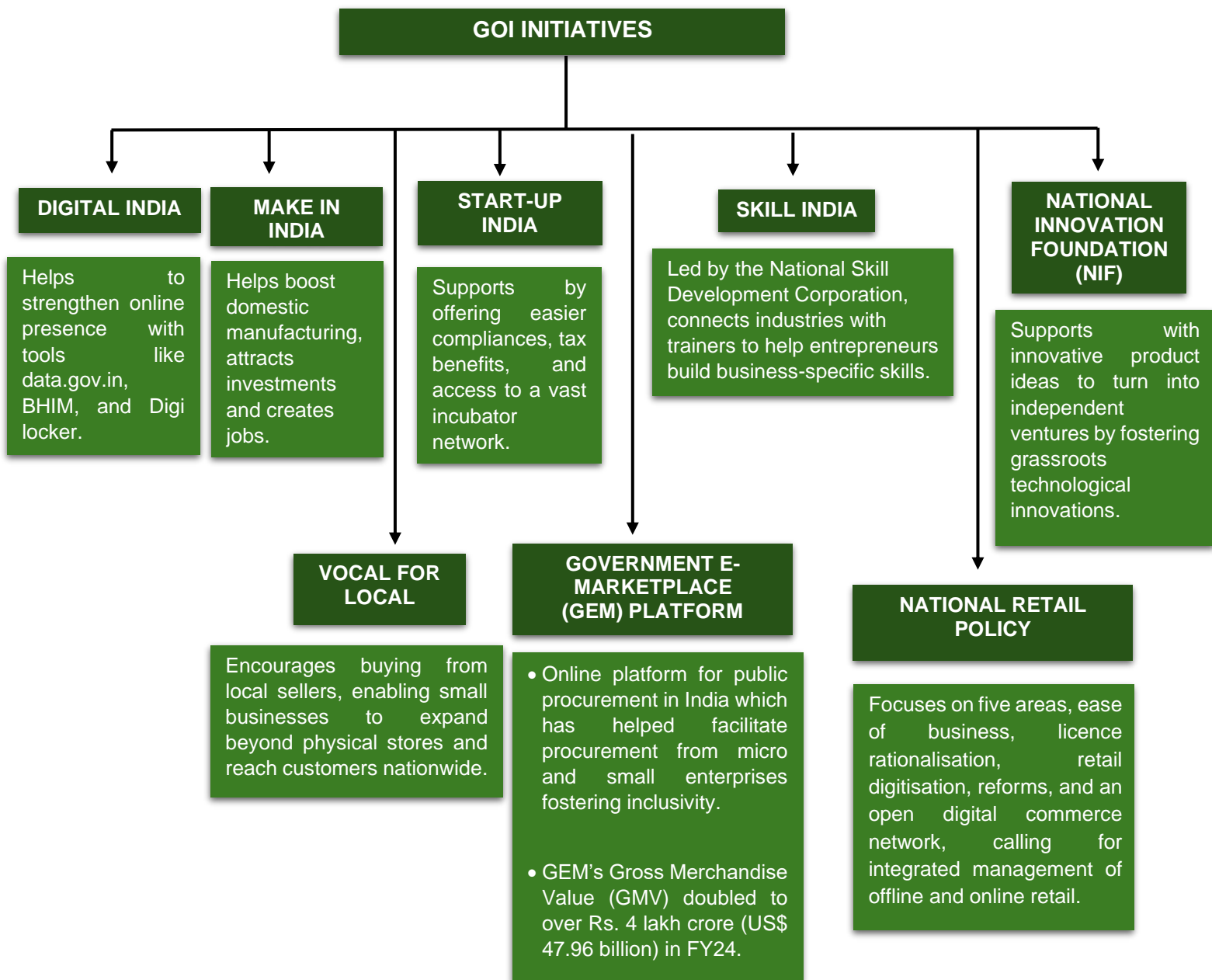


Source: Red Stage Fulfilment

India also has significant potential in the global B2C e-commerce market, projected to reach US\$ 8 trillion by 2030. Currently, India's e-commerce exports stand at US\$ 2 billion, presenting vast growth opportunities, particularly in high-demand product categories. This sector has attracted US\$ 33.4 billion in private equity and venture capital investments, reflecting strong investor confidence.

GOVERNMENT INITIATIVES

India has launched various key programs/policies to promote e-commerce:



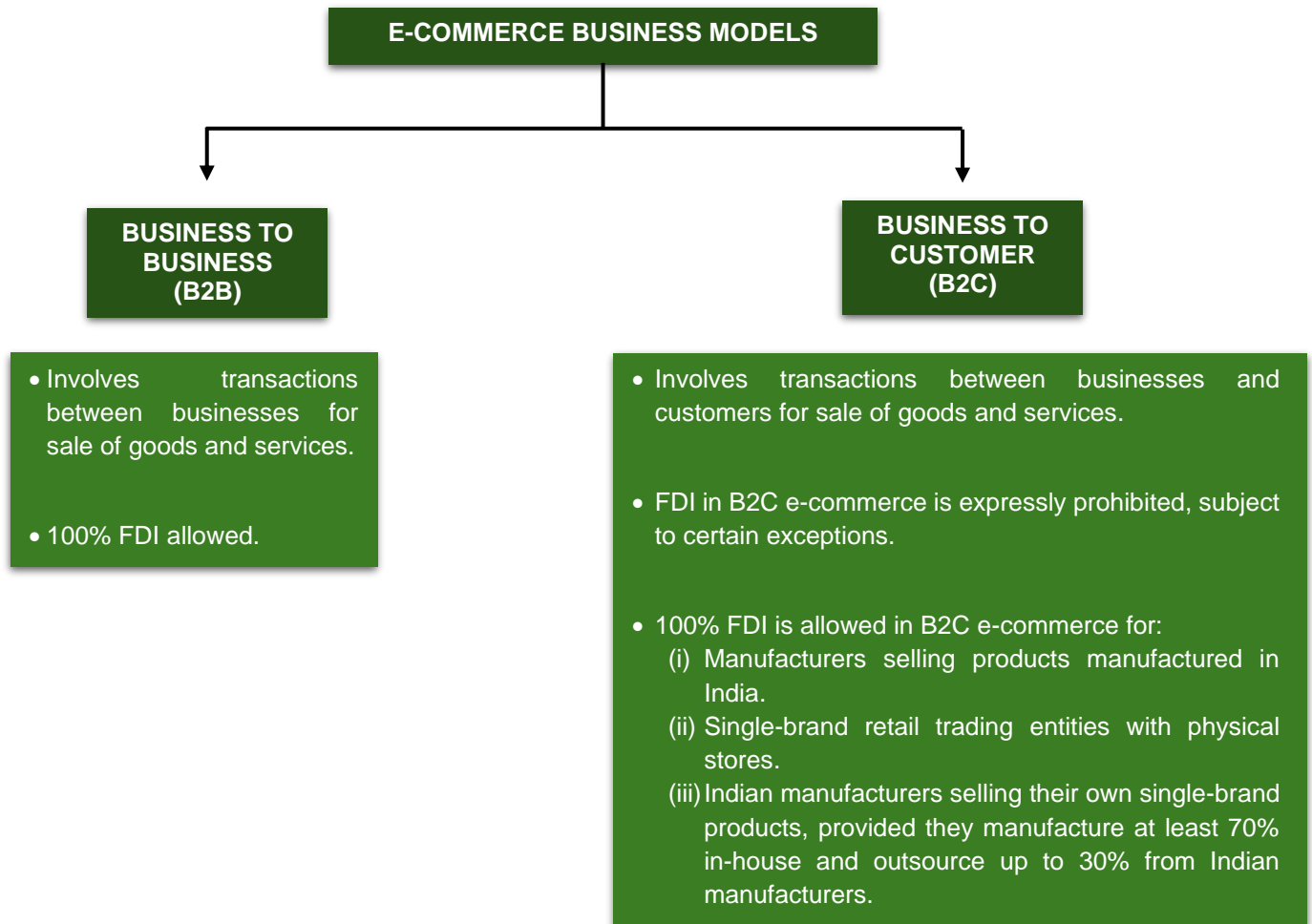
RECENT TRENDS IN INDIA



E-COMMERCE AND BUSINESS MODELS

Currently, varying regulations provide several definitions of e-commerce and related concepts. In the Indian context, the Consumer Protection (E-commerce) Rules, 2020 define an '**e-commerce entity**' as "any person who owns, operates or manages digital or electronic facility or platform for electronic commerce, but does not include a seller offering his goods or services for sale on a marketplace e-commerce entity". On the contrary, the Finance Act, 2020 defines an "e-commerce operator" as someone who "operates or manages a digital or electronic facility or platform for online sale of goods or online provision of services, or both". While the first definition excludes sellers, the second does not. Moreover, these definitions appear overly broad, potentially encompassing all online activities without adequately considering the specific functions and operations of the businesses involved.

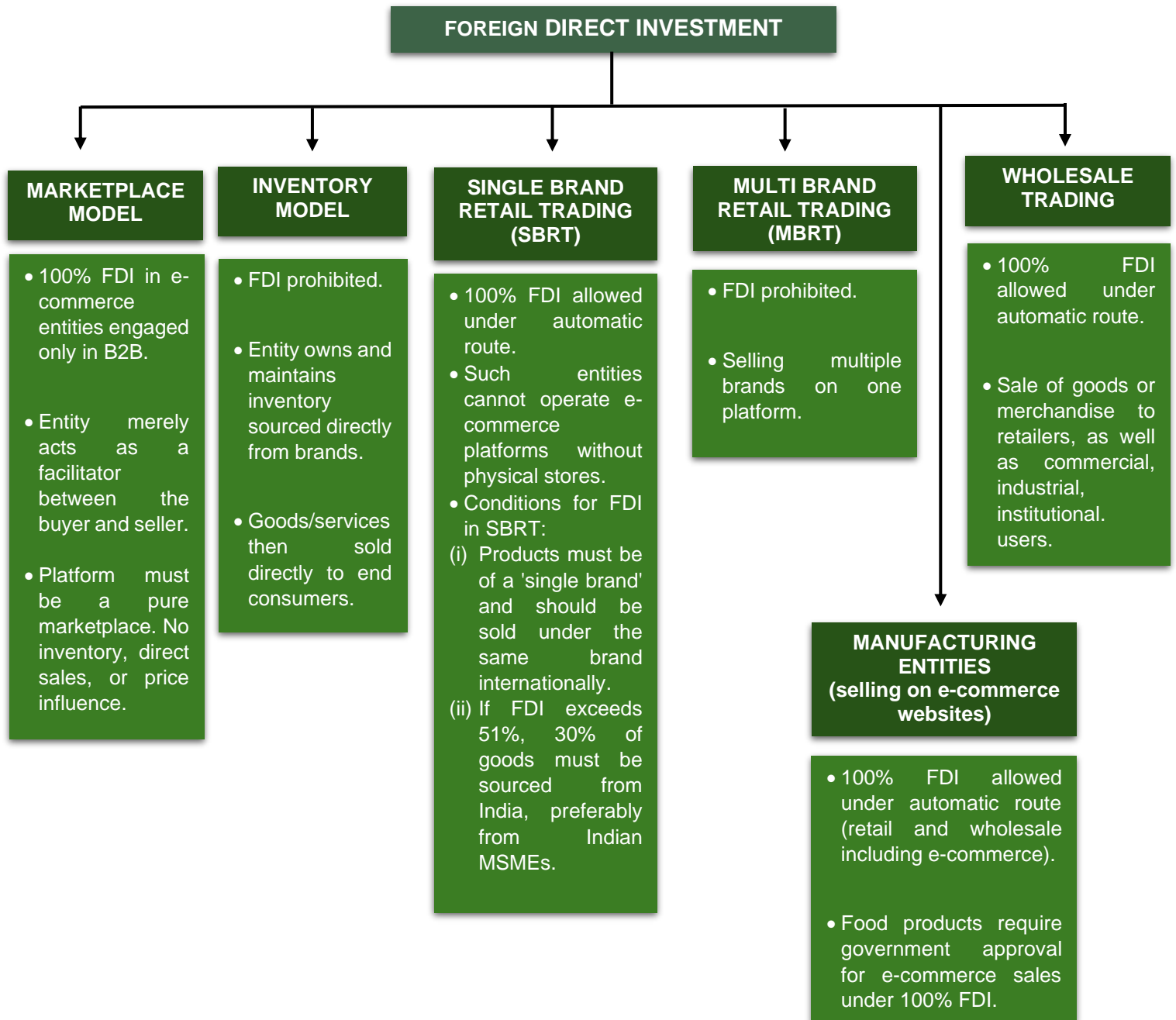
Based on regulatory framework in place, the following are the e-commerce business models prevalent in India:



REGULATORY FRAMEWORK

The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (“**NDI Rules**”), and the Consolidated Foreign Direct Investment Policy, 2020 (“**FDI Policy**”) govern foreign investments in India’s e-commerce sector by prescribing the sectoral limits, approval routes, and specific guidelines pertaining to the investment to promote fair competition, safeguard consumer interests, and foster the growth of the e-commerce industry.

Key aspects of the e-commerce sector are below:



LEGAL FRAMEWORK

The legal landscape for India's e-commerce sector is governed by multiple regulations that ensure transparency and protect consumer rights. These include:

S.No.	Act/Rule	Overview
1.	Information Technology Act, 2000	The Information Technology Act, 2000 serves as the cornerstone of India's digital landscape that regulates electronic commerce and online transactions in India and provides the legal backbone for e-commerce operations.
2.	Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021	The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, mandate certain due diligence and compliance requirements that are specifically applicable on intermediaries, including e-commerce platforms, while discharging its operations. The said rules also place obligations upon publishers in relation to online content.
3.	Consumer Protection Act, 2019 and Consumer Protection (E-Commerce) Rules, 2020	The Consumer Protection Act, 2019 safeguards consumer rights and established the CCPA to regulate violations, unfair trade, and misleading ads. The Consumer Protection (E-Commerce) Rules, 2020 mandate compliance for inventory and marketplace models, requiring clear seller details, product disclosures, and a grievance officer for timely complaint resolution.
4.	Legal Metrology Act, 2009	The Legal Metrology Act, 2009 read with the Legal Metrology (Packaged Commodities) Rules, 2011 prescribe specific compliance requirements for sellers on e-commerce websites, and mandate entities engaged in the marketplace model to ensure that the sellers comply with their mandatory disclosures.
5.	The Digital Personal Data Protection Act, 2023	The Digital Personal Data Protection ("DPDP") Act, 2023 regulates digital personal data processing by government and private entities, balancing privacy and innovation. In relation to the e-commerce sector, it mandates e-commerce platforms to obtain explicit user consent, undertake lawful data processing, and establish security measures for handling customer information.
6.	Competition Act, 2002	The Competition Act, 2002, identifies specific areas within the e-commerce ecosystem that may raise competition concerns. These include exclusive agreements between online retailers and sellers, deep discounts offered on platforms that may be predatory, as well as issues related to platform neutrality and platform parity clauses. Provisions under Section 3, which addresses anti-competitive agreements, and Section 4, which deals with the abuse of dominant market position, are also applicable to e-commerce platforms.
7.	Digital Competition Bill, 2024	The proposed Digital Competition Bill, 2024, aims to establish an ex-ante regulatory framework to proactively prevent anti-competitive practices in India's digital markets. The Bill is applicable to entities offering 'Core Digital Services' and seeks to designate certain enterprises as Systemically Significant Digital Enterprises (SSDE). This legislation seeks to address concerns particularly relevant to the e-commerce sector, where large platforms often engage in self-preferencing, data monopolization, and restrictive marketplace policies and aims

		to foster fair competition, ensuring a level playing field for smaller businesses and startups.
8.	Payment and Settlements Systems ("PSS") Act, 2007	The PSS Act, 2007, provides for the regulation and supervision of payment systems in India and designates the Reserve Bank of India (Reserve Bank) as the authority for that purpose and all related matters.
9.	Indian Contract Act, 1872	The Indian Contract Act, 1872, governs the formation and enforcement of contracts in India, establishing essential principles such as offer, acceptance, consideration, and free consent. In the context of e-commerce, it applies to electronic contracts (e-contracts), which are formed digitally through online platforms such as terms of service, privacy policies, return policies etc.,
10.	Sale of Goods Act, 1930	The Sale of Goods Act, 1930 outlines the requirements for sales and shipping policies of entities engaged in the sale of goods. It specifies terms related to warranties, conditions, and the transfer of ownership of goods which are applicable to all e-commerce transactions.
11.	Intellectual Property Laws	E-commerce entities must be proactive in protecting their intellectual property, including platform software, trademarks, brand names, domain names, and any artistic, musical, or literary works.

TAXATION FRAMEWORK

- a) **Corporate Income Tax:** E-commerce entities are subject to the same corporate tax rates as other businesses. Companies in India are taxed against profits earned by them during a given taxable period. The company's operating earnings, after depreciation has been deducted from revenues, come within the tax net. The following table encapsulates the corporate tax rates applicable on companies in India for the Assessment Year 2026-27.

Sr. No.	Category	Rate of Corporate tax (excluding surcharge and cess)
1.	Resident Companies (Turnover ≤ INR 4 billion in financial year)	25% + applicable surcharge and education cess
2.	Resident Companies (Turnover > INR 4 billion in financial year)	30% + applicable surcharge and education cess
3.	Non-resident companies	35% + applicable surcharge and education cess

- b) **Tax Deducted at Source ("TDS") and Equalisation Levy:** E-commerce platforms are required to collect TDS at a rate of 0.1%. Additionally, non-resident e-commerce companies operating in India are not liable to pay any Equalisation Levy, a form of direct tax based on gross consideration in e-commerce transactions, that is imposed on non-resident companies providing specified digital services and is deducted by the service provider at the time of payment.
- c) **Income Tax Framework for E-commerce Transaction:** Under the current taxation framework for e-commerce entities, several provisions of the Income Tax Act, 1961 ("**IT Act**") apply to the collection and deduction of tax at

various stages of the transaction process. The primary intent behind these various withholding and collection provisions is to widen and deepen the tax base. Given the relatively low tax rates (ranging from 0.1% to 1%), these provisions are not designed as the main mechanism for tax collection, but rather as tools for information gathering that ensure broader compliance.

Section	Provision	Applicability	Obligation	Tax Rate	Trigger
194Q	Tax Deduction at Source (TDS) by Buyers	Purchase of goods of value exceeding INR 50 lakh in any previous year.	Buyer	0.1% on amount exceeding INR 50 lakh.	Credit of sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier.
194-O	Payment of certain sums by e-commerce operator to e-commerce participant	Sale of goods or provision of services through a digital platform.	E-commerce Operator	0.1% of the gross amount of sale of goods or services or both.	Credit of amount to account of an e-commerce participant or at the time of payment thereof to such e-commerce participant by any mode, whichever is earlier.
206C(1H) [Applicable until 01 April, 2025 as per Finance Bill, 2025 (yet to be notified)]	Tax Collection at Source (TCS) by Sellers	Sale of goods of value exceeding INR 50 lakh in any previous year.	Seller	0.1% on amount exceeding INR 50 lakhs.	When consideration is received from the buyer.

The Ministry of Finance, vide Circular No. 13 of 2021 dated June 30, 2021, has clarified the relationship between Sections 194-O, 194Q, and 206C of the IT Act, confirming that compliance with one of these obligations under any one of these sections would exempt taxpayers from the others.

- d) **Additional Tax Incentives: Startup Tax Exemption:** Section 80-IAC of the IT Act provides tax holidays for eligible startups (including startups engaged in e-commerce sector) that are recognized by the Department for Promotion of Industry and Internal Trade (DPIIT). As proposed in the Union Budget 2025-26, this provision may be extended to allow eligible e-commerce startups incorporated before 01.04.2030 to deduct 100% of the profits and gains derived from their qualified business for 8 (eight) consecutive assessment years out of 10 (ten) years from the date of incorporation of the eligible startup.
- e) **Additional Tax Incentives: Angel Tax Exemption:** Angel Tax, levied under Section 56(2)(vii-b) of the IT Act, refers to the tax payable on funds raised by a startup or unlisted company from Indian investors at a valuation exceeding its fair market value, with the excess taxed under the head 'income from other sources'. Earlier, this applied to all private companies receiving investments above fair market value, often impacting startups raising capital from angel investors, high-net-worth individuals (HNIs), or family offices. While certain startups were previously exempt from Angel Tax, the levy of this tax has now been abolished entirely, effective from FY 2025-26.

- f) **Goods and Service Tax (“GST”):** The GST taxation on e-commerce entities is governed by several provisions under the Central Goods and Service Tax Act, 2017 (“**CGST Act**”). Under Section 52 of the CGST Act, e-commerce operators are required to collect Tax Collected at Source (TCS) on behalf of the sellers, at a rate not exceeding 1% of the net value of taxable supplies made through their platform. Section 24(x) of the CGST Act mandates that e-commerce operators obtain GST registration in each state where their suppliers are located, irrespective of the operator’s turnover, if they are facilitating inter-state sales. Similarly, under Section 24(ix) of the CGST Act, all suppliers who sell goods or services through an e-commerce platform are required to register under GST, irrespective of their turnover. This ensures that both e-commerce operators and the suppliers using their platforms comply with the applicable registration and tax obligations.
- g) **Exemption from GST Registration:** Section 24(ix) of the CGST Act, 2017 mandates the compulsory GST registration for any person supplying goods or services through the electronic commerce that is required to collect tax at source (TCS) under Section 52 operator (“**ECO Suppliers**”). However, effective from 1st October 2023, a conditional exemption from GST registration has been granted to ECO Suppliers vide Notification No. 34/2023- Central Tax dated July 31, 2023, provided they do not make any inter-state supply of goods either independently or through the operator, which is expected to grant relief to small sellers operating on e-commerce platforms by reducing compliance burdens.

HOW WE CAN ASSIST

BEGUR & PARTNERS have highly specialised lawyers who have gained a deep understanding of the business dynamics in the e-commerce sector. Our clients also include private equity holders and venture capitalists looking to invest in the e-commerce companies. We have extensive experience in commercial law, regulatory compliance, technology transfers and foreign investment structuring. We help e-commerce startups with all facets of establishing and operating an e-commerce business from initial setup, structuring of business models, regulatory liaising and coordination, compliances, consumer protection and intellectual property protection.

OUR CAPABILITIES

Business models (such as Inventory-Based Vs. Marketplace Models)	Advisory on Foreign Investment Laws
Data Protection Laws, & related documents (Terms of Use, Privacy Policy, etc.)	Issues concerning Apps, Deployment, SaaS, IoT, Digital Content & Censorship Issues
Contract Drafting - MSA, SOWs, SLAs, T&Cs	Due Diligence
Regulatory Compliance & approvals	IP rights and IP licensing

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Latest Awards and Recognitions

RSGI Resight (RSG India)

IBLJ A List
A List (2023-2024)

ALB India Law Awards 2025
Notable Firm (2024)

Legal 500
Private Equity (including Venture Capital) - Tier 5 (2025)

IFLR1000 (34th Edition) 2024

1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

Corporate INTL Global Awards

Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

Forbes India – Legal Powerlist 2023

Top Law Firm (above 10 years' experience)

Asia Law 2022

Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

Global Law Expert 2021

Cross Border Private Equity Transactions Law Firm of the year

RSG Consulting 2019

Top 40 Indian Law Firm

