

Decoding the New E-Commerce Rules in India: Key Changes and Compliance Requirements

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The Government of India made changes to the e-commerce rules in the year 2021. E-commerce is a way to conduct business electronically rather than through traditional physical means. It includes all internet-based retail activities like delivery, receiving services, purchasing goods, and supply chain and payment facilitation. The main objective behind making changes to the e-commerce rules is to rebuild the set of rules to tighten the e-commerce norms and protect the customers from exploitation.

- Background and Legal Framework
- New E-Commerce Rules in India: Key changes in the Regulations
- Impact on online marketplaces
- Compliance Requirements for E-Commerce Entities
- Penalties for non-compliance
- Conclusion
- FAQ's
- Who do the new e-commerce rules in India apply to?
- What are the penalties for non-compliance with the new e-commerce rules?
- What are the challenges and opportunities for business under the new e-commerce rules?

Background and Legal Framework

The growth of the internet has implied that the nature of transactions between groups of different individuals has undergone drastic changes. In India, the e-commerce sector has grown at a rate of 34% Compounded Annual Growth Rate since the year 2009. However, like other sectors, there are many challenges afflicting this sector, one of which is an inefficient legal and regulatory framework. In June 2000, India enacted the Information Technology

Act, on similar lines, there is a need for more regulations in order to make the e-commerce industry function in a more efficient and robust manner.

New E-Commerce Rules in India: Key changes in the Regulations

- The e-commerce entities are directed to provide all the necessary information on the goods and services they offer, which includes their country of origin. They must provide the total price of goods and services offered for sale along with the break-up of other charges. E-commerce entities are also required to mention the expiry date of the goods offered for sale and the 'country of origin' of goods and services, which are necessary for enabling the customers to choose at the pre-purchase stage.
- E-commerce entities must provide details on the returns, refunds, exchanges, warranties and guarantees, deliveries and shipments and all the other product/service relevant information essential to the customers in order for them to make an informed decision.
- The e-commerce entities are required to publish the contact details of the grievance officer on their platforms, along with the procedure to register complaints for the ease of the consumers.
- The E-commerce entities must not mislead the consumers by manipulating the search result rankings owing to their inclinations towards specific shopping platforms. All e-commerce entities must ensure they do not display or promote any misleading advertisements.
- Every e-commerce company must ensure consumer privacy protection, maintenance of personal data, cyber security, etc. via compliance with the laws of data protection. In case a cyber security issue arises, then all e-commerce entities are required to provide all necessary information within 72 hours as per the request made by the respective government agency.
- Ban on Flash sales- The government has imposed a ban on flash sales and stated that third party sellers are not banned on an e-commerce platform. However, only flash sales that limit the consumer choice by engaging into 'back-to-back' sales are prohibited. The objective is to monitor the discounts offered on e-commerce sites to several complaints received against unfair trade practices by some e-traders.[1]
- The e-commerce entities must not impose cancellation charges on customers on cancelling the orders after the confirmation.
- The e-commerce entities may share the consumer data subject to explicit consent of the consumer.
- Mandatory Registration: E-commerce entities are required to register with the Department of Promotion for Industry and Internal Trade, the Ministry of Commerce and Industry.
- Compliance officer- E-commerce entities must appoint a Chief Compliance Officer and a nodal contact person for coordinating with law enforcement agencies.

Impact on online marketplaces

New e-commerce rules seek to establish quality standards for goods and services. The new rules introduce 'fallback liability' for goods sold. It makes a marketplace liable if a seller is registered with the entity and fails to deliver goods and services as described on the platform.

The new e-commerce rules are expected to have an impact across the e-retail market in India. They are projected to impact every type of e-commerce platform and shall also result in increased business costs. The entities, even the big market players, continue to evaluate the policy and share their

concerns with the government.

Compliance Requirements for E-Commerce Entities

As per the new e-commerce rules in India, e-commerce entities must undertake the following compliance requirements:

- The new e-commerce rules have mandated all the sellers to provide all product/service information including legal name, the address of the seller, customer care number, contact details, applicable GSTIN, PAN details, MRP breakup, postage charges, handling charges, conveyance charges, country of origin and expiry date of goods and any other important details.
- Every e-commerce entity is required to provide all necessary information pertaining to the return policy. The policy must keep in mind the mode of refund payment, the processing bank and the timeframe for returns.
- Every e-commerce entity must appoint a grievance redressal officer for undertaking consumer grievances and the details of the appointed officer must be displayed on the online platforms. The Grievance Officer is required to acknowledge every consumer complaint within 48 hours of receipt of the complaint and redress the complaint within one month from the date of receipt of the complaint.

Penalties for non-compliance

The new e-commerce rules aim to strengthen consumer protection, there are several penalties to prevent unfair trade practices:

- E-commerce platforms that fail to mention the 'country of origin' of goods sold on their platforms will be charged a penalty of Rs 25,000 each for non-compliance.[\[2\]](#)
- E-commerce platforms that do not provide essential product information including that of the term of sale and other important details to consumers will attract a penalty of Rs 25,000 for non-compliance.[\[3\]](#)
- E-commerce platforms are required to follow the consumer protection laws, including the refunds, returns, and product warranties, and failure to comply with shall attract a penalty of Rs One Lakh.[\[4\]](#)
- E-commerce platforms are required to follow the guidelines of marketplaces related to product listing, promotions and discounts. Failure to do so shall attract a penalty of Rs 25,000.[\[5\]](#)

Conclusion

The new e-commerce rules in India have had a significant impact on online marketplaces. One of the key provisions of the new rules is that online marketplaces cannot sell products through vendors in which they have an equity stake. This means that online marketplaces like Amazon and Flipkart cannot sell products from companies in which they hold a stake.

Additionally, the new rules require that online marketplaces treat all vendors equally and provide them with equal access to the platform. They also require online marketplaces to disclose the details of the sellers, including their contact information and business addresses, to customers.

Many marketplaces have had to restructure their business models to comply with the new regulations. Some have also had to reduce the number of vendors on their platforms, resulting in a reduction in product offerings for customers. Despite these challenges, the new rules have been welcomed by many small traders and offline retailers in India, who have long complained about the dominance of online marketplaces in the market.

FAQ's

Who do the new e-commerce rules in India apply to?

The new e-commerce rules in India apply to all entities that engage in e-commerce activities in India. This includes online marketplaces, e-commerce platforms, and their associated entities, as well as sellers and vendors who offer products or services through these platforms.

What are the penalties for non-compliance with the new e-commerce rules?

Non-compliance with the new e-commerce rules in India can result in penalties for the entities involved. The penalties for non-compliance may vary based on the nature and severity of the violation.

What are the challenges and opportunities for business under the new e-commerce rules?

The new e-commerce rules in India pose several challenges for businesses, including the need to restructure business models to comply with the regulations, potential reduction in product offerings, and potential penalties for non-compliance. However, the rules also present opportunities for small traders and offline retailers to compete on a more level playing field with online marketplaces, and for businesses to prioritize transparency and fair business practices.

[1]<https://consumeraffairs.nic.in>

[2]Section 72, Consumer Protection Act, 2019.

[3]Section 72, Consumer Protection Act, 2019.

[4]<https://egazette.nic.in/>

[5]Section 72, Consumer Protection Act, 2019.

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