



## **TDS Adds To Undue Compliance Burden For Ecommerce Platforms: IAMAI**

**New Delhi, February 17, 2020:** The mandate for e-commerce platforms to deduct TDS from sellers (as announced in Budget 2020 under Section 194-O) is an undue burden on e-commerce platforms, according to the Internet and Mobile Association of India [IAMAI].

Deduction of TDS, over and above TCS deduction under GST, is yet another compliance on digital platforms that are not applicable to their offline counterparts, which worsens the regulatory bias against online platforms.

The association highlighted that present FDI norms only encourage online marketplaces in the B2C sector, which are well recognised as digital intermediaries by law. Such platforms only facilitate sellers and buyers to interact are not actually engaged in the act of buying or selling goods. Such platforms are neither the payee nor the recipients of the payment, therefore asking them to collect and deposit taxes is akin to imposing liabilities of inventory based model on digital platforms. According to IAMAI, this undermines their intermediary roles.

Furthermore, any form of withholding taxation only creates cash flow irregularities for businesses, and that in turn locks in precious working capital for the small-scale sellers.

Reconciliation of TCS has proved to be a major challenge under GST and imposing TDS for direct taxes risk replicating that challenge on the direct tax front. All such complications raise compliance burden for small sellers and make digital platforms unattractive to conduct business for them. Further the lack of parity between offline and online sellers, could potentially act as an entry barrier for smaller sellers in tier 3 and 4 cities from joining the Digital Economy.

The association would like to draw attention to the dichotomy that while on one hand the government recognizes e-commerce as a tool for empowerment and is exploring options to promote onboarding of MSMEs, on the other hand imposition like TCS and TDS are making it difficult for such MSMEs to conduct their business via online platforms.

The association in its submission to the Ministry of Finance has also highlighted certain ambiguities that the industry would like to be resolved in the announcement. These include the implication of “Gross Amount” or the amount on which TDS is to be deducted, the implication of the term “Deemed Payer” as to which agency is actually supposed to deduct the said TDS, clarification on the role and liability of third-party digital payment facilitators, implications for cases involving overseas service providers, to name a few.

The association on behalf of its members has requested for reconsideration of Section 194-O and asked for holding consultation with Industry for discussing issues for reconsideration and receiving clarity on the ambiguities highlighted. Hence, the timeline of 1st April 2020 for the implementation of the provision as mandated is clearly not feasible for e-commerce services to abide by.

IAMAI is particularly concerned about the challenges TDS will pose to small businesses; that include both small scale sellers onboarding digital platforms and also new emerging

tech start-ups looking to set up operations in India. Such impediments do not augur well for the Start-up India and Digital India vision that seeks to develop a robust US\$1 Tn digital economy in India by 2025.

### **About IAMA**

The Internet and Mobile Association of India [IAMA] is a young and vibrant association with ambitions of representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers, and in the last 15 years has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, ecommerce and mobile & digital payments among others.

Fifteen years after its establishment, the association is still the only professional industry body representing the online industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of nearly 300 Indian and overseas companies, and with offices in Delhi, Mumbai, Bengaluru and Kolkata, the association is well placed to work towards charting a growth path for the digital industry in India.

For queries please contact:

Nilotpal Chakravarti - AVP- IAMA

[nilotpal@iamai.in](mailto:nilotpal@iamai.in) /+91-98106-72906

Vishwapriya Bhattacharya

[Vishwapriya@iamai.in](mailto:Vishwapriya@iamai.in) / +9184471-66068