

CHAPTER [3]: Commercial Model

Version History

Version	Date	Description
0.3	14th June 2022	Released to NPs
1.0	15th September 2022	<ul style="list-style-type: none"> - Changed the Chapter Number from '9' to '3'. Changed numbering of all clauses and sub-clauses accordingly - Removed the 3% cap on Buyer Finder Fee - Changed the base of calculation of the Buyer Finder Fee from Declared Price to Total Order Value - Added minimum advance notice period which ONDC will provide before levying any fees/charges - Added a functional definition of Logistics Service Provider - Added enabling clause for allowing ONDC to cap Gateway fees, if necessary - Removed the clause on calculation of the Seller's Consideration - Amended definition of Purchase Order to reflect that the terms are executed through the ONDC Protocol
1.01	9th December 2022	<ul style="list-style-type: none"> - Removed clause on ONDC bearing Gateway Fees

3.1. Commercial Components

3.1.1. Participants involved in a transaction through the ONDC Network include the Buyer, Buyer App, Seller App, Seller, ONDC, Gateway and Logistics Service Provider, as applicable.

3.1.2. Any Order facilitated by the ONDC Network shall involve the following commercial components (**Transaction Fees**):

- (i) **Declared Price** (per item/service): The Declared Price [inclusive of Goods and Services Tax (GST)] is the final price declared by the Seller listed on the Seller App, subject to the following terms:
 - (a) The Declared Price will be the price displayed to the Buyer and shall not exceed the maximum retail price of the specific product, as applicable.
 - (b) The Declared Price will be the maximum price payable by the Buyer for the products purchased or services availed and other charges (as applicable) will be charged separately.
 - (c) Fees discussed in (ii), (iii) and (iv) below will be deducted from the Total Order Value.
- (ii) **Buyer App Fee** – The Buyer App may charge a finder fee as a percentage of the Total Order Value or a fixed amount per Successful Order from the Seller App, subject to the following terms:
 - (a) The Buyer App may propose a finder fee on a dynamic and real time basis through the ONDC Protocol, in the form of a percentage of the Total Order Value or a flat amount in monetary terms; and
 - (b) The Buyer App fee will be negotiated with the Seller App on a real time basis before the order completion stage. A transaction can only be completed when the Seller App agrees to the Buyer App Fee. If the Seller App disagrees with the proposed Buyer App Fee, Buyer App may refuse to complete the transaction.
- (iii) **Seller App Fee**: The Seller App may charge a fee per Successful Order from the Sellers for listing their catalogue items, the terms of which will be decided between the Seller App and the Seller, and ONDC will not be involved in such determination.
- (iv) **ONDC Fee**: ONDC may charge a nominal fee to Network Participants for every Successful Transaction. A notification shall be issued at least 30 days prior to the date from which such fees will be levied.

Explanation: ONDC - being a non-profit company registered under Section 8 of the Companies Act, 2013 - will endeavour to charge the minimal feasible amount required to sustain its operations.

3.1.3. For clarity, the final price of a transaction on the ONDC Network payable by the Buyer will be the net cumulative price of (**Buyer Price**):

- (i) Declared Price for individual items;

- (ii) other charges and fees such as packing fees and convenience fees (if not included in the Declared Price);
- (iii) price for logistics services, as applicable (if not included in the Declared Price); and/or
- (iv) markup/ discounts provided by the Buyer App.

3.1.4. For clarity, the Network Participant offering a discount will bear the cost of such discount. For example, if the Buyer App offers a discount of 5% on the Total Order Value, such cost will be the responsibility of the Buyer App alone.

3.1.5. The Buyer App must ensure that all components of the Buyer Price will be displayed as separate line items for every Order.

3.1.6. Logistics services may be procured by the Buyer App or Seller App and will be settled with the Logistics Service Provider accordingly.

3.2. Other Charges

3.2.1. In addition to the fees defined in Clause 3.1.2(iv), ONDC may levy a one-time or recurring registration fee on all Network Participants.

3.2.2. ONDC will provide all Network Participants with a prior notice of at least 30 days before the levy of any charge(s) specified under this Clause 3.2.1.

3.2.3. **Gateway fees:** Gateways may charge a fee from the Buyer App or Seller App or both, as per the agreement with the respective Buyer or Seller App, subject to the following:

- (a) Gateway will not monetise any data collected through the ONDC Network for insights or analytics or for providing value added service, unless otherwise permitted by ONDC.
- (b) ONDC will not be involved or responsible for any arrangement between the Gateway and other Network Participants.
Provided that ONDC reserves the right to prescribe the maximum fees a Gateway may charge to Network Participants, if ONDC deems such a prescription to be necessary.
- (c) The Gateway Fees will not be included in the Buyer Price and will be separately paid by the Buyer Apps and/or Seller Apps.

3.3. Order Flow

- 3.3.1. An Order placed on the ONDC Network will involve one or more of the following steps:
- (i) A Buyer will initiate a search for a product or a service through the Buyer App.
 - (ii) Buyer App will relay this search request to the Gateway.
 - (iii) The Gateway will check with the ONDC Registry to identify the relevant Seller Apps that have the requested product or service available in the specified location. Upon identification, the search request will be broadcast to the relevant Seller Apps.
 - (iv) Seller Apps will relay the information to the Sellers listed on their platform to confirm the offering of the product or service requested, along with the terms and conditions of the offering.
 - (v) Upon Seller's confirmation, Seller App will relay the offer to the Buyer App through the Gateway.
 - (vi) The Buyer App will display the offer to the Buyer. If the Buyer is satisfied with the offering, the Buyer may confirm the purchase of the product and the Buyer App may place a Purchase Order with the Seller through the Seller App. The Seller App will in turn forward the Purchase Order to the Seller for confirmation.
 - (vii) Upon Seller's confirmation, the Seller Side App will confirm the Order on behalf of the Seller.
- 3.3.2. To complete any of the steps listed in Clause 3.3.1 above, the Buyer Side App will obtain the necessary authorisation from the Buyer to place the Order with the Seller App on its behalf. Such authorisation is limited to receiving offers from Seller Apps, placing a Purchase Order with a Seller App and confirming the Order to the Seller and undertaking other activities as agreed with the Buyer. Acting on behalf of the Buyer for any steps mentioned in 3.3.1 or this clause will not result in the Buyer App being construed as acting as an agent of the Buyer for any purpose such as the acceptance of the goods or services or making payments.
- 3.3.3. To the extent necessary to complete any of the steps listed in Clause 3.3.1 above, the NP-MSN will obtain necessary authorisation to act on behalf of the Seller. Such authorisation is limited to transmitting the offer from the Seller, receiving the Order confirmation from the Buyer App, relaying the request of a Purchase Order to the Seller, confirming the Purchase Order with the Buyer App and managing other communication with the Buyer App. Acting on behalf of the Seller for any steps mentioned in 3.3.1 or this clause will not result in the NP-MSN being construed as acting as an agent of the Seller.
- 3.3.4. For an NP-MSN, all steps as applicable in Clause 3.3.1 above will be done by the Seller itself.
- 3.3.5. Buyer App and Seller App involved in each Order will digitally sign the Purchase Order using their respective private key. A 'hash' will be generated with specified elements for each Purchase Order and will help to detect any alteration to the Purchase Order parameters. The ONDC Protocol will create a digital trail of the digital signature as part of the Purchase Order confirmation workflow.

3.4. Payment and Settlement Process Flow for transactions and refunds on the ONDC Network

- 3.4.1. For an Order on the ONDC Network, the Buyer Price can be collected either by the Buyer App, Seller App or the Logistics Service Provider and the participants involved can enter into separate collection and settlement terms with each other. For clarity, such collection and settlement terms entered into between the various participants will not be contrary to the ONDC Network Policy.
- 3.4.2. The entity collecting the Buyer Price, and the terms of collection and settlement between the Network Participants will be mutually decided by the Buyer App, Seller App and Logistics Service Provider, as the case may be, through the ONDC Protocol. A final determination of the entity collecting the Buyer Price, and the terms of collection and settlement will be made before the final confirmation of the Order.
- 3.4.3. Buyer App and/or Seller App may use certain third-party vendors and service providers, including payment gateways, to process the payments made for transactions on the ONDC Network. The Network Participants must ensure compliance with the Guidelines on Regulation of Payment Aggregators and Payment Gateways, as applicable, for all transactions undertaken through the ONDC Network.
- 3.4.4. In the ONDC Network, process flows for payment and settlement for a transaction and refunds will be as provided in the payment and settlement protocol provided in Schedule 3A.

Schedule 3A

Payment and Settlement Protocol

A. Scenario 1 - Buyer App collect Buyer Price and Seller App agrees in a Prepaid Order

- (i) Buyer App proposes to collect the Buyer Price from the Buyer for a specific transaction/Order and the Buyer App and Seller App will mutually agree on the following (collectively, **Buyer App Collection and Settlement Terms**):
 - (a) **Buyer App Fee:** As a percentage of the Total Order Value or a fixed amount per successful order to be paid by the Seller App.
 - (b) **Settlement Window:** Comprising of a specified number of working days from the date of collection, shipment or delivery or end of the Return Window;
 - (c) **Withholding Amount:** As a percentage of the Total Order Value or a percentage of the cumulative sum of the Declared Price of all products shipped or delivered on a particular day or a definite period *vis-à-vis* a particular Seller App; and
 - (d) **Return window:** Number of calendar days from delivery or shipment or collection (as applicable), after which Withholding Amount will have to be settled, in case of no returns.
- (ii) When there is agreement on the terms between Seller App and Buyer App, the Buyer App will be entitled to collect the Buyer Price based on the Buyer App Collection and Settlement Terms.
- (iii) Buyer App collects the Buyer Price from the Buyer and settles the Buyer Price with Seller App after deducting the Withholding Amount and the Buyer App Fees, and the Logistics Charges deducted for procuring the services of a Logistics Service Provider on the Network, if applicable, as per the Buyer App Collection and Settlement Terms.
- (iv) In case logistics services are procured through the Seller App, the Buyer App should also include the cost of logistics services in its settlement with the Seller App. The Seller App will settle with the Logistics Service Provider based on its settlement terms and conditions with the Logistics Service Provider. Alternatively, in case logistics services were procured through the Buyer App, the Buyer App will settle with the Logistics Service Provider, based on its settlement terms and conditions with the logistic service provider.
- (v) Seller App will settle the ONDC fees with ONDC within 2 working days from the date of receipt of the settlement from the Buyer App or expiry of the return window for the delivered Order, whichever is later.
- (vi) In case of multiple Seller Apps involved in one order, the same process flow will be repeated for each Seller App.
- (vii) The transactions above would be subject to taxes (including but not limited to deduction of income tax at source (TDS), GST and collection of GST at source) to the extent applicable under income tax and GST laws.

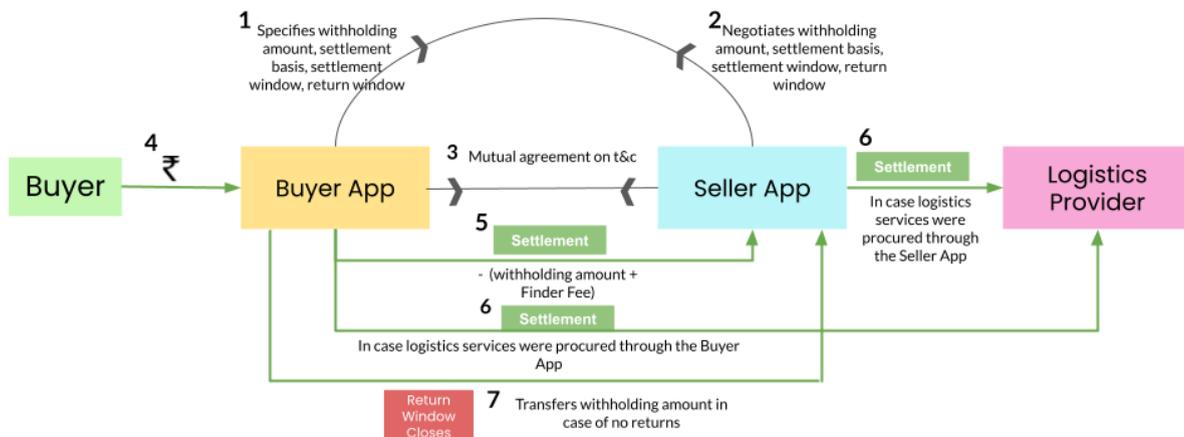


Figure 1

Process Flow: Payment Collection by Buyer App

B. Scenario 2 - Seller App collects Buyer Price and Buyer App agrees in a Prepaid Order

- (i) Seller App proposes to collect the Buyer Price from the Buyer for a specific Order and the Seller App and Buyer App will mutually agree on the following (collectively, **Seller App Collection and Settlement Terms**):
 - (a) **Buyer App Fee:** As a percentage of the Total Order Value or a fixed amount per Successful Order to be paid by the Seller App. The Buyer App will also provide its payee bank account no as part of the settlement process;
 - (b) **Settlement Window:** Comprising of a specified number of working days from the date of shipment or delivery or Return Window or after receipt of amount from the Logistics Service Provider, as applicable;
 - (c) **Withholding Amount:** As a percentage of the Total Order Value or a percentage of the cumulative sum of the Declared Price of all products shipped or delivered on a particular day or a definite period *vis-à-vis* a particular Buyer App and
 - (d) **Return Window:** Number of calendar days from delivery or shipment or collection (as applicable), after which Withholding Amount will have to be settled, in case of no returns;
- (ii) When there is agreement on the terms between Seller App and Buyer App, the Seller App will be entitled to collect the Buyer Price based on the Seller App Collection and Settlement Terms.
- (iii) Seller App collects Buyer Price from Buyer and settles with the Buyer App- the Buyer App Fee, as per the Seller App Collection and Settlement Terms.
- (iv) In case logistics services are procured through the Buyer App, the Seller App should also include the cost of logistics services in its settlement with the Buyer App. Alternatively in case logistics services were procured through the Seller App, the Seller App will settle with the logistics provider based on its settlement terms and conditions with the logistic service provider.

- (v) The Seller App will settle ONDC Fee with ONDC within 2 working days from the expiry of the return window.
- (vi) In case of multiple Buyer Apps, the same process will be repeated for each Buyer App.
- (vii) The transactions above would be subject to taxes (including but not limited to deduction of income tax at source (TDS), GST and collection of GST at source) to the extent applicable under income tax and GST laws.

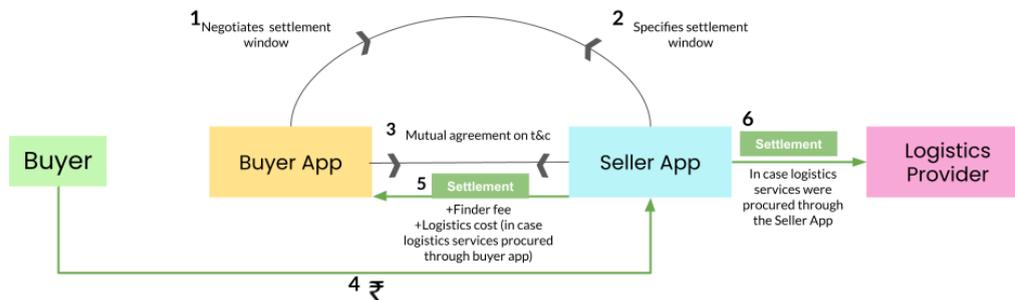


Figure 2

Process Flow: Payment Collection by Seller App

C. Scenario 3- Collection of Buyer Price by Logistics Service Providers in a COD Order

- (i) The Logistics Service Provider will be able to collect the Buyer Price for an Order on the ONDC Network only if the Buyer adopts the mode of payment for an Order as – cash (COD) and the Logistics Service Provider accepts the COD mode of payment.
- (ii) Where the Buyer has selected the payment mode as COD, but at the time of delivery, Buyer requests for a non-COD mode of payment (such as credit card or UPI), the Logistics Service Provider may choose to accept the payment or choose to cancel the Order and perform a return to origin (RTO).
- (iii) The process flow for payment and settlement will be as between a Buyer App, a single Seller App and a single Logistics Service Provider.
- (iv) The Logistics Service Provider will separately negotiate its settlement terms and conditions through the ONDC Protocol with the Seller App or Buyer App, through which their services were procured. Separately, the logistics agent collecting Buyer Price from the Buyer will settle with the Logistics Service Provider as per their settlement terms and conditions. The settlement window with Seller App and Buyer App (as the case may be) will commence from the delivery of Order.

- (v) If logistics services were procured through the Buyer App:
- Logistics Provider will settle the Buyer Price with Buyer App, after deducting the logistic charges from the collected amount, as per their settlement terms and conditions; and
 - Thereafter, the Buyer App will settle the Buyer Price less the Logistics Fees charged by the Logistics Service Provider, with the Seller App as per the Buyer App Collection and Settlement Terms as described in Clause A, Scenario 1 to this Schedule 3A.
- (vi) If logistics services were procured through the Seller App:
- Logistics Service Provider will settle the Buyer Price with the Seller App, after deducting the logistics charges from the collected amount, as per their settlement terms and conditions; and
 - Thereafter, the Seller App will settle the Buyer App Fee with the Buyer App as per the Seller App Collection and Settlement Terms described in Clause B, Scenario 2 to this Schedule 3A.
- (vii) In case of multiple Seller Apps, it is assumed the Order will be fulfilled by the same or different logistics providers, but the Order through a Seller App will be fulfilled by a single logistics provider. Hence, in the case of multiple Seller Apps with a single or multiple logistics providers, the same process will be repeated for each Logistics Provider.
- (viii) The transactions above would be subject to taxes (including but not limited to deduction of income tax at source (**TDS**), GST and collection of GST at source) to the extent applicable under income tax and GST laws.

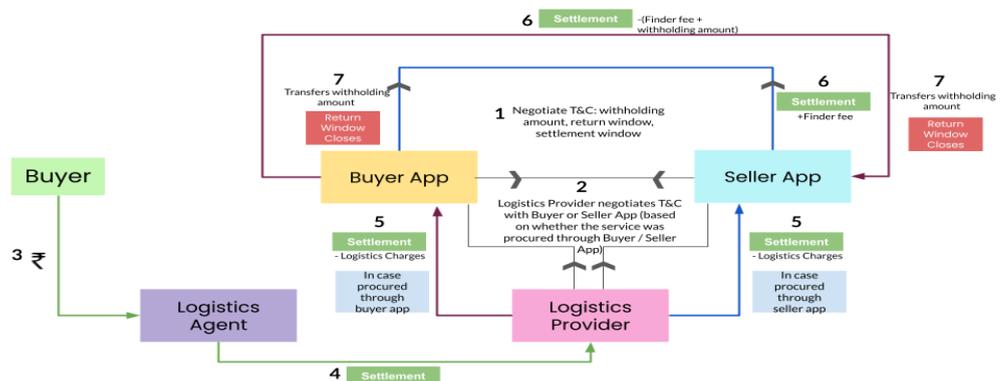


Figure 3

Process Flow: Cash on Delivery Payment

D. **Cancellation and Refunds:**

- (i) Refund in cases of returns, cancellations, damaged items, will be initiated as follows:

- (a) **Prepaid Order:** The entity that collects the Buyer Price from the Buyer (i.e., Buyer App or Seller App) will be responsible to refund the Buyer Price, less any Cancellation Charges as agreed with the Buyer, at the time of order confirmation, in full to the Buyer. All settlement terms, including but not related to the Buyer App Fee and Seller App Fee, for such refunds will solely be between the Network Participants involved.
- (b) **COD Order cancelled before delivery:** For cancellation before delivery, the Buyer Price will not be paid by the Buyer and hence, there is no refund. All charges related to shipping and RTO will be based on the terms and conditions between the Logistics Service Provider and the Network Participant availing the services of the Logistics Service Provider.
- (c) **COD Order after delivery:** If a Buyer initiates a refund for COD Order after acceptance of delivery, the entity procuring the services of the Logistics Service Provider and receiving the Buyer Price from the Logistics Service Provider will initiate the refund to the Buyer. All settlement terms, including but not related to the Buyer App Fee, Seller App Fee, logistics cost, for such refunds will solely be between the Network Participants involved.

E. Invoicing & Taxes

- (i) Each Network Participant shall invoice the contractual recipient of its products supplied on the ONDC Network. To illustrate, the Seller will invoice the Buyer for its supplies. Similarly, the Logistics Service Provider when engaged by the Seller App, would invoice the Seller App for its services.
- (ii) Network Participants and ONDC shall, at all times, ensure that they have in place relevant internal policies which are in full compliance with the income tax and GST laws.
- (iii) All Network Participants shall extend reasonable support and assistance to ONDC and other Network Participants, including access to the documents and / or information such as PAN, the GSTN registration details, etc, that they may require from time to time to comply with the applicable laws.
- (iv) Buyer App or Seller App, as the case maybe, to ensure that the Buyer is provided with an option to upload the details of the Buyer's GST registration so as to enable the Buyer to avail input tax credit of the GST paid by the Buyer on the goods or services purchased on the ONDC Network.
- (v) Network Participants shall comply with the provisions of income tax and GST laws, including but not limited to, issuing GST compliance invoices wherever required, furnishing returns, carrying out reconciliation, discharging tax liability, undertaking tax collection and tax deduction and related compliances, and/or undertaking any other compliance within statutorily stipulated time. Network Participants shall also undertake all compliances required under the GST laws to enable their recipient on the ONDC Network to avail input tax credit of the GST charged by such Network Participants. Network Participants shall also be liable to collect tax at source and undertake necessary compliances within stipulated time limit, as may be required under GST Laws.

- (vi)** Network Participants shall keep indemnified any other Network Participants against any loss, including but not limited to loss of credits, suffered on account of non-compliance of the income tax or GST laws by such Network Participant.
- (vii)** ONDC Fee is subject to TDS to the extent provided under the income tax laws. If applicable, the Network Participants will deduct TDS, issue TDS certificates to ONDC, file TDS returns and undertake prescribed compliances in the manner provided under the income tax law to enable ONDC to avail credit of TDS.
- (viii)** ONDC also reserves the right to deduct TDS in respect of any transaction on the ONDC Network to the extent it is required to do so under the income tax laws and shall undertake appropriate compliance in this regard including filing of TDS statements and provision of TDS certificate, as may be required. ONDC also reserves the right to collect tax at source under income tax and GST laws if any change in such laws or any ruling of the competent authority determines that it is required to do so.

Summary of Consultations

ONDC sought inputs on v0.3 of the Chapter 3 Commercial Model (previously Chapter 9 Commercial Model) from Network Participants, both onboarded and prospective, and other stakeholders. Summarised below are the feedback/queries received from Network Participants and ONDC's responses to them.

1. Respective Obligations of Network Participants in a Commercial contract on ONDC

Stakeholder Inputs

Stakeholder highlighted the need to separately define a Logistics Service Provider for the sake of this document

ONDC's Response

- a. Agreeing with the feedback, ONDC added the following definition of a Logistics Service Provider, "Logistics Service Providers" (LSP) will be a Seller App on the ONDC Network. We have separately called out the LPS in the commercial chapter due to the specific role that an LSP may play, along with other Seller/Buyer Apps. Accordingly, we have added the definition of "Logistic Service Provider". Please see column F.
- b. "For clarity: Seller Side Applications / Seller App means all platforms or applications of Network Participant NP - ISN/ MSN, which allows the sellers to publish their product/ service inventory, pricing, and other terms of transaction and enables the sellers or any other service providers, including but not limited to logistics service providers, to transact on the ONDC Network."

2. Gateway Fees

Clause 3.2.3 (Erstwhile 9.2.(ii)) defines Gateway Fees and its various considerations in the Transaction chain

Stakeholder Inputs

Stakeholders have sought greater clarity on Gateway Fees, and which entity will charge the Gateway Fees.

ONDC's Response

ONDC clarifies that it will bear the cost of the Gateway, at the time of writing. However, as the Network matures Network Participants will have to pay a Gateway a fees which may be as per a pricing policy prescribed by ONDC.

3. Total Order Value

Stakeholder Inputs

Stakeholders expressed the need to define Total Order Value, which will be the sum of Declared Prices of all the Items in the cart, Delivery charges and Markups/Discounts, if any

ONDC's Response

For the sake of clarity, ONDC agrees to make an addition for Total Order Value as suggested by the stakeholder. In furtherance, the Seller's Consideration will be calculated after including Delivery Charges and any Markups/Discount, both of which were not considered previously.

4. Buyer Finder Fee

Current Clause 3.1.2.(ii) (Erstwhile Clause 9.1.2(iii)) defines the Buyer's Finder Fee

Stakeholder Inputs

Certain stakeholders proposed to decide the Buyer's Finder Fee on a dynamic and real time basis, along with seeking clarity on the operational working of the dynamic negotiation process.

ONDC's Response

ONDC clarifies that the upper limit on Buyer's Finder Fee has been removed. The Buyer Finder Fee can be negotiated between Network Participants through the ONDC Protocol, allowing for the process to be fully automated. ONDC only provides the capability to perform this through the ONDC Protocol, the systems required to actually conduct the automated-negotiation (such as rule-sets for decision-making, business-intelligence etc.) will have to be developed by each Network Participant on their own end.

5. ONDC Fees

Clause 3.1.2 (iv) (Erstwhile 9.1.2 (iv)) defines the Fees to be charged by ONDC for enabling transactions on the Network

Stakeholder Inputs

Stakeholders enquired on the quantum and timeline of the ONDC Fee which will be charged on the Network Participants and requested a pre-intimation notice before changing the Fees to allow Network Participants to change their commercials accordingly.

ONDC's Response

ONDC clarifies that quantum and timeline for setting ONDC Fees, are still under consideration, at the time of writing, and will be intimated to the Network Participants. However, ONDC concurs with the suggestion to provide an intimation notice, and accordingly amends the clause to add an atleast 30 day prior notice.

6. Seller's Consideration

Erstwhile Clause 9.1.3 specifies the calculation of the Seller's Consideration

Stakeholders Input

Stakeholders enquired on whether the Delivery Charge will be included as part of the calculation for the Seller's consideration. Additionally, stakeholders sought clarity on the applicability of Section 194 H, J, O under the Income Tax laws on Seller's consideration.

ONDC's Response

- a. ONDC clarifies that the Seller's Consideration will be calculated after considering the Delivery Charges, any markups/discounts and the Declared Price of all the items in the cart.
- b. Regarding the applicability of Income Tax laws affecting the Seller's consideration, ONDC clarifies that TDS, if applicable, will be deducted from the ONDC fee, Seller App fee, Buyer App fee, logistics service charge amount, etc., as may be applicable. However, even if TDS is deducted, there will not be any impact on the amount received by the Seller. [Separately, the applicability of TDS, the relevant section under which tax is to be deducted etc, are subject to interpretive differences and also depend on the precise fact situation. Furthermore, since the Participants have the flexibility to transact in the manner as may be commercially acceptable to them, there may be a situation where the Seller engages a logistics service provider and charges the Buyer for the logistics service charges. To account for this, clause 3.1.2 (i) [containing the definition of Declared Price] and the formula at clause 3.1.3, have been revised, to include any logistics service charges that may be payable by the Buyer on account of being invoiced by the Seller and also, to reflect the TCS (under GST laws) / TDS.

The said clause has been removed to avoid any confusion related to calculation on Seller's consideration.

7. **Other Fees**

Clause 3.2 (Erstwhile Clause 9.2) describes the other fees to be charged for a transaction on the Network.

Stakeholder Input

Stakeholders enquired on whether the ONDC registration fees will be a one time fee or charged on a subscription basis and the timeline for the fees to be charged.

ONDC's Response

ONDC clarifies that Network participants will be required to pay a small annual fee of INR 25,000, which in the first year is limited to INR 10,000. However, no timeline has been proposed yet to charge the fees.

8. **Obligations for Gateway**

Clause 3.2.3(a) (Erstwhile Clause 9.2.1.(ii)(a)) specifies that a Gateway won't monetise the data collected as part of its functionality to relay data between Buyer Side Apps and Seller Side Apps

Stakeholder Inputs

Stakeholders sought clarification on the need for such a clause to restrict Gateways.

ONDC's Response

ONDC clarifies that the clause has been added since Gateways will receive an enormous amount of data on searches by Buyers as well as responses from Seller Side Apps. This data will not belong to the Gateway. This provision is intended to prevent Gateways from monetising such data.

9. **Order Flow**

Clause 3.3 (Erstwhile Clause 9.3) describes the multiple scenarios of Order Flow which are possible on the ONDC Network

Stakeholder Inputs

Stakeholders enquired for reasons for discounting Logistics Service Providers out of the Order Flow.

ONDC's Response

The order flow in Clause 3.3 is neutral and sector agnostic. The Network Policy treats Logistics Service Providers to be a Seller Side App. The product or service offered/relayed by the Seller App will include logistic services. In such cases, the Buyer App or non-logistics Seller App, will be the Buyer in the transaction with the Logistics Service Providers (i.e., Seller App providing logistics service).

10. **Payment and Settlement**

- a. *Schedule 3A.A (Erstwhile Clause 9A.A) describes a scenario where the Buyer Side App collects Buyer Price and Seller Side App agrees in a Prepaid Order.*

Stakeholder Inputs

- i. Stakeholders sought clarity on the modalities of making arrangements for the Withholding Amount between the Buyer Side App and the Seller Side App
- ii. Stakeholders sought clarity on whether Buyer Side App can settle ONDC's fee instead of the Seller Side App
- iii. Stakeholders sought clarity on whether the ONDC fees will be returned in the case order is returned or cancelled
- iv. Stakeholders sought clarity on whether TDS and TCS will be applicable in case the Seller Side App will be an Inventory Place Seller App

ONDC's Response

- a. The withholding amount is the difference between the amount payable by the buyer (i.e. Buyer Price) and the Buyer Finder Fee. Effectively, this is the amount that the Buyer App has to pass on to the Seller App at the time of settlement. Since the Buyer Finder Fee can be between 0 to 3% of the order value, the Withholding Amount would be 100 to 97% of the Buyer Price.
 - b. The ONDC Payment and Settlement Protocol envisages the Seller Side App to settle ONDC's fees, irrespective of whether the Seller Side App or the Buyer Side App will be collecting.
 - c. The modalities and provisions of the ONDC fee are still under development, at the time of writing. ONDC will apprise Network Participants of these details (applicability, timeline, quantum and modality) once finalised.
 - d. TDS obligations under the Income Tax law would depend upon the contractual relationship, and not by who collects the payment. Notably, no TCS under the GST laws would be required to be collected if the consideration is collected directly by the Seller (including, when collected through a Logistics Service Provider engaged directly by the Seller) without the involvement of any of the Network Participants (for example, if the cash is collected by the Logistics Service Provider engaged by the Seller App, then TCS under GST laws would be applicable).
- b. *Schedule 3A.C (Erstwhile Clause 9A.C) describes a scenario where the Buyer Price is collected by the Logistics Service Provider through Cash on Delivery*

Stakeholder Inputs

Some stakeholders suggested that a common operational agreement can be established between Logistics Service Providers and Buyer Side Apps. Stakeholders sought clarity on cases when multiple Sellers will be fulfilling orders of a single Seller SideApp and have different Logistics Service Providers?

ONDC's Response

The schema for the agreement between the Logistics Service Provider and the Network Participant procuring the logistics is defined in the ONDC Protocol Specifications. It follows the same logic as the transaction-level agreement between a Buyer App and Seller App for buying/selling a product. Therefore it can be executed in the same, automated fashion as a Buyer-Seller Agreement. There are two key differences. First, the fields are different because the terms that have to be defined for a logistics agreement are different from that of an agreement to buy/sell a product. Second, the logistics service agreement is always going to be created as a "linked order" to an order for a product.

11. Invoicing and Taxes

Clause 3A.E (Erstwhile Clause 9A.E) lays out the various requirements of invoicing for transactions on the Network

Stakeholder Inputs

- i. Stakeholders enquired for greater clarity on the type of scenarios where ONDC reserves the right to deduct TDS with respect to completing transactions on the ONDC Network
- ii. Stakeholders enquired on the need to make GST details available to upload for Buyers, when transactions on ONDC are predominantly expected to be Business to Consumer (B2C) in nature

ONDC's Response

- a. This clause was included for ONDC to comply with any tax laws / requirements that may become applicable to it, for instance, any TDS requirements. It must be noted that ONDC would be required to comply with such obligations irrespective of the inclusion of this verbiage. This clause has only been included to express this understanding, since ONDC's obligations may change with amendments in the law, or a change in the manner in which the law is interpreted. For instance, Section 194-O of the IT Act requires 'e-commerce operators' to withhold tax @ 1% from the gross consideration receivable by 'e-commerce participants'. ONDC should not be viewed as an 'e-commerce operator' , since it is an enabling infrastructure, and not an e-commerce platform.
- b. Furthermore, ONDC requires the Buyer App and the Seller App to provide an option to the Buyer to upload their GST details in case of a B2B purchase being made by the Buyer. There may, however, be certain Buyer Side Apps/ Seller Side Apps who may exclusively be dealing in B2C purchases or may have a separate platform for B2B purchases. The decision however will be left to the discretion of the individual Buyer Side App and Seller Side App as it is a commercial matter.

12. Definitions

Stakeholder Inputs

- i. Stakeholders suggested an amendment to the definition of Purchase Order, to include digital orders within the scope of the definition

ONDC's Response

ONDC accepts the proposal for amendment, and suggests the following alternate definition, to state the following, " Purchase Order means the terms and conditions, digitally executed through APIs, after obtaining explicit confirmation for the Order from the Buyer and Seller."