

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2157

ANSWERED ON:05.12.2014

VIOLATION OF FDI RULES BY ONLINE RETAIL COMPANIES

Meena Shri Harish Chandra;Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Enforcement Directorate has plans to launch comprehensive probe against several popular online retail companies in the country for alleged violation of Foreign Direct Investment (FDI) rules in e-commerce;
- (b) if so, the details thereof along with the action taken against these erring companies;
- (c) whether the Government proposes to issue new rules and regulations for e-retailing business in the country to check such practices and if so, the details thereof;
- (d) whether such online retail companies are raising funds from foreign based investors and directly affecting the domestic companies; and
- (e) if so, the steps taken by the Government to check frauds by such online retail companies?

Answer

MINISTER OF FINANCE (SHRIARUN JAITLEY)

(a) (b) & (d) Enforcement Directorate conducts investigations under the Foreign Exchange Management Act, 1999 (FEMA) for possible contravention of FDI norms / policy in cases of online retail companies. Based on the findings of the investigations, appropriate action under the provisions of FEMA is taken in such cases.

(c) and (e) As per Foreign Direct Investment (FDI) policy contained in Consolidated FDI Policy Circular of 20141, FDI up to 100% under the automatic route is permitted in E-commerce activities. E-commerce activities refer to the activity of buying and selling by a company through the e-commerce platform. Such companies would engage only In Business to Business (B2B) e-commerce and not in retail trading, inter-alia implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well. Further, extant FDI policy on retail sector provides that retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of single-brand or multi-brand retail trading. Government decision making is a dynamic process which depends upon the current circumstances and the information available from time-to-time. Appropriate decisions are then taken as and when they are required.