Tax alert: DGFT introduces Inventory-based Cross-border E-Commerce Export Framework

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DGFT introduces a new inventory-based e-commerce export framework under FTP 2023, effective immediately.

In a nutshell

DGFT introduces new e-commerce export framework under FTP 2023, effective immediately, through which e-commerce entities can now own and sell their own inventory directly to overseas customers, rather than merely acting as a marketplace connecting buyers and sellers. These transactions may only be undertaken through a registered Exporter-on-Record (EOR) holding a valid IEC and GSTIN.

The facilitation is strictly limited to exports and is available only against confirmed export orders. EOR must procure Export Inventory from Sellers-on-Record (SOR) only against confirmed export orders. Payment to SOR is due within 7 days of acceptance and cannot be linked to receipt of buyer payment.

Returned goods cannot be sold domestically; EOR bears all reverse logistics costs.

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Overview of the framework

The framework enables an e-commerce entity, other than a marketplace e-commerce entity as defined under the Consolidated FDI Policy, to undertake export-only inventory operations through an Exporter-on-Record registered under this Framework. The EOR may hold inventory of goods exclusively for export through e-commerce and undertake all export-related activities, subject to the framework and the Consolidated FDI Policy, as in force from time to time.

Under the framework, the EOR procures export inventory from one or more SORs against confirmed export orders and undertakes all export-related processes, including payment to SORs, claiming of export rebates and refunds (ERR), and reverse logistics for returned or rejected consignments. Only goods of Indian origin are eligible under the framework, and the SOR is responsible for ensuring and declaring the correct origin of goods.

Notably, where an e-commerce entity proposes to undertake export operations under Para 5.2.15.2.5 of the Consolidated FDI Policy, as amended vide Press Note No. 3 (2026 Series) dated 23 July 2026, such operations must be carried out through a separate legal entity incorporated for the purpose. At the time of registration or amendment as the EOR, such entity must disclose its shareholding pattern and the nature of its ownership or control relationship with the e-commerce entity.

Key definitions

- **Exporter-on-Record (EOR):** An entity holding a valid IEC and GSTIN, registered with DGFT under the framework, which exports and sells goods procured from one or more SORs to buyers located outside India.
- **Seller-on-Record (SOR):** A GST-registered entity in India that supplies goods produced in India to the EOR against the EOR's confirmed export orders, for onward export.
- **Export Inventory:** Goods procured by the EOR from an SOR against a confirmed export order and held exclusively for export, designated, recorded and traceable as export-designated stock.
- **Domestic Inventory:** Goods held by the SOR for supply in the Domestic Tariff Area (DTA).
- **Export Rebates and Refunds (ERR):** Cash or cash-equivalent export incentives, rebates or remissions received by the EOR upon export, including Duty Drawback, RoDTEP and RoSCTL, but excluding non-transferable instruments such as Advance Authorisation or EPCG Authorisation.

Key developments

- **Eligibility and origin:** An e-commerce entity may undertake export-only inventory operations through a registered EOR. Only goods of Indian origin are eligible, and a list of ineligible goods may be notified by DGFT from time to time.
- **Passing of title:** Title to goods passes from the SOR to the EOR only against a confirmed export order received by the EOR from a buyer located outside India. Speculative transfer of title or inventory build-up without a confirmed export order is not permitted.
- **Inventory management and segregation:** The EOR must distinctly identify, segregate and maintain export inventory, and maintain a digital repository enabling identification, tracking and traceability of export inventory, including records of procurement from the SOR, inventory status, and linkage with export documentation.
- **Payment to the SOR:** The EOR must make payment to the SOR promptly upon acceptance or deemed acceptance of goods, and in any event no later than 7 days from such acceptance. Payment cannot be made contingent upon or delayed on account of receipt of payment from the overseas buyer, return of goods, or any other event outside the SOR's control.

- **Export Rebates and Refunds:** The EOR is entitled to claim ERR in accordance with the FTP and relevant notifications and must apportion and disburse ERR among SORs in proportion to the FOB value attributable to each SOR's goods, as declared in the Shipping Bill. The EOR may retain an administrative charge, with the balance constituting Seller-attributable export benefits payable to the SOR. This pass-through obligation becomes operative only once the EOR has claimed ERR for that consignment.
- **Reverse logistics:** The EOR owns and manages all reverse logistics for returned or rejected consignments and bears the associated costs. Returned or rejected consignments cannot, under any circumstances, be sold or supplied in the domestic market by the EOR, whether directly or through any other person or entity.
- **E-Commerce Export Hubs (ECEHs):** The EOR must, to the extent practicable, utilise notified ECEH infrastructure for operations under the Framework, subject to operational readiness and available capacity.
- **Manner and form of compliance:** The manner, form and standards for identification, segregation and maintenance of Export Inventory, and for the digital repository referred to above, will be as prescribed under the Handbook of Procedures.

Effect of the notification

The Notification introduces the Inventory-based Cross-border E-Commerce Facilitation Framework, enabling export-only inventory operations through registered EORs in accordance with the Consolidated FDI Policy. It prescribes eligibility conditions, operational obligations, inventory management requirements and other compliance requirements, and has been issued with the approval of the Ministry of Commerce & Industry.

Way forward

The framework marks a significant step toward formalizing inventory-based e-commerce export models under the FTP, providing much-needed regulatory clarity for e-commerce entities, EORs and domestic suppliers. E-commerce entities seeking to undertake export operations through an inventory model should evaluate whether a separate legal entity needs to be incorporated to act as the EOR, assess IEC/GSTIN registration requirements, and put in place systems for the segregation, tracking and digital record-keeping of Export Inventory.

Importantly, EORs will need to align payment cycles with SORs to meet the 7-day payment timeline, and design ERR apportionment mechanisms based on FOB value with appropriate documentation to support the administrative charge retained. Businesses should also track the forthcoming Handbook of Procedures, which is expected to prescribe the detailed manner, form and standards for inventory identification, segregation, and the digital repository contemplated under the framework, as well as the list of ineligible goods and notified ECEHs.