

The need for local payments for Digital Downloads in India?



Why do international software product, SAAS and digital services companies need to have a localized payment option for sale of products in India?

Two Reasons

1. Selling digital products to consumers in India without paying customs duty and without paying the local taxes is considered a tax violation
2. Consumers share of wallet in favour of international valid credit and debit cards is fast declining as local payments, bank transfers, cash on delivery and local payment wallets are taking over the payments space

There are several thousands of companies selling software and SAAS products for use by consumers and small businesses. Box products have been phased out in preference for digital downloads. Monthly and annual software subscriptions are being provided by software companies with the aim to boost their ongoing revenue.

While downloading and paying for such digital downloads we, as consumers, seldom pause to think about where the seller is based. Unless of course we don't have an internationally valid credit or debit card. In which case it is highly unlikely that we can buy software or subscribe to any international digital subscription or paid download.

Most mobile wallets and local payment networks do not allow international transactions as they are mainly for domestic use.

So what happens if you want to use your domestic bank transfer facility to pay for a download of software from a leading software company? The transaction will not go through. Because the merchant or seller of record is overseas. Probably in Ireland or some other low tax country.

If a seller of software or SAAS and other digital services wants to truly tap the India market they need to localize their invoicing and payments. The benefits of this are :

1. The seller can offer a vast range of payment options to the consumer, thereby increasing the conversion rate
2. The seller becomes tax compliant as they collect GST from the Indian consumer and deposit this with the Indian Government
3. The consumer gets a wider choice of payment options and also gets a valid receipt with GST included (this can be taken as an input for the business while computing the net GST payable)

If you are an international software company or a SAAS company or a Digital Services provider you should consider getting an Indian Importer of Record and Seller of Record.

The Importer of Record and Seller of Record will be an Indian entity which can offer local payment options to consumers as well as collect and deposit taxes (GST and India Customs Duty) and make the whole transaction compliant with Indian laws

To know more about how to get your company compliant with Indian laws and to provide consumers with local payments please contact www.ndcommerce.in and write to mukund@ndcommerce.in

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