

**GOODS**

**AND**

**SERVICES**

**TAX**

**GST**  
**UPDATES**

## Taxability on Online Gaming

### Introduction:

Online gaming can be referred to any type of games that someone can play through internet or over a computer network.

Online gaming operators provide platform wherein multiple players of different locations across the world can come together to play online.

India has produced 3 gaming unicorns i.e., Game 24X7, Dream11 and Mobile Premier League where revenue from online gaming grew to \$1.6 billion i.e., by 39% in 2022.

### Business Model:

The business model of these online gaming is based on three terminologies- The contest fee, platform fee and prize money.

Contest fee i.e., Gross Gaming Value (GGV) is the money that every player playing online have to put into the platform at the time of entering the contest.

Out of the total money collected, they retain 10-20% money with themselves in the form of platform fee i.e., Gross Gaming Revenue (GGR)/ administration fee/ entry fee/ registration fee for providing services.

The remaining amount (i.e., contest fee – platform fee) shall be distributed as prize money to the winner of the contest.

### Taxability:

In order to understand the taxability on online gaming from GST perspective, first we need to understand difference between games of skill and games of chance since the current GST regime differentiates online games between skill versus chance based on industry practices.

| S. no. | Parameters    | Game of Skill                        | Game of Chance             |
|--------|---------------|--------------------------------------|----------------------------|
| 1.     | Plays against | Another similar player/user          | The House like casino.     |
| 2.     | Requires      | Practice, experience, tactics, skill | Mostly chance/ luck-based  |
| 3.     | Result        | Wholly certain                       | Wholly uncertain/ doubtful |
| 4.     | Example       | Poker, Rummy, Fantasy Sports         | Rolling of a dice, lottery |

❖ **Current Taxability:**

Currently, the following GST rates are applicable to online gaming based on industry's practice:

For a game of skill, such as esports, puzzles, and some card games, an 18% GST is chargeable under HSN 998439 only on the platform's fee or GGR.

For a game of chance, including gambling at casinos, 28% GST is chargeable under HSN 999692 on the contest fees or GGV.

❖ **Proposed Taxability:**

The latest interim GoM (Group of ministers) proposed to do away with the distinction of classifying online games into skill or chance, as it complicates the tax calculations. Instead, it recommends that a flat GST rate of 28% on all kind of online games, including skill games. Further, this rate will be chargeable on a 'gross value' basis, i.e., on the total contest fee and not simply on the platform fee paid.

**Conclusion:**

Currently, there was no readily available provisions for chargeability on online gaming/horse racing/ casinos. GST Council in its 50<sup>th</sup> meeting held on 11<sup>th</sup> July, 2023 has recommended to amend the law so as to include the online gaming and horse racing in schedule III as taxable actionable claims which is covered under the

definition of goods. Council has recommended to provide a uniform taxability without any ambiguity.

All three namely Casino, Horse Racing and Online gaming to be taxed at the uniform rate of 28%. Tax will be applicable on the face value of the chips purchased in the case of casinos, on the full value of the bets placed with bookmaker/totalizator in the case of Horse Racing and on the full value of the bets placed in case of the Online Gaming.


Now, it's important to see how industry will take this move.


**DISCLAIMER:**

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## CONTACT US:

### DPNC GLOBAL LLP

 Windsor Grand, 15<sup>th</sup> Floor, Plot No.1C,  
Sector-126, Noida – 201303, India

 +91.120.6456990

 [dpnc@dpncglobal.com](mailto:dpnc@dpncglobal.com)

 <https://www.dpncglobal.com/>

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