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GST on online gaming, casinos, racing: issues in the debate

A ministerial panel is likely to recommend a uniform 28 per cent tax rate, irrespective of whether it is a game of skill or chance.

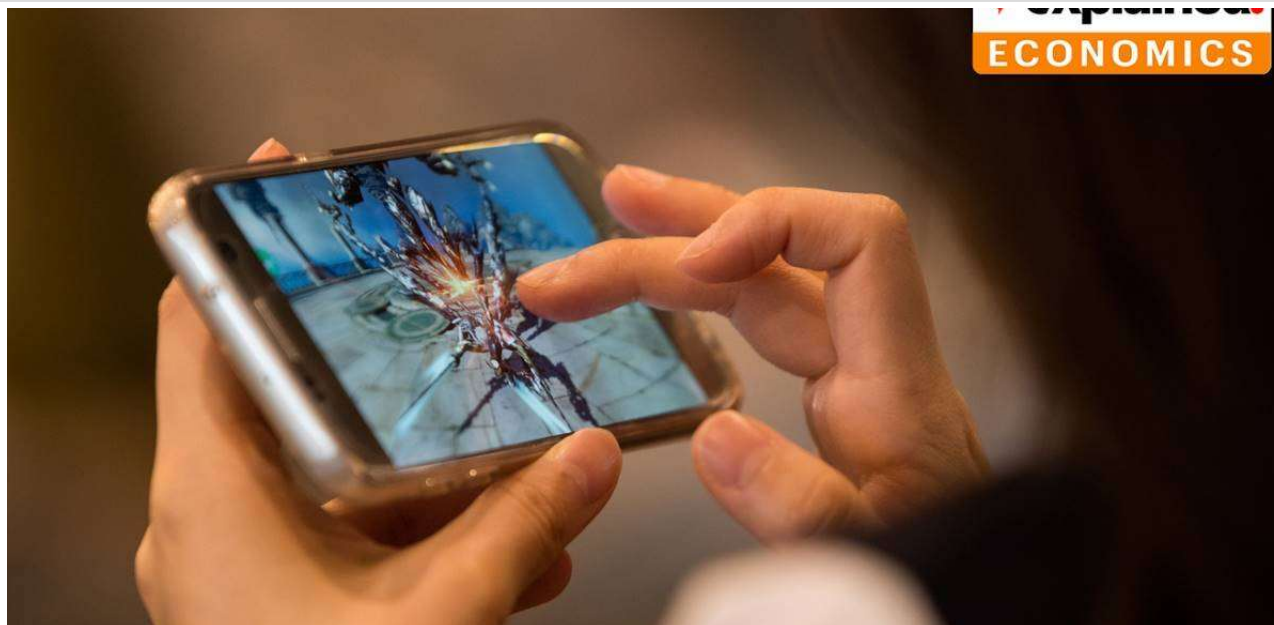
Written by [Aanchal Magazine](#)

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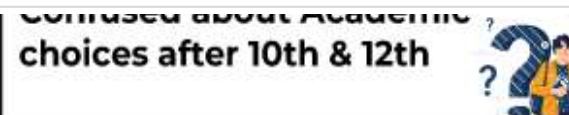


Online gaming currently contributes more than Rs 2,200 crore of GST, as per a recent study by EY and ASSOCHAM (File)

The ministerial panel formed for **casinos, race courses and online gaming under the Goods and Services Tax (GST)** regime is likely to reiterate its earlier stance of a uniform 28 per cent tax rate for the three categories, irrespective of whether it is a game of skill or chance.

The final call about the valuation mechanism, however, will be taken by the GST Council as the GoM members have differed on whether it should be levied on the platform fee or the entire amount paid by the participants.

The panel, which met on Tuesday (November 22), is likely to fall back on the initial report presented before the GST Council in June. This would imply a hike in tax



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on platform too costly, and not on the tax value including prize money.

The online gaming industry grew exponentially during the Covid-19 pandemic. Online gaming currently contributes more than Rs 2,200 crore of GST, as per a recent study by EY and Assocham. As per a KPMG report, the online gaming sector would grow to Rs 29,000 crore by 2024-25 from Rs 13,600 crore in 2020-21.

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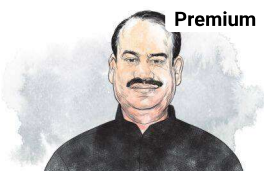
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What has the GoM discussed?

Most states in the GoM are learnt to have converged in favour of a 28 per cent tax rate, but they differ on the valuation mechanism. While West Bengal and Uttar Pradesh support taxing the total value, Goa has recommended a tax on the entry point for casinos.

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The views of all states will be incorporated in the final version of the report, which will be presented before the Council in its next meeting. The GST Council has not met since June. State finance ministers will meet Union Finance Minister [Nirmala Sitharaman](#) on Friday for pre-Budget discussions, where GST-related issues are likely to come up.

What had the GoM said earlier?

The eight-member ministerial panel headed by Meghalaya Chief Minister Conrad Sangma had earlier submitted a report to the Council which was taken up for discussion in the June meeting. [The GoM had recommended a uniform rate of 28 per cent on casinos, race courses, and online gaming with no distinction based on whether an activity is a game of skill or of chance or both.](#)

In its two meetings held in May this year, the GoM took the “general view that these activities because of their nature and negative externalities should be levied a higher incidence of tax”, and that these activities involve “financial risk and are addictive”.

After the 47th GST Council meeting held in June, the GoM was given a 15-day extension with concerns on casinos raised primarily by one state — Goa.



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gaming, the online gaming sector does not pay the same on the ground that online games are actionable claims other than betting and gambling. Thus, the GoM felt there should be uniformity in taxation.

The discussions then focused on valuation: whether these activities should be taxed on Gross Gaming Revenue or net value and to come up with a mechanism of arriving at GGR or net value.

What are the discussions on valuation?

For valuation in case of casinos, the GoM had suggested that GST be applied at 28 per cent on full face value of the chips/ coins purchased from the casino by a player, and that once GST is levied on purchase of chips/ coins (face value), no further GST would apply on the value of bets placed in each round of betting including those played with winnings of previous rounds.

It also suggested 28 per cent GST on services by way of access/ entry to casinos on payment of consideration/ entry fee which compulsorily includes price of one or more supplies such as food, beverages etc.

For horse racing and gaming, the GoM reached the conclusion that the GST be levied on the face value of the bet at 28 per cent.

The industry has argued that if betting and gambling are taxed on full value, the organisers will have to pay from their pockets. It has also said that if share of taxes increases in the bet amount, the prize pool amount shrinks, and therefore, winning

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