

Can the hopes of the gaming industry still be salvaged

Minister of State for Electronics and Information Technology, Rajeev Chandrasekhar recently said that he will ask the GST Council to reconsider its decision

Written by **Saptak Bardhan**

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The state governments have viewed the online gaming space as kin of gambling and casinos

Every cloud has a silver lining and from what it seems this stands true for the online gaming industry. The Goods and Service Tax (GST) Council on July 11 announced that a 28% GST will be levied on the full value in the online gaming sector. While the gaming industry has been worried regarding the change in taxation rate, Minister of State for Electronics and Information Technology, Rajeev Chandrasekhar recently said that he will ask the GST council to reconsider its decision. "We were given a mandate in MeitY of what is permissible. Through a series of consultations, we've notified of what is

permissible. We would take this framework that allows permissible online gaming including permissible online real-money gaming and ask the GST council to consider it,” added Chandrasekhar.

The state governments have viewed the online gaming space as kin of gambling and casinos. Moreover, the introduction of the framework would divide the views of the GST council for online gaming into what is permissible and what is not, as per Chandrashekhar. “Online permissible gaming that falls under the aegis of the IT Rules should receive favourable treatment under GST. Registered platforms and unregistered platforms could be subject to different tax regimes. This could be a way forward for the online gaming industry,” Gowree Gokhale, partner, Nishith Desai Associates, said.

According to industry experts, the GST Council is a recommendatory body. While the 28% GST taxation rate has been given the go-ahead by the GST council, the parliament and the cabinet can choose to ignore the recommendations if they do not align with the IT Rules and the government’s framework. “Such a framework would not only bring much-needed transparency to the gaming sector but also instil confidence among the players about fair play and responsible gaming practices. It’s essential to strike a balance between encouraging a thriving gaming ecosystem and preventing any potential negative impact on accessible individuals,” Rohit Bansal, founder, Super4 told *Brandwagon Online*.

The industry experts believe that the 30% tax deducted at source (TDS) on any earnings that customers choose to withdraw coupled with the proposed 28% GST on full value would turn the gaming community to offshore gaming platforms. “The 28% GST framework will set up the most onerous tax regime which will significantly erode investor confidence and impact prospective investments worth at least \$4 billion over the next three to four years,” Malay Kumar Shukla, secretary, E-Gaming Federation.

A letter addressed to the Finance Minister Nirmala Sitharaman suggested that repetitive surveys conducted by the gaming community, stating more than 9,000 gamers would quit gaming altogether if such high taxation rates would

be levied on the sector. “The game developers are scared because they believe that the operations of their gaming vertical might not survive as a result of the higher taxation rates,” an industry expert said on the condition of anonymity.

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It remains to be seen what taxation regime is finalised for the gaming industry amid the evolving framework and unrest in the gaming community.

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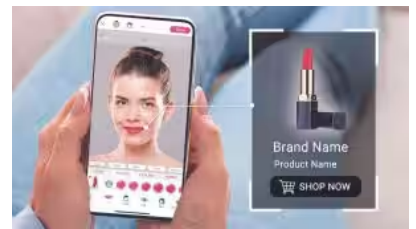


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Nifty

Sensex

Company	Value	%Change
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Tata Steel Ltd.	114.55	-1.76
Reliance Industries Ltd.	2494.6	-1.74
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