

E-Gaming Federation urges the government to maintain 18% GST for online skill gaming sector

National, May 16, 2022: The GST Council reconstituted a Group of Ministers (GoM) in February 2022 to study the GST rates for casinos, racecourses, and online gaming. The panel's terms of reference stated that it will examine the valuation of services offered by casinos, racecourses, and online gaming portals, as well as the taxability of some casino transactions, all within the context of existing legal provisions and court orders. In addition, if an alternative is recommended, the GoM will investigate any changes that are required in the legal provisions and the administration of such valuation provision. The group will also assess the impact on other similar services, such as the lottery.

Earlier this month, Meghalaya Chief Minister Conrad Sangma, Convener – GoM held a meeting with other members and officials to discuss various aspects including the possible GST rates for online gaming, valuation modalities for levying the tax, and other technicalities regarding such activities.

Currently, a tax rate of 18% is levied on the commission (Gross Gaming Revenue or GGR) collected by the online gaming platforms for each game that does not involve betting or gambling. This rate is in line with global best practices since online gaming industry tax structures in countries such as the USA, UK, Germany, and Australia, range between 15% to 20%. In recent years, the online gaming industry has experienced significant growth. The sector generated INR 115 billion in revenue in 2020, and it is predicted to expand at a CAGR of 38% to INR 384 billion by 2025. The contribution to the government exchequer by this industry was 15 to 20 billion in 2020, and the same is expected to reach 35 to 50 billion by 2025.

If the current taxation regime is revised and charged on stakes rather than gross gaming revenue (GGR), it will prove to be disastrous to the burgeoning potential of the Indian online gaming industry. The hike will raise the tax by over 800% - 900% and encourage illicit market operations, which will expose players to unscrupulous operators (predominantly offshore), substantially reduce tax revenues for the government, and all but wipe out a legitimate sunrise sector with the potential to generate \$25 billion in annual revenues and hundreds of thousands of jobs by 2030.

E-Gaming Federation (EGF), an organisation representing top online skill gaming operators in India urges the government to consider Gross Gaming Revenues (GGR) for levying GST and keeping the service at an 18% slab.

Elaborating on the recommendation, **Sameer Barde, CEO, EGF**, said, *“A higher tax burden will make the industry unviable. The gaming platform operators will be unable to continue operations at any meaningful level. Growth, innovation, employment opportunities, government revenues and most important responsible and safe gaming will be impacted in a big way. We urge the GoM to consider the industry's unique needs and recommend the continuance of the current practice of considering GST to be paid on GGR, with the rate remaining at 18%. As online gaming is different from gambling and the Supreme Court and several High Courts have reaffirmed the status of skill-based games as legitimate business activity, rational tax treatment of online skill gaming will help in creating mutually benefitting situations for all the stakeholders.”*

Prime Minister Modi endorsed India's gaming industry as a potential world leader, emphasising on the industry's socioeconomic and cultural importance in today's globalised and digitised economy. The sector received further impetus after Finance Minister, Nirmala Sitharaman announced setting up of Animation, Visual Arts, Gaming and Comics (AVGC) Task Force, in her budget speech this year. “We are witnessing the start of a new era in India's gaming sector. The fact that the government is supporting the industry is really encouraging. The sector's true growth story, however, will be determined by progressive and favourable policies that establish best practises and encourage responsible gaming.”

About EGF:

The E-Gaming Federation (EGF) is a not-for-profit organization, founded under the Societies Regulation Act to protect consumer interest and self-regulate the Indian e-gaming sector. By developing a standard framework and operational guidelines based on the principles of safe, transparent, fair, and responsible gaming, EGF endeavors to build a unified voice shaping a favourable policy environment for regulated online gaming.

With an objective to bring a positive change in perception regarding the e-gaming industry, EGF endorses 'Responsible Play' to protect players by allowing them to minimize or stop indulging in gameplay beyond their means or for excessive periods. EGF-certified online gaming platforms offer responsible play features to the players that are intended to ensure a fair and safe online gaming experience while protecting players from any adverse consequences of online gaming.

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Growing at a CAGR of 35%, the Indian online gaming industry holds huge potential for the financial development, job creation, and government's vision towards becoming a trillion-dollar economy by 2025. The Prime Minister's recognition of India's gaming industry as a potential world leader has provided a significant boost to the sector. The government's support for the promising sector is further reiterated by the formation of the AVGC task group and MeitY taking the lead in regulating India's online gaming business. As an industry we understand that the government has followed a pragmatic policy by revising the current taxation regime to 28% while charging it on gross gaming revenue (GGR). Although this is a significant move, the pinch of a higher tax burden will make the industry unviable as the gaming platform operators will be unable to continue operations at any meaningful level. Growth, innovation, employment opportunities, government revenues and most important responsible and safe gaming will be impacted in a big way. This step also puts online skill gaming and gambling in the same bucket. Online gaming is different from gambling and the Supreme Court, and several High Courts have reaffirmed the status of skill-based games as legitimate business activity. Currently, globally accepted tax structures for the online gaming industry range between 15% to 20%. We, at E-Gaming Federation, believe that a rational tax treatment based on the global best practices will aid in developing a structure that is extremely positive and augurs well for the industry."