

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 3113**

TO BE ANSWERED ON 20TH MARCH, 2023/Phalguna 29, 1944 (SAKA)

Regulation of Online Games and Lottery

3113. DR. SUJAY RADHAKRISHNA VIKHE PATIL:
SHRI UNMESH BHAIYYASAHEB PATIL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to constitute a regulatory body to regulate online gaming in the country and if so, the details thereof;
- (b) whether the Government proposes to constitute a regulatory body to protect revenue leakage in lottery industry and if so, the details thereof;
- (c) whether the Government proposes to bring monetary prize won under lottery system and online gaming under the purview of TDS in the latest budget and if so, the details thereof;
- (d) the steps taken by the Government to recover GST on illegal sale of paper lotteries in the State of Bihar, Jharkhand and Odisha;
- (e) the steps taken by the Government to check money laundering in lottery business; and
- (f) the action taken by the Government against lottery distributors who indulged in evasion of GST, TDS etc. on the basis of complaints received from general public or from the Ministry of Home Affairs?

ANSWER

**MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a): The Government of India has allocated matters related to online gaming to the Ministry of Electronics and Information Technology. The Central Government, in exercise of powers conferred by the Information Technology Act, 2000, has made the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. These rules cast specific obligation on intermediaries, including intermediaries offering online games, to observe due diligence and provide that if they fail to observe such due diligence, they shall no longer be exempt from their liability under law for third-party information or data or communication link hosted by them.

(b): There is no such proposal under consideration to constitute a regulatory body in this regard.

(c): Section 194B of the Income-tax Act, 1961 (“the Act”) provides that the person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort in an amount exceeding ten thousand rupees shall, at the time of payment thereof, deduct income-tax thereon at the rates in force. Hence, provisions for deduction of tax on any income by way of winnings from any lottery are contained under section 194B of the Act. The Finance Bill, 2023 (the Bill) proposes to amend section 194B to provide that deduction of tax under this section shall be on the amount or aggregate of the amounts exceeding ten thousand rupees during the financial year.

The Bill also proposes to amend section 194B of the Act to exclude online games from the purview of the section 194B from the 1st day of July, 2023, since a new section 194BA is proposed to be introduced for deduction of tax at source on winnings from online games from that date.

The new section 194BA provides that the person responsible for paying to any person any income by way of winnings from any online game during the financial year shall deduct income-tax on the net winnings in his user account, computed in the manner as may be prescribed, at the end of the financial year at the rates in force. In case there is withdrawal from user account during the financial year, the income-tax shall be deducted at the time of such withdrawal on net winnings comprised in such withdrawal. In addition, income-tax shall also be deducted on the remaining amount of net winnings in the user account at the end of the financial year. Net winnings shall be computed in the prescribed manner.

Further, the new section 194BA also provides that in a case where the net winnings are wholly in kind or partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of the net winnings, the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid in respect of the net winnings.

Moreover, if any difficulty arises in giving effect to the provisions of new section 194BA, the Board may, with the prior approval of the Central Government, issue guidelines for the purpose of removing the difficulty. Every such guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the person responsible for deduction of income-tax on any income by way of winnings from online game.

(d): No case of GST evasion by way of illegal sale of paper lotteries in the State of Bihar, Jharkhand and Odisha has been detected.

(e) & (f): Whenever any credible information/intelligence/complaints of violation of Direct Tax Laws (including TDS) relating to any taxpayer comes to its notice, the Income Tax Department takes appropriate action including issuing notices, conducting enquiries, mounting search & seizure or survey action, and assessment and consequential actions thereto, wherever applicable. The taxpayer being investigated upon could be engaged in any business/sector/profession which could be in diversified activities/sectors of the economy, and such business/sector/profession specific details are not separately maintained with CBDT. Further, the disclosure of information about specific taxpayer is prohibited except as provided under section 138 of the Act.

Based on the information received from informers and other sources, and intelligence developed by officers, 12 cases involving GST evasion of Rs. 344.57 Crore have been detected against lottery distributors and Rs. 352.95 Crore (including interest and penalty) has been recovered/ realized from July, 2017 to till February 2023.
