

**Government of India
Ministry of Finance
Department of Revenue**

**LOK SABHA
UNSTARRED QUESTION NO. 2825
TO BE ANSWERED ON MONDAY, AUGUST 07, 2023
SRAVANA 16, 1945 (SAKA)**

TAX ON ONLINE GAMES

2825. DR. UMESH G. JADHAV:
SHRI L.S. TEJASVI SURYA:
SHRI PRATHAP SIMHA:
SHRI ANNASAHEB SHANKAR JOLLE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has levied any tax on online games and if so, the details thereof;
- (b) the reasons for levying such a tax on the online gaming industry;
- (c) whether the Government has levied this tax based on the recommendations of any expert committee, if so, the details thereof;
- (d) whether the Government is cognizant of the impact that the tax will have on the online gaming industry, if so, the details thereof; and
- (e) the estimated revenue to be collected by the Government annually through the tax on online games?

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

(a): Section 115BBJ of the IT Act provides that where total income of an assessee includes any income by way of winnings from online game, the income-tax payable shall be the aggregate of:

- i. The amount of income-tax calculated on net winnings from such online games during the previous year, computed in the prescribed manner at the rate of thirty per cent; and
- ii. The amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the net winnings referred to above.

Net winning is calculated after aggregating all winning (including losses) during the year. Section 115BBJ of the Act applies from 1st April 2024 and is accordingly applicable for the assessment year 2024-25 and subsequent assessment years.

Section 194BA provides for tax deduction at source (TDS) at the rate of 30% on “net winnings” from online games, at the time of withdrawal and at year end.

28% GST is levied on actionable claims in the form of betting and gambling supplied in online gaming.

(b) to (d): Earlier, income from online games was taxed under section 115BB of the Income-tax Act 1961 (the Act) and tax was required to be deducted under section 194B of the Act. As there had been a significant rise in the number of users of online games and multiplicity of games being played during the year, there was a need to bring in specific provisions regarding TDS and taxability of online games due to its different nature, being easily accessible vide the Internet and computer resources with a variety of playing options and payment options. Hence, separate provisions were enacted for online gaming.

As regards GST, the rates and exemptions are prescribed on the recommendations of GST Council which is a constitutional body comprising members from Union Government and State/UT Governments. The GST Council had set up a Group of Ministers on Casinos, Race Courses and online Gaming, whose reports were placed before the GST Council. After detailed deliberations, the GST Council in the 50th meeting held on 11th July, 2023 has clarified that actionable claims supplied in online gaming should be taxed at 28% of face value

(e): No such estimates are available in respect of direct tax.

As regards GST, online gaming companies are currently paying GST at rate of 18% on platform fees ranging from 5% to 20% in general of the full face value. It is anticipated that collection of 28% on full face value will result in increase of revenue from current levels.
