

28% GST likely on casinos, online gaming, and horse races on gross revenue- Report

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The all-powerful GST Council at its meeting in Chandigarh this week is expected to vet a proposal of the panel of state finance ministers on levying 28% goods and services tax (GST) on online gaming, casinos and horse racing.

The 47th meeting of the GST Council, headed by Union Finance Minister Nirmala Sitharaman and comprising representatives of all states and UTs, is scheduled for 28-29 June. The Council is meeting after a gap of six months.

The GST Council will also be presented two reports of Group of state finance ministers.

The Group of Ministers, headed by Meghalaya Chief Minister Conrad Sangma, has recommended that online gaming should be taxed at full value of the consideration, including contest entry fee paid by the player on participating in the game.

In case of race courses, the GoM has suggested that GST be levied on the full value of bets pooled in the totalisators and placed with the bookmakers.

In casinos, GoM recommended that the tax would be levied on the full face value of the chips/coins purchased from the casino by a player. No further GST would apply on the value of bets placed in each round of betting, including those placed with winnings in previous rounds.

Also, the GoM suggested that 28% GST be levied on entry/access fees into casinos, which compulsorily includes foods/beverages etc.

However, optional supplies, made independently of the entry tickets, would be taxed at the rate applicable on such supplies, sources added.

At present, services of casinos, horse racing and online gaming attract 18% GST. The GoM would decide on the method of valuing the services.

The Government had in May 2021 set up a panel of state ministers for better valuation of services of Casinos, online gaming portal and race courses for levying GST.

AMRG & Associates Senior Partner Rajat Mohan said 28% tax bracket for online gaming, horse racing, and casinos would peg them at par with numerous sin goods like pan masala, tobacco and aerated waters.

"Taxing online gaming, horse racing, and casinos at gross revenue instead of net value addition would be a departure from the global tax ethics," Mohan said.

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This proposal may sweeten the exchequer for a while; however, it would also entice the unorganized sector leading to rampant generation of black money in the long term, he added.

The interim report of the GoM is likely to be taken up in the next meeting of the GST Council in Chandigarh.

The other state ministers in the 8-member GoM include Maharashtra Deputy Chief Minister Ajit Pawar, Gujarat Finance Minister Kanubhai Patel, Goa Panchayati raj Minister Mauvin Godinho, Tamil Nadu Finance Minister P Thiaga Rajan, Uttar Pradesh Finance Minister Suresh Khanna and Telangana Finance Minister T Harish Rao.

Apart from rate rationalisation, the Council will likely see a stormy discussion around compensation payout to states with Opposition-ruled states aggressively pushing for its continuation beyond the 5-year period which ends in June.

GST was introduced in the country with effect from 1 July, 2017 and states were assured of compensation for the loss of any revenue arising on account of implementation of GST for a period of five years.

Though states' protected revenue has been growing at 14% compounded growth, the cess collection did not increase in the same proportion, Covid-19 further increased the gap between protected revenue and the actual revenue receipt including reduction in cess collection.

In order to meet the resource gap of the states due to short release of compensation, the Centre has borrowed and released ₹1.1 lakh crore in 2020-21 and ₹1.59 lakh crore in 2021-22 as back-to-back loan to meet a part of the shortfall in cess collection.

The government has released the entire amount of GST compensation payable to states up to 31 May, 2022.

With agency inputs