

Uniform 28% Tax on Online Gaming

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What's in Today's Article?

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- **What Exactly is the Goods and Services Tax (GST)?**
- **What is the GST Council?**
- **Decision to Levy a Uniform 28% GST on Online Gaming**
- **Implementation at the Level of the States and Online Gaming Companies**

Why in News?

- With all states yet to pass legal amendments for the 28% GST on face value at entry level for online gaming, casinos and horse racing, the Union government is fully prepared to implement the amended legal provisions from October 1.

What Exactly is the Goods and Services Tax (GST)?

- It is an **indirect tax** (not directly paid by customers to the government), that came into effect from **1 July 2017** through the implementation of the **101st Amendment to the Constitution of India** by the Indian government.
- It has actually **replaced** various indirect taxes such as – service taxes, VAT, excise and others in the country.
- It is **levied on the manufacturer or seller** of goods and the providers of services.
- It is divided into five different tax slabs for collection of tax – **0%, 5%, 12%, 18% and 28%**.
- **Types of GST:** State Goods and Services Tax (SGST), Central Goods and Services Tax (CGST) and the Integrated Goods and Services Tax (IGST, on exports and imports).

What is the GST Council?

- **Article 279A** of the Indian Constitution gives power to **the President of India** to constitute a joint forum of the Centre and States called the GST Council, consisting of the –
 - Union Finance Minister – **Chairperson**
 - The Union Minister of State, in-charge of Revenue of finance – **Member**
 - The Minister in-charge of finance or taxation or any other Minister nominated by each State Government – **Members**
- The GST Council is **an apex committee** to modify, reconcile or to make recommendations to the Union and the States on GST, like the goods and services that may be subjected or exempted from GST, model GST laws, etc.
- Decisions in the **GST Council** are taken **by a majority** of not less than three-fourth of weighted votes cast.
 - **Centre** has one-third weightage of the total votes cast and **all the states taken together** have two-third of weightage of the total votes cast.
 - All decisions taken by the GST Council have been arrived at through

Decision to Levy a Uniform 28% GST on Online Gaming:

- The 50th GST Council in its meeting (on July 11) had decided to levy **a uniform 28%** on full face value for online gaming, casinos and horse racing.
- However, **after concerns raised by some states**, the Council in its 51st meeting (on August 2) had decided to **levy 28% tax at face value at entry level**.
- **The Council gave some relief** by deciding not to impose the tax levy on the amount entered into games/bets out of winnings of previous games/bets in online money gaming or on total value of each bet placed.
- Recently, **the Centre passed the required legal amendments** in the Central GST (CGST) and Integrated GST (IGST) laws in the **Parliament** to give effect to the Council's decision.
- **States are also required to make the corresponding legal changes** in their State GST laws to bring it into effect.

Implementation at the Level of the States and Online Gaming

Companies:

- So far, close to a dozen states are learnt to have passed the **required amendments or ordinances**.
- Some states, like Goa, MP and Maharashtra, have passed ordinances. Karnataka is reported to have deferred its decision to approve the ordinance to the next Cabinet meeting.
- **Show Cause notices have been sent to online gaming companies** like Dream11, Nazara Tech and Delta Corp for non-payment of GST at 28% rate on full face value.
- The government has been **embroiled in a legal battle with online gaming companies**.
- Recently, the SC had **ordered an interim stay on the Karnataka HC ruling** that online games like rummy are not taxable as 'betting' and 'gambling' under the CGST Act 2017.
- **The CJI-led Bench** was acting on the GST department's plea against the Karnataka HC order, which had quashed the department's show-cause notice to the online gaming company GamesKraft Technologies for dues worth Rs 21,000 crore.

Q1) What is the difference between Game of skill and Game of chance?

Online games which are played using human intellect are known as 'games of skill', and they are legal in India. In contrast, online games where results are obtained by chance not using human intellect is a 'Game of chance', which is not legal in India.

Q2) What are the recent developments in the online gaming laws in India?

In 2023, the Ministry of Electronics and IT, after looking into the loopholes in state laws on online gaming, announced amendments to the IT (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021, which will mainly look into online real money games.

Source: [Centre says ready to bring 28% online gaming GST from Oct 1; all states yet to pass laws](#)

Source: <https://vajiramandravi.com/current-affairs/online-gaming-2/>

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