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TECHNOLOGY INSIGHT

India's Booming Online Gaming Industry Faces 28% Tax Bombshell

Draft Telecommunication Consumers Education and Protection Fund
Regulations, 2023



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India's online gaming industry, projected to reach a staggering \$3.8 billion by 2024, hit a major roadblock, with the GST Council's decision to slap a 28% tax on the full-face value of all online gaming services.

Previously, a more modest 18% tax applied only to the operators commission, known as rake fees. The Council's move not only tripled the effective tax rate but also exposed operators to significantly higher tax liabilities. This sudden shift sent shockwaves through the industry, sparking concerns about decreased profitability, hampered growth, and a potential exodus of investors.

The legal landscape adds another layer of uncertainty. The industry anticipates extensive and expensive litigation, as landmark rulings like Gameskraft Technologies and Bangalore Turf Club, which successfully challenged the earlier 28% tax on face value, are likely to be contested by the authorities.

While the Council's decision undoubtedly broke a year-long impasse on online gaming taxation, it left a bitter taste in the industry's mouth. Coupled with the stalled plan for "self-regulating bodies," it paints a bleak picture for the immediate future of Indian online gaming.

The industry now faces a complex tug-of-war. Operators grapple with navigating the choppy waters of a higher tax burden while investors assess the financial viability of ventures in a potentially turbulent regulatory environment.

India's online gaming market holds immense potential, driven by a young, tech-savvy population and rapidly increasing smartphone penetration. The recent developments highlight the need for a stable and predictable regulatory framework that fosters growth while addressing concerns about responsible gaming practices and consumer protection.

Draft Telecommunication Consumers Education and Protection Fund Regulations, 2023

The Telecom Regulatory Authority of India (TRAI) has proposed an update to the Telecommunication Consumers Education and Protection Fund (TCEPF) Regulations, aiming to modernize its function and address recent legal changes. This draft, released on July 24, 2023, targets two key areas: aligning with bank mergers and clarifying expense utilization for consumer initiatives.

Previously, the TCEPF resided in Corporation Bank, which later merged with Union Bank of India. To reflect this shift, the proposed amendments update the designated bank for TCEPF management. Additionally, the repeal of the Consumer Protection Act, 1986, necessitated adjustments to ensure the TCEPF operates within the current legal framework.

While the draft regulations are currently open for public consultation, their potential impact on consumer engagement and protection is promising.



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