

A TENTATIVE RETHINK: THE HINDU EDITORIAL ON THE GOODS AND SERVICES TAX COUNCIL'S MOVE

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Less than a month after the Goods and Services Tax (GST) Council appeared to have sealed a compact on the long-deliberated issue of the [appropriate tax to be levied on casinos, horse racing and the booming online games industry](#), it was convened afresh this Wednesday to revisit the matter. The rethink on the Council's move [to impose a 28% GST](#) on the face value of bets placed by participants was ostensibly triggered by an outcry from industry and a nudge from the Electronics and IT Ministry that is steering the e-gaming policy. Online gaming players had termed it a death knell for the sunrise sector with billions of dollars in investments and thousands of jobs at stake, and stressed the levy is not in sync with global norms that tax the gross gaming revenue (i.e., their platform fees). Sikkim and Goa's pleas for the casino tax to be also levied in the same manner did not find favour with the Centre and most States, so the Council decided to stick to its stance with one minor, but not trivial concession. Simply put, if one enters the race course on Derby Day and bets 1,000 on a horse with moderate odds which ends up winning, and bets part of that bounty on another horse in the next race, the tax levy will remain confined to your initial thousand rupee wager. This formulation addresses the prospect of repeat taxation on reinvested earnings, drawing a muffled sigh from the nascent industry that still remains anxious on the implications of the tax likely to kick in from October 1.

It is no one's case that the GST Council should only take unanimous decisions — as Finance Minister Nirmala Sitharaman pointed out, even the taxation of lotteries was firmed up by a majority vote. But the Council's promise of a review of the tax six months after its implementation, even if it was just an attempt to placate the dissenting voices of small States such as Goa and Sikkim, belies a lack of conviction in the resolution. While users and industry now await the fine print of the legislative changes to GST laws and the rules to be subsequently notified by the Revenue Department, the room for a review, which could swing either way, creates a cloud of uncertainty on business operations and fresh investment plans. The Council has often clarified or tweaked tax treatment for items, when warranted. But announcing a review at the outset sets an awkward and potentially dangerous precedent that could thwart India's aspirations of being a reliable investment destination with predictable policies. The Council should not give the impression that it can be swayed so easily by representations from the industry or demands of individual States.

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