



MAJESTY LEGAL

Advocates & Solicitors

KARNATAKA HIGH COURT:-

IMPOSING TAX PENALTY ON GAMESKRAFT OF Rs. 21K CR WAS QUASHED

The Hon'ble Karnataka High Court quashed the INR 21,000 Cr tax evasion notice issued by DGGI to Bengaluru-based online gaming startup Gameskraft Technology. The Hon'ble Court rejected the argument of tax authorities that game of skill should be considered as gambling and betting if it is played for money.

UPHELD BY HON'BLE COURT:

- In the above matter, the gaming company argued that rummy is a game of skill and therefore invites only 18% GST¹, however DGGI sought to levy 28% GST on the betting amount of Gameskraft's companies like Rummy Culture, Rummy Time and Gamezy. In September 2022, a show-cause notice was issued by DGGI to Gameskraft and alleged tax evasion by the startup on betting amount of INR 77,000 Cr between 2017 to June 2022.
- The Hon'ble Karnataka High Court order comes as relief not only for Gameskraft but also for the entire online gaming industry. Mr. Roland Landers² commenting on the order said that "We hope that a rational and progressive GST policy will boost investments within the sector and this decision will pave way towards clarity and certainty from the GST Council in the GST policy for this sector". Under the Finance Act, 2023 online gaming industry is recognized as a new-age industry which is different from betting and gambling.

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¹Goods and Services Tax.

² CEO of All India Gaming Federation (AIGF)

³Majesty legal is a LAW FIRM established in 2013 by Ms. MahiYadav. Objective of the above highlights is to provide insights on law, statutes and dispensation in nature, not to be deemed as legal advice.