



New Tax Rules for Online Gaming Platforms

Why in News?

The [Central Board of Direct Taxes \(CBDT\)](#) has recently introduced **new tax rules for online gaming platforms in India**. These rules aim to bring clarity and establish guidelines for [Tax Deducted at Source \(TDS\) on winnings from online gaming](#).

What are the New Tax Rules for Online Gaming?

- **No TDS on Winnings up to Rs 100:**
 - Online gaming platforms **will not be required to deduct tax at the source for a player if the net winning does not exceed Rs 100.**
 - This threshold provides relief for **players with smaller winnings.**
- **Taxable Deposits:**
 - Bonus, referral bonus, and incentives provided by the online gaming company are **considered taxable deposits.**
 - These deposits will be subject to tax under **Rule 133 of the Income-tax Act.**
- **Calculation of Net Winnings:**
 - Calculation of net winnings in the online gaming industry will **consider each user account separately when a user has multiple accounts.**
 - The deposit, withdrawal, or balance in the user account refers to the **total amount across all user accounts associated with the individual.**
 - Transfers between user accounts under the same online intermediary, belonging to the same user, **will not be treated as withdrawals or deposits.**
 - However, if a withdrawal or deposit occurs between **one user's account and another user's account, such transfers will be considered as withdrawals.**
- **Valuation of Winnings:**
 - The valuation of winnings in kind will be based on the **fair market value**, except when the online gaming intermediary has purchased the winnings before providing them to the user.
 - If the online gaming intermediary manufactures items as winnings, the fair market value will be considered.
- **TDS Provision for Online Gaming:**
 - To regulate online gaming transactions, the **Finance Act 2023 introduced section 194BA in the Income-tax Act, 1961**, requiring online gaming platforms to deduct **income tax on net winnings in a user's account.**
 - TDS at a **rate of 30% will be applicable** on the net winnings from any online gaming platform.
 - Tax is required to be deducted at the time of withdrawal and at the end of the [financial year](#).
- **Impact:**
 - **Increased tax burden** on online gamers.
 - Impact on professional gamers and streamers, potentially higher taxes and more complex financial management.
 - Esports organizations may need to **adjust financial models and consider tax implications for revenue streams.**
 - Financial implications and potential **reduction in gaming income.**
 - Compliance challenges in understanding and adhering to new tax rules.

- Possibility of players **migrating to jurisdictions with more favorable tax regulations.**

Tax Deduction at Source:

- A person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government.

What is CBDT?

- It is a **statutory authority** that functions under the [Central Board of Revenue Act, 1963](#).
 - It is a part of the **Department of Revenue in the Ministry of Finance.**
- It provides **inputs for policy and planning of direct taxes in India** and is also responsible for the administration of direct tax laws through the **Income Tax Department.**
- Direct Taxes include [income tax](#), **corporation tax etc.**

What are the Other Tax Regulations Related to Digital Assets?

- The Government of India has decided to regulate transactions of [Virtual Digital Assets](#) in the [Union Budget 2022](#).
 - Provisions have been proposed in the **Income-tax Act, 1961** to regulate investments in [cryptocurrencies](#), [NFTs](#), and other virtual digital assets.
- Income from **digital assets will be taxed at a rate of 30%.**
- **A 1% tax deductible at source** will be applicable on transactions involving virtual digital assets.
- **Gifts of virtual digital assets will also be subject to taxation.**
- No deductions and exemptions are allowed, and losses from the **transfer of such assets cannot be set off against any other income.**

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims:

Q. With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, which of the following statements is/are correct? (2018)

1. It is introduced as a part of the Income Tax Act.
2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the "Double Taxation Avoidance Agreements".

Select the correct answer using the code given below:

- (a)** 1 only
- (b)** 2 only
- (c)** Both 1 and 2
- (d)** Neither 1 nor 2

Ans: (d)

Source: IE

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