

BIF Sounds the Alarm: 28% GST Decision on Online Gaming Sparks Fears of 5G Utilization Crisis

New Delhi, 3rd August 2023 - Broadband India Forum (BIF), an independent policy forum and knowledge-based think-tank feels that the Online Skill-based Gaming Sector has tremendous long-term potential to generate huge revenues for the national exchequer, leading to a surge in demand for 5G, increase in broadband traffic & penetration, while inculcating a renewed sense of responsibility with accountability amongst gaming intermediaries towards.

The GST Council's decision to impose a hefty 28% tax on Online Skill Based Gaming, based on the total pool money i.e. deposit instead of platform fee, comes as a very big setback for this flourishing sector and it would seriously hurt FDI and damage advertising revenues; and, most importantly, in a situation where 5G utilisation is critical, the Gaming industry which is a turbo-charger for the consumption of 5G will effectively be severely stunted. It will also give impetus for the growth of black market operators which could, in turn, pose a serious security threat to national security.

With a \$20-billion valuation, \$2.5-billion revenues, and significant job creation, online skill-based gaming has been a shining beacon of innovation and investment. The government must start approaching innovation with a cross-sectoral outlook if it wants one platform to succeed through the growth of another.

In the last few months, there has been tremendous progress on the regulatory end to enable the online gaming industry in India through the efforts of the Central Ministry, Ministry of Electronics and Information Technology (MeitY) through Online Gaming Rules 2023, however, this tax beyond their revenues could deter all such efforts. While the Hon'ble Minister stated that the GST Council would review the rate and valuation of GST recommendations on online gaming in six months, considering that 95% of the industry comprises small businesses, many entrepreneurs would be forced to exit the sector.

Not just that, in this funding winter, this decision could bring foreign investments to a halt. Online Gaming is a consumer-driven industry, advertising plays a big role in its being, the advertising budget for the sector, which currently stands at \$1 billion, could be significantly reduced, impacting the media and entertainment industries. BIF earnestly requests the authorities to reconsider the recommendations at the earliest in order to keep India's online skill-based gaming industry on its path to a top leadership position in line with the Hon'ble Prime Minister's vision of the country becoming a global AVGC (Audio Visual Gaming and Comics) powerhouse.

Mr. TV Ramachandran, President of BIF, said, "This sector, which attracted about \$1.7 billion investments in 2021 and Q1 of 2022 alone, is truly one of the great attractors of foreign and domestic investments and a powerful booster of the economy. However, the proposed tax would be a very powerful deterrent to future investment and could lead to the exit of hundreds of entrepreneurs from the sector."



About Broadband India Forum: *Broadband India Forum (BIF) is an independent policy forum and knowledge-based think-tank that works for the development and enhancement of the entire broadband ecosystem in a holistic, technology-neutral and service-neutral manner. BIF has established itself as a thought leader and a credible and effective voice, to help propel the nation to achieve the country's ambitious vision of creating a Digital India. To achieve this, BIF works to promote the rapid development of policies, so as to facilitate affordable and high-speed ubiquitous broadband throughout the country.*