

# Tax caveat on PUBG clones

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Gaming companies looking to profit from the ban on PUBG with their alternative offerings need to be aware whether their product comes under the ambit of gambling that will make them taxable.

Games such as HitWicket, World Cricket Championship (WCC) or mythology-based games such as Raji are expected to take advantage of this opportunity and there's a need for the government to recognise and promote such segments in India, said Lokesh Suji, director, Esports Federation of India.

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However, developers have to be wary of the Public Gambling Act, 1867, adopted by several states. Though skill-based games do not come under gambling but analysts said they are open to wide interpretations under the rules.

“Gaming companies should be careful regarding whether their model could be considered gambling or not. The rate of GST could change from 18 per cent to 28 per cent if it is gambling,” Meyyappan Nagappan, leader, digital tax, Nishith Desai Associate, said.

“Other tax issues that can come up in real cash games is that tax authorities typically claim that GST has to be paid on the whole cash amount and not just the service fee part. Some of these aspects are pending before courts and considering the huge impact on revenues this could have, companies should tread carefully and seek proper legal advice,” Meyyappan added.

“E-sports and other forms of real money skill gaming are different genres and one should not be confused with the other. Developers looking at innovating to bridge the void that PubG has left, should keep in mind compliance with content laws as well as intellectual property laws,” Ranjana Adhikari, co-head, Gaming, Nishith Desai Associates said.

The ban on PUBG Mobile presents a great opportunity for indigenous home grown game development studios to showcase their talent and create exciting game formats, said Roland Landers, the CEO of All India Gaming Federation.

“We are confident that games like Rogue Heist, a multi-player online shooter game, designed and developed in India, will fill the need gap,” Landers said.