

31st GST Council Meeting (22nd December 2018)

Table Agenda

Agenda Item 12: Any other agenda with the permission of the Chairperson

Agenda Item 12(v): Proposal for removal of differential rate of GST on lottery run by State Government and lottery authorized by the State Government

Proposal	Comments
<p>Request to remove differential rate of GST on lottery i.e. between lottery run by State government and lottery authorized by the State government</p> <p>Reference: All India Federation of Lottery Trade & Allied Industries</p>	<p>1. At present two different rates of GST are being levied on lottery as follows: - (1) GST@28% on Lottery authorized by State Governments (2) GST@12% on Lottery run by State governments.</p> <p>2. Representations on this rate structure have been received from few States and trade for removing differential levy of GST on two categories of lotteries. At present litigations are also pending before various courts on this issue. The request for removing this differential treatment has been <u>represented by trade</u> on account of the following: -</p> <p>(i) There is only one type of State lottery i.e. the one which conforms to the provisions of the section 4 of the Lotteries Regulations Act, 1998. Discrimination in GST rates is leading to reduction of sales especially in major states of Maharashtra and Punjab.</p> <p>(ii) It is beyond comprehension as to how two different rates of GST can be fixed on same product when sold in the state itself and when sold in the other states, which is against the provisions of the Competitions Act, 2012. Discrimination does not exist in any other category of products.</p> <p>(iii) The huge variation of 16% between two rates help the larger states to exploit customers fully as smaller states cannot compete with them. High differential rates encourage non-compliance by small business.</p> <p>3. Calcutta High Court in judgement dated 10.10.2018 in the case of Teesta Distributor vs others has upheld the present rate structure. Even then, the product being a sin / de-merit good, needs to be taxed at rates higher than 12%. The high differential in tax also leads to malpractice of attempting to avail tax rate of 12% by mis-representation.</p> <p>4. Recommendation:</p> <p>Differential levy of GST of 28% on lottery authorized by State Government and 12% on lottery run by State Government may be rationalised by increasing GST of 12% on lottery run by State Government.</p>