Grant Thornton | 90 in Bharat and beyond

GST landscape reset for online gaming companies

A recent Supreme Court (SC) ruling has fundamentally reset the GST landscape for stake-based online gaming, fantasy sports, and casino transactions. While upholding the constitutional validity and holding the 2023 amendments as clarificatory, the court has directed that pending show cause notices, adjudication proceedings, and demands be decided in accordance with the principles laid down in the judgement and the applicable valuation rules.

The message is clear: The constitutional battle may have concluded, but the tax controversy is far from over. The next phase of litigation will be fought not on the validity of the levy, but on valuation, computation, limitation, procedure, evidentiary records, and taxpayer-specific facts.

Why does this matter now?

The ruling triggers the continuation of pending adjudications, the revival of stayed proceedings, a fresh computation exercise, recovery actions, and financial reporting reassessments. However, every demand will still need to withstand scrutiny on facts, law, procedure, and computation.

Even after the SC ruling, meaningful defence may remain available on:

- Limitation and invocation of the extended period under Section 74
- Penalty exposure and bonafide belief arguments
- Computation of taxable value under Rules 31A, 31B, and 31C of the CGST Rules
- Treatment of redeployed winnings, bonus credits, promotional credits, and wallet movements
- Adjustment of GST already paid on the platform fee or gross gaming revenue
- Procedural lapses in SCN, hearing, adjudication, and demand confirmation
- Exposure of promoters, directors, and key managerial personnel

Key timelines prescribed by the SC

SCN

8 Weeks: Reply to pending SCNs

12 Weeks thereafter: Adjudication by the tax authorities of pending SCNs

Appeal

12 Weeks: Filing of appeals against adjudication orders

The prescribed timelines are expected to accelerate pending adjudications, revive long-standing disputes, and trigger fresh demand-quantification exercises. Therefore, at this juncture, businesses need to proactively evaluate their exposure, validate demand computations, compile supporting documentation, and reassess litigation strategies to navigate the next phase of GST disputes effectively.

How Grant Thornton Bharat can support

As authorities intensify adjudication efforts and taxpayers reassess litigation strategies, businesses will need a robust approach to manage GST litigation arising from valuation challenges, historical positions, and to mitigate future exposure in a time bound manner.

Grant Thornton Bharat combines deep GST technical expertise, sector-specific experience, and litigation capabilities to help businesses navigate this evolving dispute landscape with confidence.

Litigation mapping and exposure assessment

- Map all pending SCNs, adjudication orders, writ petitions, appeals, and investigations
- Identify tax periods, statutory provisions invoked, and demand components
- Segregate overall exposure into tax, interest, and penalty
- Evaluate whether proceedings are under Section 73 or Section 74 of the CGST Act

Strategic review of tax demands

- Critically evaluate the validity of allegations supporting the invocation of Section 74
- Review the applicability of SC principles to specific business models
- Assess the adequacy of evidence, computation methodology, and valuation assumptions
- Identify procedural defects, limitation challenges, and natural justice concerns

Adjudication and defence strategy

- Develop tailored defence positions based on facts, transaction flows, and legal arguments
- Prepare comprehensive submissions addressing valuation, limitation, and interest/penalty issues
- Independently validate and challenge demand computations
- Representation support before the adjudicating authorities

Litigation readiness

- Formulate a litigation strategy for ongoing and future proceedings
- Assess prospects of success across alternative legal positions
- Support appellate filings and dispute management
- Coordinate with internal stakeholders, legal teams, and external counsel

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For more details, reach out to:

Manoj Mishra

Tax Controversy Management Leader
Grant Thornton Bharat
Manoj.Mishra@IN.GT.COM

17952 | AK | AK2 | NP