

Circular

Direct Tax

Circular No. 5/2023

Dated 22nd May, 2023.

The Central Government provides guidelines for removal of difficulties under sub-section (3) of section 194BA of the Income-tax Act, 1961

Finance Act 2023 inserted a new section 194BA in the Income-tax Act, 1961 (hereinafter referred to as "the Act") with effect from 1st April 2023. The new section mandates a person, who is responsible for paying to any person any income by way of winnings from any online game during the financial year to deduct income-tax on the net winnings in the person's user account. Tax is required to be deducted at the time of withdrawal as well as at the end of the financial year. Net winning is required to be computed in the manner as may be prescribed. The manner of computation of net winning has now been prescribed in Rule 133 of the Income-tax Rules 1962, vide notification no. 28/2023 dated 22nd May 2023. Sub-section (3) of section 194BA of the Act authorises Central Board of Direct Taxes (CBDT) to issue guidelines, for the purposes of removal of difficulties with the previous approval of the Central Government. These guidelines are required to be laid before each House of Parliament and are binding on the income-tax authorities and the person liable to deduct income-tax. Accordingly, in exercise of the power conferred by sub-section (3) of section 194BA of the Act, CBDT hereby issues guidelines on the above subject.

For more details, please follow

<https://incometaxindia.gov.in/communications/circular/circular-5-2023.pdf>