

KARNATAKA ACT NO. 4 OF 2004
THE KARNATAKA TAX ON LOTTERIES ACT, 2004
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STATEMENT OF OBJECTS AND REASONS

Currently Lottery tickets (both under the conventional lottery and on line lottery) are subject to Sales Tax. The current rate is 25% on first sale of lottery tickets and there is no tax on their subsequent sales. The tax is leviable not on the face value of the lottery tickets, but on the sales proceeds at first sale point less the prize amounts announced for the scheme. Thus, a very small portion of the face value of the lottery tickets is liable for sales tax. Assessments are fraught with disputes and it is difficult to regulate the actual number of draws held by any lottery promoter.

It was proposed in the budget 2003-2004 that a legislation would be brought to levy an effective and efficient tax on lotteries. The legislation provides for the following:

- (i) Levy of tax at the rate of one lakh fifty thousand rupees for every bumper draw and one lakh rupees for other draws;
- (ii) registration of promoters and dealers';
- (iii) procedure relating to filing of return, assessment and collection of tax;
- (iv) appeals and revision against assessment orders;
- (v) maintenance of account by promoters and sellers;
- (vi) production and inspection of documents and power of officers to enter and search any place of business, and seizure of accounts, lottery tickets etc;
- (vii) penalties relating to registration, statement or returns, keeping of records etc.

Certain other incidental and consequential provisions are also made.

Since the matter was urgent and both the Houses of the Karnataka Legislature were not in session the Karnataka Tax on Lotteries Ordinance, 2003 (Karnataka Ordinance No. of 10 of 2003) was promulgated to achieve the object.

Hence the Bill.

(LA Bill No.4 of 2004)

(Entry 62 of List II of the Seventh Schedule to the Constitution of India)

KARNATAKA ACT NO. 4 OF 2004

(First published in the Karnataka Gazette Extra-ordinary on the twenty ninth day of January, 2004)

THE KARNATAKA TAX ON LOTTERIES ACT, 2004

(Received the assent of the Governor on the twenty ninth day of January, 2004)

An Act to provide for the levy and collection of tax on Lotteries (gambling).

Whereas it is expedient to provide for the levy and collection of tax on lotteries and for matters connected therewith;

Be it enacted by the Karnataka State Legislature in the fifty-fourth year of the Republic of the India as follows:-

CHAPTER I**Preliminary**

1. Short title, extent and commencement.- (1) This Act may be called the Karnataka Tax on Lotteries Act, 2004.

(2) It extends to the whole of the State of Karnataka.

(3) It shall be deemed to have come into force with effect from the tenth day of December, 2003.

2. Definitions.- In this Act, unless the context otherwise requires,-

(1) "Assistant Commissioner" means an Assistant Commissioner of Commercial Taxes appointed under sub-section (1) of Section 3 of the Karnataka Sales Tax Act, 1957 (Karnataka Act 25 of 1957);

(2) "Commissioner" means the Commissioner of Commercial Taxes appointed under sub-section (1) of Section 3 of the Karnataka Sales Tax Act, 1957 (Karnataka Act 25 of 1957);

(3) "Joint Commissioner" means the Joint Commissioner of Commercial Taxes appointed under sub-section (1) of Section 3 of the Karnataka Sales Tax Act, 1957 (Karnataka Act 25 of 1957);

(4) "Lottery" means a scheme, in whatever form and by whatever name called, for distribution of prizes by lot or chance to those persons participating in the chances of a prize by purchasing tickets organized by the Government of India or the Government of a State or an Union Territory or any country having bilateral agreement or treaty with the Government of India;

(5) "Promoter" means the Government of India or a Government of a State or an Union Territory or any country organizing, conducting or promoting a lottery and includes any person appointed for selling lottery tickets in the State on its behalf by such Government or Country where such Government or country is not directly selling lottery tickets in the State;

(6) "Tax" means the tax levied and collected on lotteries under this Act;

(7) "Week" means the week commencing from Monday to Sunday;

(8) "Year" means the year commencing on the first day of April.

CHAPTER II**AUTHORITIES**

3. Instructions to subordinate authorities.- (1) The State Government or the Commissioner may, from time to time, issue such orders, instructions and directions to all officers and persons employed in the execution of this Act as they may deem fit for the administration of this Act, and all such officers and persons shall observe and follow such orders, instructions and directions of the State Government and the Commissioner:

Provided that no such orders, instructions, or directions shall be issued so as to interfere with the discretion of any Appellate Authority in the exercise of its appellate functions.

(2) All officers and persons employed in the execution of this Act, shall observe and follow such administrative instructions as may be issued to them for their guidance by the Joint Commissioner within whose jurisdiction they perform their functions.

