HIGH COURT OF SIKKIM: GANGTOK
Record of Proceedings

WP(C) No. 35 of 2024

M/S TEESTA RANGIT PVT. LTD.
& ANOTHER PETITIONERS

VERSUS

UNION OF INDIA AND OTHERS RESPONDENTS

Date: 06/08/2026

CORAM :
HON'BLE MR. JUSTICE BHASKAR RAJ PRADHAN, J.

For Petitioners	:	Mr. Pradeep Aggarwal, Advocate (*through V.C.*) and Mr. Lahang Limboo, Advocate
For Respondents No.1, 3 to 9	:	Ms Sangita Pradhan, Deputy Solicitor General of India (*through V.C.*)
For Respondent No.2	:	Mr. Sujan Sunwar, Assistant Govt. Advocate

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1. Heard Mr. Pradeep Aggarwal, learned Counsel for the petitioners as well as Ms Sangita Pradhan, learned Deputy Solicitor General of India. He draws attention to paragraph 6 of the order dated 20.09.2024 passed by this Court and submitted that the Supreme Court vide judgment dated 27.05.2026 reported in 2026 INSC 595 has dealt with the issues and pronounced its verdict. It is noticed that on 20.09.2024, the learned Counsel for the petitioners had submitted that similar matters were pending consideration before the Supreme Court.

2. The Supreme Court on considerations of the various issues raised in the various petitions before it concluded as under:-

> "84. In view of the foregoing discussion and the connected judgment, we hold as under:

(i) The essential element of "betting" and "gambling" lies in staking money or money's worth upon uncertain outcomes. The character of betting and gambling does not depend exclusively upon whether the underlying activity is a game of skill or a game of chance, but upon the existence of stakes placed upon uncertain future contingencies. Consequently, even where the underlying activity involves substantial elements of skill, once participation is conditioned upon staking money or money's worth upon uncertain outcomes, the resulting transaction acquires the character of betting and gambling within the framework of the GST legislation. Accordingly, online gaming activities, including fantasy sports and other games played on digital platforms involving staking upon uncertain outcomes, constitute betting and gambling for purposes of the GST framework.

(ii) The legislative scheme embodied in the CGST Act, 2017 and the corresponding State enactments validly subjects actionable claims arising from betting and gambling to GST. The provisions embodied in Sections 2(31), 2(52), 7, 9 and 15 of the CGST Act, insofar as they operate upon actionable claims arising from betting and gambling, are constitutionally valid and clearly traceable to the legislative competence conferred by Article 246A of the Constitution. The levy is upon the taxable supply of actionable claims and not upon the activity of betting or gambling simpliciter.

(iii) Further, the levy of GST on the supply of actionable claims arising from betting and gambling is constitutionally valid and does not transgress Articles 366(12) or 366(12A) of the Constitution. Article 366(12A) merely furnishes the constitutional meaning of "goods and services tax" and does not exhaustively define the contours of taxable supply, valuation or the treatment of specific classes of transactions. Those matters validly fall within the legislative domain contemplated under Article 246A. Consequently, the inclusion of actionable claims within the ambit of "goods" under Section 2(52) and the levy imposed under Section 9(1) cannot be said to violate the constitutional scheme governing GST. The challenge to the constitutional validity of Sections 2(52) and 9(1) of the CGST Act is accordingly rejected.

(iv) The challenge founded upon Articles 14, 19(1)(g), 21 and 265 of the Constitution is likewise liable to be rejected. The statutory framework bears a clear nexus with the taxable event identified by the legislature, namely the supply of actionable claims arising from betting and gambling transactions. Mere commercial hardship, reduction in profitability or increased tax incidence cannot by itself render a fiscal measure unconstitutional. Article 21 has no application in the present fiscal context. The levy is supported by statutory authority traceable to Sections 7, 9 and 15 of the

CGST Act read with Schedule III and the relevant Rules framed thereunder and therefore satisfies Article 265.

(v) Once the legislative competence underlying the levy, taxable event and valuation framework is sustained, the Rules framed thereunder, including Rules 31A, 31B and 31C of the CGST Rules, cannot independently be invalidated merely by reiterating the same constitutional challenge directed against the parent levy itself. No constitutional infirmity is otherwise made out so as to warrant interference in exercise of judicial review.

(vi) The concept of "supply" under Section 7 of the CGST Act is not confined merely to transfer of pre-existing actionable claims, but extends to other forms of supply contemplated under the statutory framework, including organised betting and gambling arrangements within which actionable-claim interests arise. The absence of transfer of a pre-existing actionable claim does not take such transactions outside the ambit of taxable supply under the GST framework.

(vii) Organised gaming and betting platforms create and operate the commercial ecosystem within which participants acquire contingent beneficial interests in movable property arising upon participation in betting and gambling transactions involving uncertain future outcomes. Such contingent beneficial interests constitute actionable claims within the meaning of Section 3 of the Transfer of Property Act and accordingly fall within the taxable framework embodied in the CGST legislation. Consequently, the amount staked or otherwise appropriated towards participation in gameplay constitutes "consideration" within the meaning of Section 2(31) of the CGST Act. There exists no statutory basis for excluding or deducting prize pools, winnings, payouts or similar components while determining taxable value under the statutory framework. The statutory measure for valuation is validly embodied in Section 15 read with the applicable valuation Rules framed thereunder.

(viii) Rule 31A of the CGST Rules is intra vires the provisions of the CGST Act and constitutes a valid machinery provision enacted to operationalise the valuation framework inhering in Sections 9 and 15 of the Act read with Entry 6 of Schedule III and other connected provisions. The Rule neither creates a fresh levy nor enlarges the charging provisions of the statute. Moreover, the valuation mechanism embodied in Rule 31A cannot be characterised as manifestly arbitrary or violative of Article 14 merely. Fiscal and economic legislation necessarily permit a greater degree of legislative flexibility in matters of valuation and measure of levy. Rule 31A bears a direct nexus with the nature of organised betting and gambling transactions sought to be taxed and therefore constitutes a valid exercise of delegated legislation. The challenge to Rule 31A on various grounds is therefore rejected.

(ix) The amendments introduced in 2023, including the amendments to Entry 6 of Schedule III and insertion of Rules 31B and 31C, are clarificatory and explanatory in nature and consequently retrospective in operation in the manner indicated hereinabove. The said amendments neither create a fresh levy nor introduce a new taxable event for the first time, but merely provide greater statutory specificity and operational clarity in relation to valuation and collection mechanisms governing online gaming and casino transactions. Moreover, Rules 31B and 31C likewise constitute valid machinery and valuation provisions governing online gaming and casino transactions respectively.

(x) Upon an examination of the statutory framework and the contractual architecture governing organised online gaming platforms, we hold that online gaming activities involving pooled stakes give rise to actionable-claim interests constituting taxable supplies within the meaning of Section 7 of the CGST Act, 2017. The online gaming operators are not mere intermediaries facilitating transactions inter se between participants, but themselves constitute suppliers of such actionable claims within the framework of the GST legislation. The taxable supply comes into existence upon placement and appropriation of stake amounts towards participation in gameplay itself. Consequently, valuation of online gaming and fantasy sports transactions shall stand governed by Rule 31B, including in relation to pending show cause notices, adjudication proceedings and consequential demands, in light of the clarificatory and retrospective nature of the 2023 amendments as held hereinabove. The principles governing organised online gaming platforms involving pooled stakes and contingent prize structures apply with equal force to fantasy sports contests and analogous gaming formats.

(xi) Insofar as casino transactions are concerned, this Court is unable to accept the broad challenge mounted against the authority of the Department to resort to Rule 31, reconstruction methodologies or best judgment assessment in the absence of complete and reliable contemporaneous records reflecting aggregate gaming activity. Mere reliance upon mathematical reconstruction, statistical extrapolation or inferential methodologies cannot by itself invalidate an assessment, particularly where the assessees themselves failed to maintain adequate records relating to gaming transactions. At the same time, having held that the valuation framework now embodied in Rule 31C is clarificatory and retrospective in nature, the actual determination and computation of taxable value in casino transactions must necessarily be aligned with the statutory measure contemplated therein. Consequently, while the legality of resorting to Rule 31 and best judgment methodologies under the statutory framework is upheld, the correctness of the actual computations, assumptions, proportional allocations and corresponding tax liability shall remain open for reconsideration by the adjudicating authority in accordance with Rule 31C and the principles laid down hereinabove.

(x) Thus, the constitutional and statutory challenges mounted against the levy of GST on actionable claims arising from betting and gambling transactions are rejected. The impugned provisions of the CGST Act, the corresponding State enactments, the Rules framed thereunder, including Rules 31A, 31B and 31C, together with the notifications, circulars and executive instruments issued in furtherance thereof, are upheld as constitutionally and statutorily valid.

(xi) Pending show cause notices, adjudication proceedings and consequential demands relating to online gaming, fantasy sports and casino transactions shall accordingly be considered and decided in accordance with the valuation framework embodied in Rules 31B and 31C, as applicable, and the principles laid down in the present judgment.

85. Before parting, this Court deems it necessary to emphasise that India today stands at the threshold of an unprecedented technological transformation driven by artificial intelligence, digital platforms, fintech ecosystems, blockchain infrastructures, immersive virtual environments and ever-evolving models of online interaction. The law cannot remain static when technology continuously alters the form, medium and mechanics of economic activity. Equally, technological innovation cannot operate in a constitutional vacuum insulated from regulation, taxation and public accountability. Fiscal legislation must therefore remain sufficiently adaptive to address emerging commercial realities while continuing to conform to constitutional limitations, statutory mandates and settled principles of legal interpretation.

85.1. Fiscal certainty in emerging technological sectors is not merely a matter concerning individual assessees. It bears directly upon investor confidence, digital entrepreneurship, technological innovation, interstate commerce and India's broader aspiration to emerge as a leading digital economy. Predictability, consistency and coherence in taxation jurisprudence are therefore indispensable components of sound economic governance.

85.2. The issues arising in the present batch of matters have afforded this Court an opportunity to reaffirm certain foundational principles governing the exercise of taxing power within digitally mediated economies. While the GST framework must possess sufficient flexibility to respond to new and evolving forms of commercial activity, such flexibility cannot come at the cost of constitutional discipline. The power to tax, however broad, remains circumscribed by legislative competence, statutory prescription and constitutional structure. It is only by preserving this balance between technological innovation and constitutional restraint that the legal system can maintain both certainty and legitimacy in an increasingly digital economic order."

3. The Supreme Court summed up the result as under:-

"**86.** To sum up:

(i) The levy of GST on actionable claims arising from betting and gambling transactions is constitutionally valid, within the legislative competence conferred by Article 246A of the Constitution, and consistent with the statutory framework embodied in the CGST Act, 2017 and the corresponding State GST enactments.

(ii) The challenge to the constitutional and statutory validity of Sections 2(31), 2(52), 7, 9 and 15 of the CGST Act, 2017, the corresponding provisions of the State GST enactments, and Rules 31A and 31B of the CGST Rules, 2017, together with the notifications, circulars and executive instruments issued in furtherance thereof, fails and is accordingly rejected.

(iii) The amendments introduced by the Central Goods and Services Tax (Amendment) Act, 2023, including the amendments to Entry 6 of Schedule III and insertion of Rules 31B and 31C, are clarificatory and explanatory in nature and shall operate retrospectively in the manner indicated hereinabove.

(iv) Organised online gaming activities, including fantasy sports and analogous gaming formats involving pooled stakes, give rise to actionable-claim supplies 414 exigible to GST under the statutory framework governing betting and gambling transactions.

(v) Insofar as casino transactions are concerned, recourse to Rule 31 and adoption of best judgment methodologies under the pre-amendment framework cannot be said to be impermissible in the absence of complete and reliable contemporaneous records. However, the ultimate determination and computation of taxable value shall stand governed by Rule 31C in accordance with the principles laid down hereinabove.

(vi) Pending show cause notices, adjudication proceedings and consequential demands relating to online gaming, fantasy sports and casino transactions shall accordingly be considered and decided in accordance with the valuation framework embodied in Rules 31B and 31C of the CGST Rules, as applicable, and the findings recorded in the present judgment.

86.1. The writ petitions and transferred cases are accordingly, dismissed, subject to the observations and directions contained in this judgment. (i) The time for submitting replies to the show cause notices shall be eight weeks from the date of receipt of a copy of this judgment and considering the long pendency of the matter, the competent authority shall consider the same and pass orders, in accordance with law and in light of the findings recorded in this judgment, within a period of twelve weeks thereafter. (ii) As the case may be, the time for filing appeals against the assessment orders shall be twelve weeks from the date of receipt of a copy of this judgment, and the competent authority shall consider the same and pass orders, in accordance with law and in light of the findings recorded in this judgment, as expeditiously as possible.

86.2. Civil Appeal Nos. 8241 – 8244 of 2026 preferred by the Revenue are disposed of. The common judgment and order dated 11.05.2023 passed by the High Court of Karnataka are set aside. Consequently, the show cause notices dated 23.09.2022 issued under Section 74(1) of the CGST Act stand restored. The respondents-assesses shall be at liberty to file their replies and raise all factual and legal submissions before the competent adjudicating authority. The adjudicating authority shall proceed to adjudicate the notices in accordance with law and in the light of the findings recorded in the present judgment. The time limit granted in paragraph 86.1 of the first part shall apply here as well.

86.3. Insofar as Civil Appeal No. 8240 of 2026 is concerned, the controversy essentially relates to grant of licence/permission and does not directly involve a challenge to GST liability. Having regard to the nature of the relief claimed, we find no infirmity in the approach adopted by the High Court in relegating the appellant to pursue the remedies available under the applicable statutory and regulatory framework. However, if the appellant's application seeking licence/permission relating to the period in question remains pending, the competent authority shall dispose of the same in

> accordance with law within a period of twelve weeks from the date of receipt of a copy of this judgment. The appeal is accordingly disposed of.
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> 86.4. Insofar as Criminal Appeal No. 2933 of 2026 is concerned, the judgment dated 30.04.2019 passed by the High Court of Bombay is set aside to the extent it holds that the transactions in question constitute actionable claims other than betting and gambling and therefore fall outside the ambit of taxable supply under the GST framework. The appellants shall consequently be entitled to proceed in accordance with law in light of the present judgment. The appeal is accordingly allowed in the aforesaid terms.
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> 86.5. All interim orders passed in the connected matters shall stand vacated. There shall be no order as to costs."

4. The writ petition filed by the petitioners had made five substantive prayers. All the contentions and prayers made by the petitioners in the writ petition were also substantive issues before the Supreme Court and the Supreme Court has pronounced its verdict on all such issues. I am of the view that there is no issue raised in the present writ petition, which requires any consideration beyond the pronouncement of the Supreme Court.

5. The writ petition is therefore dismissed and disposed of in terms of the judgment of the Supreme Court. Consequently, the interim order passed by this Court shall stand vacated.

6. The Supreme Court in the matters directed that the time for submitting replies to the show cause notices shall be eight weeks from the date of receipt of the copy of the judgment and considering the long pendency of the matter, the Competent Authority shall consider the same and pass orders, in accordance with law and in light of the findings recorded in the judgment, within a period of twelve weeks thereafter. The learned Counsel for the petitioners seeks similar reliefs. I, therefore, direct that the petitioners shall submit its reply to the show cause notice within eight weeks from the date of this order and the Competent Authority shall consider the same and pass orders in accordance with law and in light of the findings recorded in the judgment of the Supreme Court within a period of twelve weeks thereafter.

Judge

Index : ~~Yes~~ / No
Internet : Yes / ~~No~~
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