



# Lower Tax Incidence on Entertainment Services under Goods and Services (GST) Tax

## Service providers shall be eligible for full Input Tax Credits (ITC) of GST paid in respect of inputs and input services

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Taxes on entertainments and amusements (covered by the erstwhile entry 62 of State List of the Constitution) have been subsumed under Goods and Services Tax (GST) except to the extent of taxes on entertainments and amusements levied by a Panchayat or a Municipality.

The rate of GST approved by GST Council on services by way of admission to entertainment events or cinematography films in cinema theatres is 28%. However, the entertainment tax rates in respect of exhibition of cinematography films in theaters/cinema halls, currently levied by States are as high as 100% in some of the States.

The rate of entertainment tax on cable TV and Direct-To-Home (DTH) levied by States is in the range of 10%-30% in many States. Apart from this, Service tax is also leviable at the rate of 15%. As against this, the rate of GST approved by GST Council on these services is 18%.

The rate of GST approved by GST Council on access to circus, theatre, Indian classical dance including folk dance and drama is 18% ad valorem. Further, the GST Council has approved an exemption upto a consideration for admission of Rs 250 per person. These services currently attract entertainment tax levied by the States.

Thus, entertainment services shall suffer a lower tax incidence under GST. In addition to the benefit of lower headline rates of GST, the service providers shall be eligible for full input tax credits (ITC) of GST paid in respect of inputs and input services. Presently, such service providers are not eligible to avail of input credits in respect of VAT paid on domestically procured capital goods & inputs or of Special Additional Duty (SAD) paid on imported capital goods and inputs. Thus, while GST is a value added tax, entertainment tax, presently levied by the States is like a turnover tax.

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