

**GOVERNMENT OF NAGALAND**  
**DIRECTORATE OF STATE LOTTERIES**  
**NAGALAND :: KOHIMA**

No.DSL/17-05/2012-13

Dated Kohima, the 17<sup>th</sup> September 2020.

**PUBLIC NOTICE**

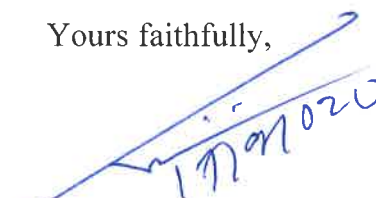
The Government of Nagaland receives various complaints and allegation concerning conduct of its lotteries, most of which are made with ulterior motives to damage the image of the lotteries of the State and the sale of lotteries of the State. Accordingly, the following clarifications are issued for information of all concerned:-

1. All the draws of Nagaland State Lotteries are operated in strict conformity of the provisions of the Lotteries (Regulation) Act, 1998, and Lotteries (Regulation) Rules, 2010. Further, the entire process of conduct of the draws are very transparent and held under the full and complete control of the Directorate of Nagaland State Lotteries.
2. The lottery tickets are sold to the distributors M/s Future Gaming & Hotel Services (P) Ltd. on 'fully sold basis' who in turn sell the tickets to their Sub-distributor/Area Distributor in the State of West Bengal on 'fully sold basis' upto 30<sup>th</sup> July 2017. In regard, to income from unsold lottery tickets that are in the possession of Area Distributors/ Stockists/ Agent, etc., it is income from the business of lottery as they have purchased the tickets by paying the invoice value to their distributor on 'fully sold basis.
3. Further, various High Court have in their judgment accepted winning of prizes from unsold tickets to be business income of the assessee who is engaged in buying and selling of lottery tickets. In the case of Mysore Sales International vs Commissioner of Income Tax (Karnataka High Court), the sole selling Agent of a lottery guaranteed the sale of a certain percentage of the lottery tickets released by the State Government for a commission. Deficiency in sales, if any was to be made up by purchasing the required tickets itself. The Hon'ble High Court held that as the tickets were brought with the intention to trade, the prizes won and the commission received by it on the unsold lottery tickets for which they have purchased from their distributor was its business receipts. The Hon'ble High Court held that the amount realized by way of prizes from unsold tickets is an income which has arisen out of business carried on by the assessee.
  - I. In view of these facts, the Area Distributors purchase lottery tickets on 'fully sold basis' by paying the full invoice from the distributor and therefore, income from the prizes on such unsold tickets are to be treated as income from the business of lottery.



- II. With the introduction of the Goods and Service Act 2017, the Government of Nagaland have adapted the system of 'net sold basis' with effect from 31<sup>st</sup> July 2017 whereby the GST @28% on lotteries is based on the 'Reverse Charge Mechanism' for lottery tickets sold at the first point. The details of unsold lottery tickets of the lotteries of the Government of Nagaland are returned by the Distributor well before the conduct of the draws.
- III. In view of the above facts, we strongly condemn the false allegations placed on our Distributors/Sub-distributor/Area Distributor and their network with the sole intent of tarnishing the genuine image of the Lotteries of the State Government of Nagaland.
- IV. It is again reiterated that the lotteries of the Government of Nagaland are conducted in strict conformity with the provisions of the Lotteries (Regulation) Act, 1998, Lotteries (Regulation) Rules, 2010, and direction issued under Section 10 of the Lotteries (Regulation) Act, 1998. The Government of Nagaland also places on record our concerns at the manner in which unsubstantiated allegations which are being made against the lotteries of the North Eastern States with the deliberate intention of putting them in a bad light even though similar practices are adopted by all lottery conducting States. These concerns have been raised also with the Ministry of Home Affairs.

Yours faithfully,



(ZHOTHISA DAWHUO)  
Director,

Nagaland State Lotteries, Kohima.  
Dated Kohima, the 17<sup>th</sup> September 2020.

No.DSL/17-05/2012-13

Copy to:-

1. The Special Secretary, Finance Department, Nagaland.
2. Office copy.



(ZHOTHISA DAWHUO)  
Director,  
Nagaland State Lotteries, Kohima.

**Director  
Nagaland State Lotteries  
Kohima**