

Lottery income is different from Prize money won in lucky draw: ITAT

Summary – The Cochin ITAT in a recent case of Rajmohan V.V., Kumbalappalli, (the Assessee) held that Lottery income is different from Prize money won in lucky draw

Facts

- The assessee received some price coupons for purchase of cloth from a shop and won one Kg. of gold in the lucky draw of these coupons. He was issued 600 grams of gold coins and balance was deducted under section 194B being 40 per cent of the prize money.
- On scrutiny, the Assessing Officer held that the assessee's first prize of 1 Kg. gold is nothing but winning from lottery and, thus, chargeable to tax as per rates provided in section 115BB. The Assessing Officer concluded that the tax had been rightly deducted at source by the Trust authorities.
- On further appeal, the Commissioner (Appeals) confirmed the assessment order made by the Assessing Officer.
- On appeal to the Tribunal:

Held

- The ITAT stated that the term 'lottery' is widened to bring within the ambit also prize won without any contribution for participation.
- For a scheme to be considered as a lottery, there must be an element of distribution of prizes which should be by chance or lot and such distribution should be among those who had paid a price for participating in the scheme. Mere gratuitous distribution without any price having been paid by the participants for acquiring the chance and receiving a prize that is ultimately distributed, would not amount to a lottery.
- The essential ingredients of 'lottery' as it stood prior to the insertion of *Explanation* to section 2(24)(ix) is absent in the facts and circumstances of the case and the same cannot be taxed as a 'lottery'. Hence, the order of the Commissioner (Appeals) is to be reversed.