

The Online Gaming Act, 2025

1. What is the Act?

- **Official Name:** The Promotion and Regulation of Online Gaming Bill, 2025.
- **Status:** Passed by the Lok Sabha and Rajya Sabha, received Presidential Assent on August 22, 2025, making it law.

2. Why was the Act Introduced? (The Government's Rationale)

The government cited several key reasons for the new law:

- **Financial Harm to Citizens:** Indians are reportedly losing ~₹45,000 crore annually to Real Money Games (RMGs).
- **Public Health Concerns:** The World Health Organization (WHO) links RMGs to compulsive behaviour, psychological distress, and financial hardship. 32 suicides in Karnataka were attributed to online gaming addiction.
- **National Security & Crime:** RMGs are linked to:
 - Financial fraud and money laundering.
 - Tax evasion (one report cites ₹2.12 lakh crore evaded).
 - Funding for terror activities (as per a Parliamentary Panel).
 - Foreign apps (e.g., Chinese app PUBG) defrauding Indian users.
- **Unfair & Opaque Systems:** The government claims algorithms are designed to prevent users from being net winners in the long run and that games can be manipulated.
- **Jurisdictional Challenges:** Offshore companies bypass Indian laws, creating enforcement challenges.

3. How Does the Act Categorize Online Games?

The Act creates three distinct categories:

Category	Definition	Examples	Government's Stance
E-Sports	Games recognized under the National Sports Governance Act, 2025. Can involve registration fees and prize money.	Grand Theft Auto, Call of Duty	To be PROMOTED

Category	Definition	Examples	Government's Stance
Social Gaming	Games played for recreational or educational purposes (no clear legal definition yet).	Likely casual games like Candy Crush (without money)	To be PROMOTED
Real Money Games (RMGs)	Any online game where a player pays money with an expectation of winning money or convertible virtual items. Makes no distinction between games of skill or chance.	Poker, Rummy, Fantasy Cricket, Ludo (if played for money)	To be BANNED

4. What are the Penalties?

The Act imposes strict penalties on **operators and advertisers**, but **not on players**.

Offence	Punishment
Offering RMGs or facilitating transactions	Imprisonment up to 3 years , a fine up to ₹5 crore , or both.
Unlawful advertisement of RMGs	Imprisonment up to 2 years , a fine up to ₹50 lakh , or both.
Legal Status: Offences are cognisable (police can arrest without a warrant) and non-bailable .	

Enforcement: The Indian Computer Emergency Response Team (CERT-In) will block banned apps and may involve Interpol for offshore operators.

5. What About Regulation & Promotion?

- A new **regulatory authority** will be created to recognize and register online games (e-sports and social gaming).
- The Act provides a **budget allocation** from the Consolidated Fund of India to promote online social gaming.

- Online gaming firms are treated as **intermediaries** and must comply with safety measures like age-gating and parental controls.

6. Legal Challenges and Court's Stance

This is the most contentious part of the Act.

- **State vs. Centre:** Regulation of "betting and gambling" is a **state subject** under the Constitution. Several states (Telangana, Andhra Pradesh, Tamil Nadu) had already banned such games.
- **Skill vs. Chance:** The **Supreme Court has previously ruled** that games like Rummy and Fantasy Sports are "games of skill" and cannot be equated with gambling.
- **The Conflict:** The new Central Act **ignores the skill vs. chance distinction**, banning all RMGs. Legal experts argue this violates the **Right to Trade and Occupation (Article 19(1))** for skill-based game operators.
- **Current Status:** The Supreme Court has put a stay on GST notices to gaming companies. Its final verdict on whether these games are skill or gambling and on the retrospective GST levy is awaited. The Court can intervene if the new law is challenged.

7. Opposition to the Act

- The **RMG industry** argues the ban threatens over **200,000 jobs**.
- Companies oppose the **28% GST** on the full face value of bets (not just platform commission), calling it unfair and damaging.
- The core legal argument is that a blanket ban on **skill-based games** is unconstitutional.

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