Regulation of Online Gaming in India

Mains: GS II - *Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation*

Why in News?

Recently, the Parliament passed the Promotion and Regulation of Online Gaming Bill, 2025.

What are online games?

- **Online games** – It is the activity of playing a video game over a computer network, typically the internet, usually with other players or users.
- This allows players worldwide to connect and compete or cooperate with each other on a variety of devices, including consoles, PCs, and mobile phones
- **Growth in India**



- **Health effects** – The World Health Organization (WHO) has linked RMGs to compulsive behaviour, psychological distress, financial hardship, and an overall disruption of family life.
- **Economic loss** – Government data suggests that Indians are losing Rs.15, 000 crore every year due to Real Money Games (RMGs).
- Reflecting these dangers, 32 cases of suicide attributed to online gaming addiction have been reported in Karnataka in the past 31 months.
- The RMG industry says this ban may threaten more than two lakh jobs across 400+ companies.

What are the definitions of various online games?

- **Three segments** – The Act has proposed three categories for online games
  - E-sports
  - Social gaming
  - RMGs.
- While the Act aims to promote e-sports and social gaming segments, it seeks to ban all forms of RMGs and its advertisements.
- **Real money game** – The Act defines an online money game as an online game played regardless of whether it is based on skill, chance or both, and is played after a fee-payment or with an expectation of wining money or other stakes (can include credits, coins, tokens, virtual money, etc. which can be converted to money).
  - ***Examples*** *includes variants of popular games like Poker, Rummy, Fantasy Cricket, and Ludo would be classified as RMGs.*
- **E-sports** – The Act defines them as games which are recognized under the National Sports Governance Act, 2025 and are registered with the proposed regulatory authority.
- It may include the *payment of a registration or participation fee alongside performance-based prize money.*
- Examples include games like Grand Theft Auto and Call of Duty.
- **Social gaming** – While there is *no legal definition of social gaming*, it is included in the broader category of online games.
- It can be defined *as games played on an electronic or digital device and operated as a software* through the Internet.
- **Exception clause** – Under Section 4 of this Bill, the government can facilitate the development and availability of online social games for recreational and educational purposes.

How the online gaming will be regulated?

- **Punishments –** Offering online money games or engaging in transaction or authorisation of funds for the same will be punishable with *imprisonment of up to three years, a fine of up to Rs.1 crore, or both*.
- *Unlawful advertisement* will be punishable with *imprisonment of up to two years, a fine of up to Rs.50 lakh, or both.*
- Under the Bharatiya Nagarik Suraksha Sanhita (BNSS), 2023, offences shall *be cognisable and non-bailable.*
- ***No penal action for players has been codified***.
- **Blocking/Disabling apps** – The central government stated that the Indian Computer Emergency Response Team (CERT-IN) will be tasked with blocking or disabling apps that continue to provide banned money gaming services in India.
- It may rope in Interpol to bring in offshore operators of money gaming platforms.
- **Regulatory authority** – The Act empowers the Central government to notify and constitute a regulatory authority to recognise, categorise, and register online games.
- **Complying with KYC** – Online gaming firms were required to comply with KYC norms, and uphold measures to safeguard children.
- It includes measures for parental access control alongside age rating mechanisms

based on the nature and type of content.
- **No provision for minors** – The new act makes no provisions to constraint minors from playing online social games or e-sports.
- **Promotion of social gaming** – It also provides for a budget allocation from the Consolidated Fund of India to promote online social gaming in the country.

What is the need for the Act?

- **Loss of money** – The act was a response to complaints from users who had lost thousands of crores on online money games, and that it was not a knee-jerk reaction.
- **Malicious gaming algorithms** – The government said that there is irrefutable proof that the algorithms of online gaming firms do not allow for any user to emerge as a net winner in the long run.
- **Source of terror funding** – A Parliamentary Panel Report (2023) stated that gaming portals have become agents for funding terror activities.
- **Tax evasions** – A 2022 Financial Intelligence Report reported that online gaming firms had evaded tax of Rs.2, 000 crore.
- In yet another report, the government said that gaming companies were involved in GST tax evasion of Rs.30, 000 crore.
- **Fraudulent activities** – The Defense Ministry's think tank found that the Chinese App, FIEWIN, has defrauded Indian users of Rs.400 crore, with an ED investigation finding evidence of use of mule accounts and cryptocurrency wallets.
- The current Act says that the unchecked expansion of RMGs is linked to financial fraud, money laundering, tax evasion and many other unlawful activities.
- **Lack of transparency** – Gaming firms rely on opaque algorithms designed to manipulate user engagement, and that games can also be operated by bots or undisclosed agents undermining fairness and transparency.
- **Undermining domestic laws** – The Act says that gaming firms operate from offshore jurisdictions bypassing domestic laws, undermining state level regulations.
- This presents significant enforcement challenges in terms of extra-territorial jurisdiction and interstate inconsistences.

What are measures already taken by India?

- **State list** – Entries 34 and 62 of the State List in the Seventh Schedule of the Constitution places the regulation and taxation of betting and gambling within the jurisdiction of State governments.
- **Central government measure** – In 2023, the Indian government reclassified GST brackets for online gaming along with casinos and horse racing, putting them in the same bracket as lotteries and betting.
- In October 2023, it imposed a uniform 28% GST on the entire entry fee/deposit, instead of platform commission.
- Gaming firms opposed this move, claiming that their platforms were skill based, and termed retrospective taxes as unfair and damaging.
- **Measures of state governments** – Various State governments have taken regulatory actions before.
- In 2017, Telangana became the first State to ban all forms of online gaming including

skill-based games.

- In 2020, Andhra Pradesh banned online gambling, and in 2022, Tamil Nadu banned games such as Rummy and Poker.
- **Supreme Court's intervention** – The Supreme Court (SC) this year granted a stay on notices issued to online gaming companies.
- The top court's decisions on whether fantasy sports, poker and rummy should be treated as games of skills or gambling, and on retrospective tax for RMG firms, are awaited.
- The Central government has requested the SC for one more week to file submissions in the GST dispute on online gaming, with industry players arguing that games of skill cannot be equated with gambling.
- The SC had earlier said that games like Rummy and Fantasy Sports involved a substantial degree of skill and cannot be equated with gambling.

What lies ahead?

- This Act does not distinguish between games of skills and games of chance, leading critics of the Act to say that it erases the intelligible difference and is violative of Article 19 (1) (g) of the Constitution, giving a guaranteed Right to Trade and Occupation.
- If the matter is challenged, then the SC can step in to shield the gaming industry with interim relief or issue a notice to the government to explain the rationale behind such a law.

Reference

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