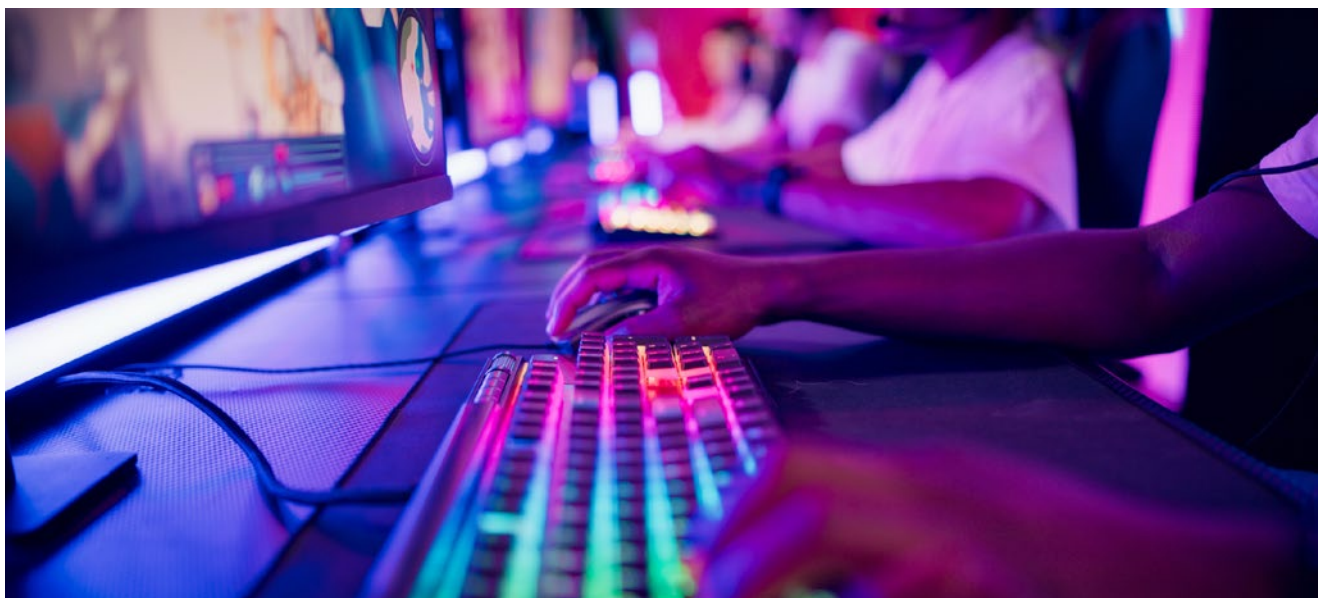


## Level Up or Game Over? India's New Online Gaming Act—An Update



In an unanticipated move, the Indian Parliament enacted a new online gaming statute: the Promotion and Regulation of Online Gaming Act, 2025 ('Gaming Act') seeking to promote e-sports, regulate online social games and prohibit online money games ('RMGs'). While the law is yet to be implemented, the die is now cast and the sector has witnessed unprecedented overhauls, with leading stakeholders shutting down RMG offerings, evaluating pivots and restructuring options, handling retrenchment crisis, and a select few marching to the apex court for an adjudication on the constitutional validity of the Gaming Act.

The Gaming Act applies to the online gaming ecosystem in India as well as RMG offshore operators and service providers, and was motivated partly by the lack of a dedicated regulatory framework for strategic promotion and capacity building of the sector, and partly by the emergent need to protect users from financial and

addiction harms among others, prevent illegal betting and gambling, ensure responsible gaming behaviour, prevent money laundering and tax evasion, public order and social welfare.

It classifies online games as e-sports, online social games and RMGs.

'E-sports' are defined as online games recognised under the National Sports Governance Act, 2025,<sup>1</sup> and registered under the Gaming Act: (1) where the outcome is solely determined by the player's skill such as physical dexterity, mental agility and strategic thinking; (2) that are structured as a multi-sports event; (3) are played in multi-player format between competing individuals or teams; (4) that do not involve betting, wagering or placing of 'other stakes' or an expectation of monetary gain on such bets, wagers or other stakes ('Wager'); (5) that may include payment of participation fees; and (6) that may provide for payout of performance-based prize money to players.<sup>2</sup> Notably, 'other stakes' has been defined rather

widely to include anything which is equivalent or convertible to money including in-game coins, credits and tokens that are directly or indirectly purchased by paying money.<sup>3</sup> For the recognition and registration of e-sports, the Gaming Act prescribes that the Central Government ('CG') shall take steps such as formation of guidelines and standards for conducting e-sporting events, establishment of training academies and R&D centres, introducing incentive schemes and awareness campaigns, and coordinating with sporting federations for integration of e-sports into mainstream sporting policies and initiatives.<sup>4</sup>

'Online social games' are online games that are registered under the Gaming Act and (1) are not in the nature of e-sports or RMGs; (2) do not involve a Wager; (3) are offered and played for entertainment, recreational, and skill development purposes; (4) may allow access through payment of subscription or a one-time access



fee that is not akin to a Wager.<sup>5</sup> For regulating and registering social games, the CG is expected to take necessary steps for increasing public access to safe and age-appropriate social gaming content, coordination with educational and recreational institution for broader digital engagement strategies and undertaking awareness programmes.<sup>6</sup>

'RMGs' are defined as any game of skill or chance, or both, played by users paying fees, depositing money or other stakes with an expectation of monetary gain or other enrichment in return thereof and hence, strikes against any Wager element. Overturning a plethora of judgments that upheld 'predominant' games of skill as distinct from gambling or mere games of chance (and consequently, permissible RMGs), the Gaming Act prohibits and criminalises all forms of RMGs and related services including offering, enablement, payment facilitation, and advertisement.<sup>7</sup> The Gaming Act poses contravention with the ban as non-bailable offences with ability to arrest without warrants. This is in sharp contrast to the self-regulatory approach that was provided for under the 'stillborn' online gaming intermediary

amendments to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021.

Apart from laying out the eligibility and permissibility criteria for online games, the Gaming Act proposes the establishment of a new regulator ('Authority') tasked with the responsibilities to determine categorisation of games and their legality, registering permissible ones, issuing directions and guidelines, and grievance handling. Further, it vests the CG with sweeping powers to investigate, search and seize assets, and issue blocking orders for unlawful online gaming activities.

Conventionally, the Indian gaming ecosystem has been surrounded by heightened regulatory uncertainty with a steady surge in scrutiny and resultant enforcement actions, including issuance of show-cause notices to advertisers and payment service providers, regulatory attention on endorsement by public figures and social media influencers, issuance of blocking orders, and imposition of geo-blocking mandates. In the not-so-

distant past, the Indian government aggressively moved to impose indirect tax of 28 per cent on RMG operators, the legality of which remains *sub-judice* before the Supreme Court of India.<sup>8</sup>

With the Gaming Act being challenged as being unconstitutional on various grounds including legislative competence, arbitrariness, lack of proportionality, and breach of the fundamental right to practice any trade, profession or employment, its impact is being felt across the value chain including investors, operators, intermediary platforms, advertising companies, payment service providers and gamers. A blanket ban on the element of chance in game formats and use of algorithm-driven play formats for RMGs, pivot structures are likely to be complicated and expensive, but it may be apt to foresee an eventual extinction of RMGs in India as only being a matter of when rather than if. The e-sports and social games remain the only forms but it will be worthwhile to wait and watch the supplementing rules that are currently in the pipeline.

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## Notes

<sup>1</sup> The National Sports Governance Act, 2025 was passed as a statute by the Indian Parliament on 18 August 2025 and is yet to be implemented.

<sup>2</sup> Promotion and Regulation of Online Gaming Act, 2025, s 2(1)(c).

<sup>3</sup> *Ibid*, s 2(1)(j).

<sup>4</sup> *Ibid*, s 3.

<sup>5</sup> *Ibid*, s 2(1)(i).

<sup>6</sup> *Ibid*, s 4.

<sup>7</sup> *Ibid*, ss 5, 6, and 7.

<sup>8</sup> Directorate General of GST Intelligence (HQS) & Ors v Gramskraft Technologies Pvt. Ltd. & Ors. SLP (C) No. 19366 – 19369/2023; please note that the final hearings have been completed in this matter and the ruling is reserved.