



LEXTECH PRESENTS

# GAME OVER?

ANALYSING INDIA'S NEW ONLINE GAMING  
FRAMEWORK

*EXPLAINER SERIES*

# INTRODUCTION

The growth in popularity of online games, often involving money, like poker, rummy and fantasy sports is undeniable. However, players will soon find these games vanishing from their screens because of the Promotion and Regulation of Online Gaming Act, 2025, (**"the Act"**).

Slated to come into force on 1st October 2025, [the Act](#) marks a turning point in India's digital policy. It bans all forms of real-money games and green-lights e-sports and social games. It aims to safeguard public interest by addressing the adverse social, financial, and psychological harms associated with online money games.

Sounds all right? Well, a deeper analysis reveals that the Act might raise more concerns than it aims to address.



# HISTORY OF ONLINE GAMING REGULATION IN INDIA

Before we explore the legal aspect of things, let us rewind to see the existing online gaming framework in India. Until now, there was no uniform national framework, with “betting and gambling” falling within each [state’s domain](#).



States took various different approaches to online gaming and its resultant concerns. While states like Telangana, Odisha and Assam adopted a stricter approach and banned all real money games (skill and chance alike), other states like Goa, Sikkim and Meghalaya implemented a more balanced approach.

Players in the online gaming sector have, for the most part, benefitted from the hazy online gaming regulatory framework. The patchwork of state laws left some places with strict regulation, while others turned into playgrounds for developers. Court decisions were often-times more muddying, with judges interpreting “games of skill” versus “games of chance” in wildly different ways. The vague clarifications further allowed the ambit of ‘permitted’ games to be expanded, aiding the sector’s growth.

The year of 2023 saw the government hiking GST rates for online gaming from 18% to 28%. While compliance costs and tax liability increased, dampening the momentum of the sector, it still did not challenge the permissibility of the online gaming model itself. Developers explored ways to classify their apps as “games of skill” to avoid the harsher tax obligations, and players carried on, unaware of the real game changer on the way.

Now, with October 1st on the horizon, the Act sets out a uniform national framework. It completely prohibits online real money games (“RMG”), the promotion and advertisements of such games, and game-related transactions facilitated by financial institutions.



# THE PATH TO REGULATION

The Act was a culmination of both market optimism and social alarm. The government saw the sector booming, pulling in millions of players, creating jobs, and putting India on the map as a creative digital economy. But every success story has a negative.

Reports of financial loss, addiction, and fraud were becoming impossible to ignore. RMGs were linked to compulsive behaviour, family debt, fraud, suicides, laundering, and even extremist networks making it a pressing social and national security concern.



Fragmented state laws added another layer of confusion, pushing the Union government to centralise control. The Statement of Objects and Reasons of the Act makes it clear that the law was designed to resolve these concerns by prohibiting money games altogether while promoting e-sports and social gaming as legitimate safe spaces.

The supporting memoranda add further layers to this intent. The Financial Memorandum earmarks ₹50 crore for initial expenditure and an additional ₹20 crore annually, indicating that the Act was never intended to be a symbolic gesture. It carried budgetary weight, with a designated authority to oversee the sector.

Further, the Memorandum on Delegated Legislation deliberately leaves many details open, from how games will be registered to how e-sports will be supported. This reflects an understanding that technologies and markets move faster than statutes, and rules need to be dynamic. Seen together, the legislative intent is straightforward but ambitious; to draw a firm line between safe and unsafe forms of gaming, to invest in oversight, and to provide a single national framework that can grow with the industry while protecting the public

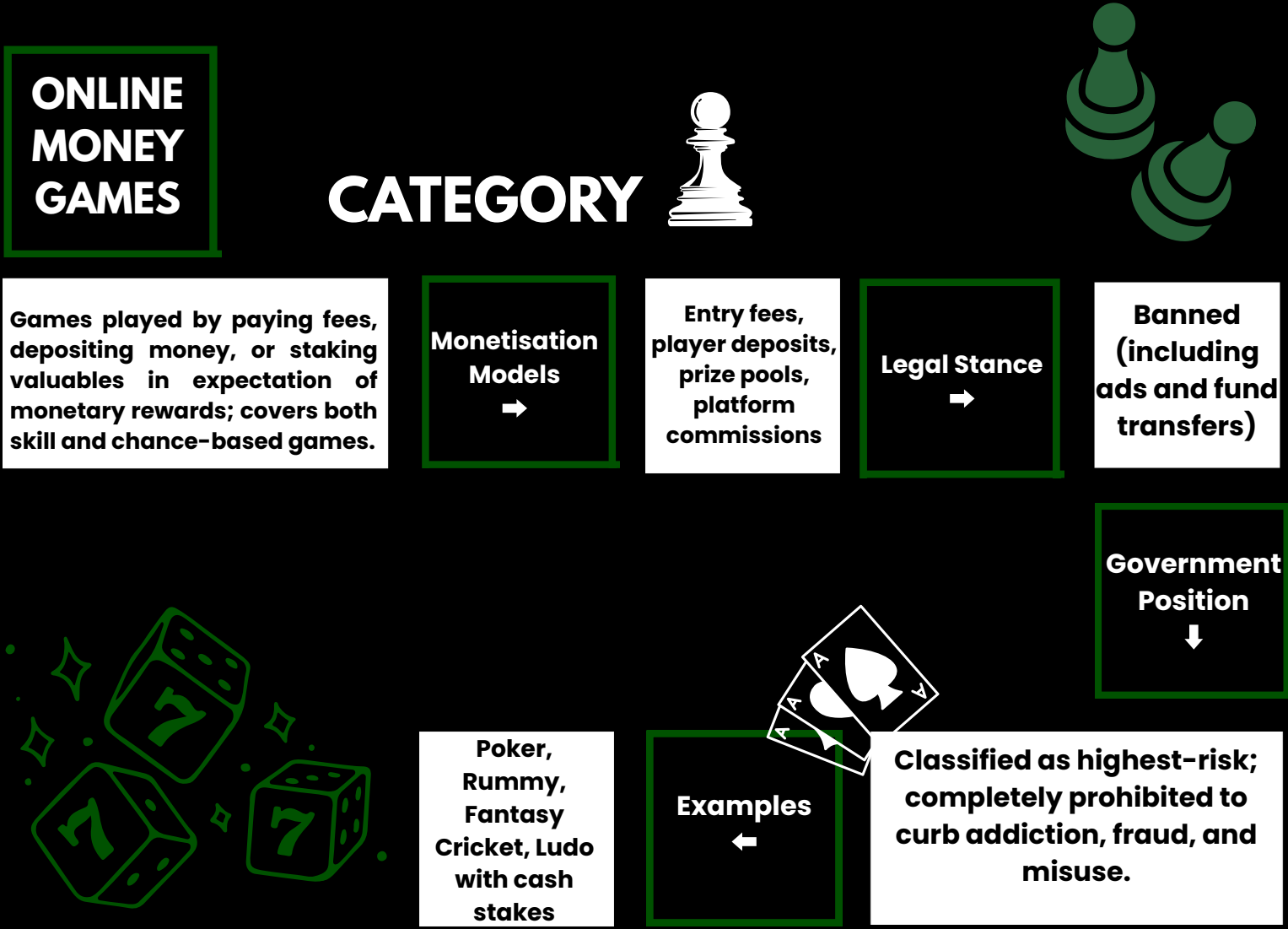
The sector clearly required proper regulation and the intent behind the Act is reasonable. However, the question of whether this Act fulfils the requirement is entirely separate.



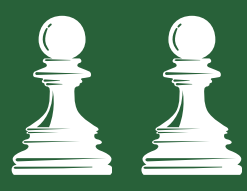
# CLASSIFICATION OF GAMES UNDER THE ACT

Older discourse focused on the predominant nature of the game to determine permissibility. Skill-based games were often upheld as legitimate, while chance-based formats were restricted as gambling. However, this distinction has been tossed aside.

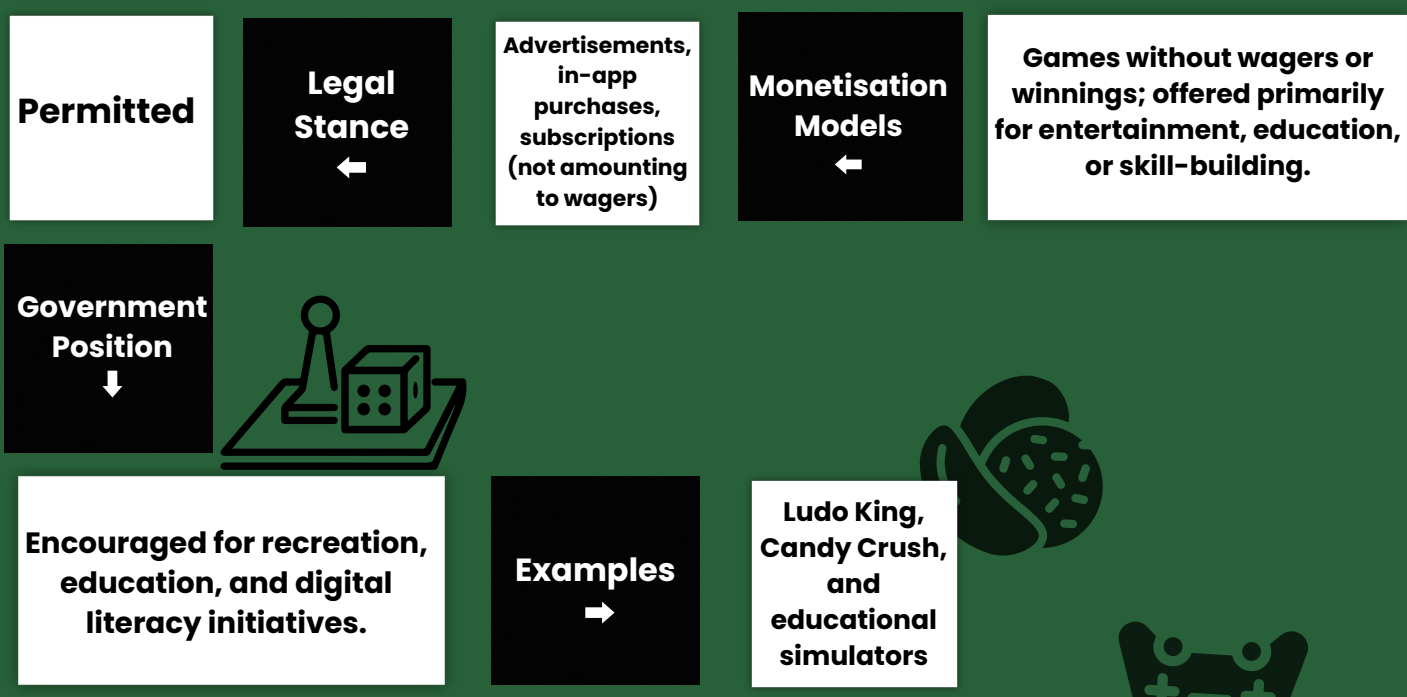
Under the [new framework](#), the decisive factor is whether money is involved. Games with monetary stakes are banned outright. Non-money games are permitted, and e-sports are given state-backed recognition and support.



# CATEGORY



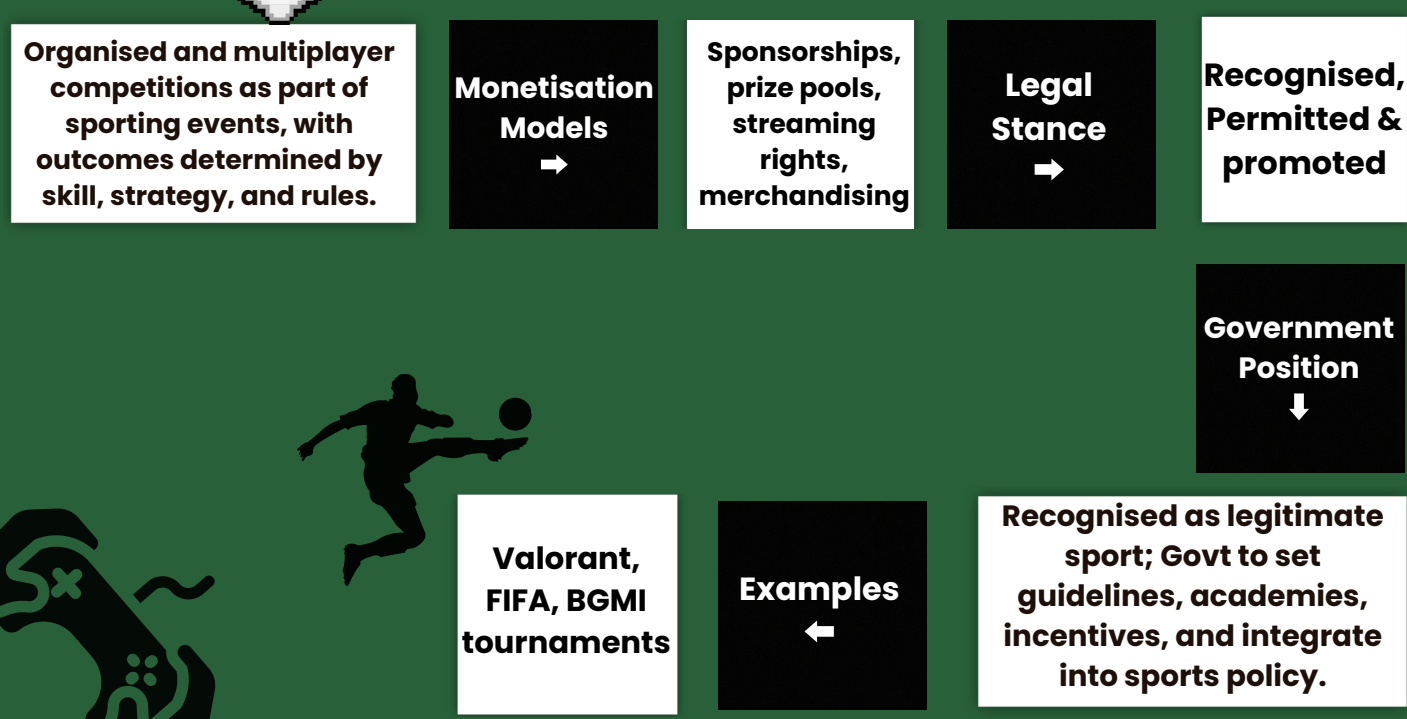
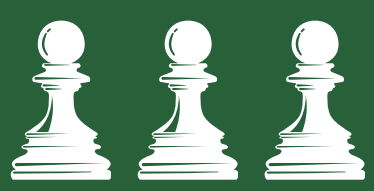
## ONLINE SOCIAL GAMES



## E-SPORTS



# CATEGORY



The Act is largely modelled on the Tamil Nadu Prohibition of Online Gambling and Regulation of Online Games Act, 2022, and aims to regulate state subjects on the pretext of national security and that the emerging industry needs central regulation.



The Act raises many questions regarding its constitutionality on two major fronts - fundamental rights and federal overreach.

First, by outrightly banning RMGs, the Act infringes on the right to life and personal liberty under Article 21. Many professional gamers and even average users lose the freedom to pursue their livelihood and interests in a growing digital sector.

Second, the blanket prohibition curtails the right to trade and profession under Article 19(1)(g), preventing many businesses that relied on skill-based gaming from carrying on their occupation.

Third, the arbitrary classification treating online and offline versions of identical games differently fails the Article 14 test of reasonable classification. For example, offline rummy remains legal in many states yet the same game is being banned online. The Act does not provide any intelligible distinction between the two nor any explanation of why online platforms must be restricted when the underlying 'harm' it seeks to prevent remains unchanged.

The Act also raises concerns of federal overreach as “betting and gambling” falls under the State list as Entry 34. Subjects like sports, entertainment, and amusement are also part of the State list, thus even the games which do not fall under the ‘skill versus chance’ debate are accounted for within the State list. While the centre cited the reasons of suicide and public harm to justify the Act, it is interesting to note that public order, health and police are also state subjects.

Until now, states had the independence to impose strict bans or permit such games and gambling. The new Act challenges this established framework in favour of a one-size-fits approach to ban RMGs and overrides state authority without a clear mandate. The implementation of the Act will likely be delayed by litigation over federal boundaries, leaving both players and platforms facing uncertainty and exposing businesses to substantial losses in the meantime.

Lastly, while some matters of the State list can be legislated on by the Centre, it requires a resolution under Article 249 to be passed by the Rajya Sabha to authorise such an Act. The Centre cited Entry 31 of the Union list, which covers posts and telegraphs, telecommunications and broadcasting, to enact the bill. However, by doing so, it circumvented the need for a resolution under article 249, raising concerns about lack of legislative competence.





The Act is silent on taxation, especially regarding RMGs, but it raises some very important questions about the viability of the new framework. To understand this sheer inconsistency, let us first look at the very tax chaos that preceded the Act.



Until 2023, platforms treated games of skill as 'services' and paid 18% GST on net revenue. Then came the kicker; the GST Directorate contended that all RMGs count as betting and gambling, meaning platforms should have been paying 28% GST on the entire value of bets placed through their platform.

Tax authorities claimed that operators have been underpaying for years and demanded that the additional tax be paid on all bets placed from 2017 to 2022. They issued around 71 show cause notices to many gaming operators with the total claimed amount being around ₹1.12 lakh crore.

This was followed by the 2023 amendment in the GST rules which hiked GST rates for online gaming from 18%-28%. The government insisted that this was just a clarificatory amendment and since it merely resolved ambiguities in the existing law, it can be applied retrospectively.

The Directorate argued that speculative outcomes are relevant for taxation, and whether a particular game is one of skill or chance is not relevant. The removal of this distinction created a lot of confusion for the platforms. Not only were the operators supposed to be paying 28% tax, these were being demanded retrospectively, an action which if found viable might bankrupt these companies.

The Supreme Court now faces three critical issues. First, whether the 'skill versus chance' debate can shield platforms from tax claims or if the distinction is entirely meaningless. Second, whether the tax liability can be applied retrospectively, and lastly, whether the entire 'bet' value is taxable as opposed to the net revenue alone.



# NAVIGATING TAXATION

The verdict would have clarified the tax liabilities for both platforms and users. Should the government's claim survive, online gaming would become commercially unviable, crippling the sector's growth.

The final noteworthy development is the recent introduction of the GST 2.0 reforms. The GST council has introduced a whopping 40% '[sin tax](#)' for online money gaming, betting and gambling, and related activities. Up to this point it merely seemed like the government spotted a growing sector and wanted a piece of the profits. Seems reasonable, right?

Enter the plot twist. While the Supreme Court's decision is pending and the new GST reforms are imminent, the government has decided to ban all forms of RMGs. Increasing tax rates could still be justified as pursuing revenue interests, but how can those interests be pursued when the very games generating that revenue have been banned?

The dual approach of legislative prohibition coupled with punitive taxation creates a shocking paradox: the state is simultaneously banning and taxing the same activities. Without any semblance of legislative consistency and coherence, the Act risks being classified as arbitrary state action. Companies are now looking at both historical and prospective tax liabilities, while also facing operational bans.

Outside of online gaming and gambling, there are many activities the government taxes punitively. For example, taxing alcohol at 40% not only serves revenue interests, it also acts as a deterrent to consumption. Win-win. However, unlike other examples, online gaming has been completely banned. It's like being fined for speeding on a road that's been permanently closed.



# THE COST OF REGULATION

Gameskraft, one of India's largest RMG platforms, has found itself at the centre of this dispute. It was also one of the 71 companies that received a show cause notice from the GST Directorate, and faces a claim of ₹21,000 cr. Within days of the Act's announcement, it suspended its online poker and fantasy sports services citing regulatory uncertainty. The company also filed writ petitions in the Bombay High Court to question the arbitrariness of the new law.

The market impact due to the ban on RMGs has been severe. Dream 11 has announced that it will shut down its RMG operations in the light of the Act. Mobile Premier League, PokerBaazi, Games 24x7 and many others stopped accepting deposits from users even before the bill was passed to avoid penalties. Small operators fared worse. Some shut down operations overnight fearing the hefty penalties, while others restricted workflows, laid off staff, or moved to "skill-only" models with virtual, non-money, rewards.

However, many industry associations sprang into action, submitting representations to the Ministry of Electronics and Information Technology and to the GST Council, demanding clarity on taxation and licensing. Some platforms have even announced plans to relocate to other countries in the hopes of circumventing the new regulations

The economic fallout caused by the Act is shocking. India's online gaming sector was on track to hit almost 7 billion USD in 2025. However, post the Act, investors have hit pause. Deal volumes have plummeted by over 20% and funding rounds for startups have all but vanished. Early stage developers face crippling capital shortages that threaten to stall production and job creation across the sector.

The combined shock of cancelled launches, deplatformed games, slower hiring, and halted research and development, threatens to derail an industry which has displayed remarkable growth and innovation. Without fresh capital and regulatory clarity, almost 400 companies could be adversely affected with almost 2 lakh skilled jobs hanging in the balance.

With the bill set to be rolled out within a week, it remains to be seen if the desire for regulation can justify its cost.



# THE WAY FORWARD

The Act's goal of mitigating the adverse impact caused by RMGs is undoubtedly a step in the right direction and reflects growing digital literacy and awareness among policymakers. However, the sweeping provisions risk swinging the pendulum too far.

What can be done? The path forward requires that legal disputes aside, industry players, policymakers and the judiciary engage in nuanced discourse to address the reality of the Indian digital gaming landscape. For example, clarifying the lines between games of skill and chance could be very important. Policymakers could avoid treating all online gaming with the same brush as betting and gambling and instead adopt a more relevant tiered approach.

As things stand, the government and the industry are not on the same page. The courts will have a pivotal role in scrutinising the Act to ensure that the concerns highlighted are actually addressed. Here too, like everything in the field of technology, the innovation versus regulation debate exists and needs to be carefully balanced.

Comparative models offer some very useful lessons. Countries like the UK and Canada regulate RMGs with robust licensing, mandatory KYC, player protections, and established dispute resolution mechanisms. Outright bans are not the norm globally, and the focus is on harm mitigation as opposed to prohibition. India could attempt to create similar inspired frameworks rather than rely on sweeping and procedurally unsound bans out of convenience.

Did the Act kill online gaming in India? Well, that remains to be seen. With the Act's rollout imminent, the conversation is only starting. Till then, we leave our readers with these questions.

Let us know what you think!



# CONTRIBUTORS

## WRITERS

---

ANJALI PANDE  
ANJALI DHAKAD  
SHRUTI SRIRAM  
TRISHNA  
AGRAWALLA

## EDITOR-IN-CHIEF

---

PRATYUSH SINGH

## DESIGNERS

---

MAITHILI DUBEY  
DIYA JAIN

**LEXTECH-CENTRE FOR LAW,  
ENTREPRENEURSHIP AND INNOVATION**



[INSTAGRAM](#)



[EMAIL](#)



[LINKEDIN](#)