

THE LOTTERIES (REGULATION) ACT, 1998

SUMMARY

The Lotteries (Regulation) Act, 1998 is an Act of the Indian Parliament that regulates the operation and management of lotteries in India. The Act aims to ensure that lotteries are conducted in a fair and transparent manner, and that the interests of players are protected. The Act defines what constitutes a lottery, who can conduct lotteries, and the conditions that must be met by those who wish to conduct lotteries. It also establishes the powers and duties of state governments in regulating lotteries, and lays down penalties for contraventions of the Act. The Lotteries (Regulation) Act, 1998 is an important piece of legislation that helps ensure that lotteries are conducted in a manner that is fair and equitable to all stakeholders.

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Section 1: Short Title, Extent And Commencement

- (1) This Act may be called the Lotteries (Regulation) Act, 1998.
- (2) It extends to the whole of India.
- (3) It shall be deemed to have come into force on the 2nd day of October, 1997.

Simplified Act

- (1) The name of this law is the "Lotteries (Regulation) Act, 1998."
- (2) This law applies to all of India.
- (3) The law is considered to have been in effect since October 2, 1997.

Explanation using Example

Imagine a scenario where a company based in Mumbai wants to start a lottery business. They need to understand the regulatory framework governing lotteries in India. They would refer to the Lotteries (Regulation) Act, 1998, which is applicable across the entire country, as stated in Section 1(2). This means that the rules and guidelines outlined in this Act are relevant to their business regardless of where in India they operate.

Additionally, they should be aware that the Act has been in effect since October 2, 1997, as per Section 1(3). This is important for understanding the historical context of any regulations or legal precedents that may have occurred since the Act's inception.

Section 2: Definitions

In this Act, unless there is anything repugnant in the subject or context, -

"bumper draw of a lottery" means a special draw of lottery conducted on or during any festival or other special occasion wherein the prize money offered is greater than the prize money offered in the case of other ordinary draw of lotteries;

"lottery" means a scheme, in whatever form and by whatever name called, for distribution of prizes by lot or chance to those persons participating in the chances of a prize by purchasing tickets;

"prescribed" means prescribed by rules made under this Act.

Simplified Act

This document explains some terms used in the Lotteries (Regulation) Act, 1998:

"Bumper draw of a lottery" refers to a special lottery game that is held during a festival or a special event where the prizes are bigger than the ones in regular lottery games.

"Lottery" is any system where people can win prizes by chance. People participate by buying tickets, and the winners are chosen randomly.

"Prescribed" means the specific rules or regulations that are established under this Act.

Explanation using Example

Imagine it's the festive season and the state government announces a "bumper draw of a lottery" for Diwali. This special lottery offers a significantly higher prize than the regular weekly lottery draws. Here, the Diwali bumper lottery fits the definition provided in the Act as it is a special occasion draw with greater prize money.

Now, consider a situation where a group of friends purchase tickets for this Diwali bumper lottery. By doing so, they are participating in a "lottery" as they have bought tickets with the hope of winning a prize through chance.

Furthermore, if the state government decides to implement new rules for the operation of lotteries, the term "prescribed" would refer to the regulations set forth in these new rules under the authority of The Lotteries (Regulation) Act, 1998.

Section 3: Prohibition Of Lotteries

Save as otherwise provided in section 4, no State Government shall organise, conduct or promote any lottery.

Simplified Act

Unless section 4 says it's okay, no state government is allowed to set up, run, or advertise any kind of lottery.

Section 4: Conditions Subject To Which Lotteries May Be Organised, Etc

A State Government may organise, conduct or promote a lottery, subject to the following conditions, namely:

prizes shall not be offered on any pre-announced number or on the basis of a single digit;

the State Government shall print the lottery tickets bearing the imprint and logo of the State in such manner that the authenticity of the lottery ticket is ensured;

the State Government shall sell the tickets either itself or through distributors or selling agents;

the proceeds of the sale of lottery tickets shall be credited into the public account of the State;

the State Government itself shall conduct the draws of all the lotteries;

the prize money unclaimed within such time as may be prescribed by the State Government or not otherwise distributed, shall become the property of that Government;

the place of draw shall be located within the State concerned;

no lottery shall have more than one draw in a week;

the draws of all kinds of lotteries shall be conducted between such period of the day as may be prescribed by the State Government;

the number of bumper draws of a lottery shall not be more than six in a calendar year;

such other conditions as may be prescribed by the Central Government.

Simplified Act

A state government in India is allowed to set up and run a lottery, but it must follow these rules:

Lottery prizes can't be based on a number that has been announced beforehand or just on one number.

The lottery tickets must have the state's official mark and logo to show they are real.

The state government can sell the tickets directly or through official sellers and agents.

All the money made from selling lottery tickets must go into the state's official funds.

Only the state government is allowed to do the lottery drawings.

If no one claims a prize within the time set by the state, or if it's not given out for another reason, the money goes back to the government.

The lottery drawing must happen within the state that is running the lottery.

There can't be more than one lottery drawing per week.

The state government decides the time of day when lottery drawings can happen.

There can't be more than six special jackpot drawings in a year.

There may be other rules set by the central government of India.

Explanation using Example

Imagine the government of the fictional state of Utopia decides to organize a state lottery to fund public education initiatives. They announce the "Utopia Education Lottery" with the following stipulations, in line with Section 4 of The Lotteries (Regulation) Act, 1998:

The lottery does not offer prizes based on any single digit or pre-announced number, ensuring each draw is based on a completely random set of numbers.

Every ticket is printed with Utopia State's official logo, and features a secure watermark to prevent counterfeiting.

Tickets are sold through authorized distributors across the state, as well as at official state-run outlets.

All revenue from ticket sales goes directly into Utopia's public account, earmarked for enhancing educational facilities and programs.

The state conducts the lottery draws weekly, with no more than one draw per week, and ensures that the draw process is transparent and fair.

Any prize money not claimed within 90 days is directed back into state funds for education.

All lottery draws are held at a designated location within Utopia, which is publicly accessible to ensure transparency.

Special "bumper" draws are limited to six times per year, typically aligned with major holidays or events to generate additional excitement and participation.

This lottery is carefully designed to comply with the state's regulations and contribute to the public good, while providing an enjoyable form of entertainment for its citizens.

Section 5: Prohibition Of Sale Of Ticket In A State

A State Government may, within the State, prohibit the sale of tickets of a lottery organised, conducted or promoted by every other State.

Simplified Act

A local government has the power to stop the sale of lottery tickets within its area if those tickets are for a lottery that is run by a different state.

Section 6: Prohibition Of Organisation, Etc, Of Lottery

The Central Government may, by order published in the Official Gazette, prohibit a lottery organised, conducted or promoted in contravention of the provisions of section 4 or where tickets of such lottery are sold in contravention of the provisions of section 5.

Simplified Act

The national government has the power to officially ban any lottery that is set up, run, or advertised against the rules stated in section 4. This also applies if the lottery's tickets are sold in a way that breaks the rules of section 5.

Explanation using Example

Imagine a company 'X' organizes a lottery without adhering to the conditions laid out in Section 4 of The Lotteries (Regulation) Act, 1998, such as ensuring that the lottery is conducted by the state government, proceeds are allocated to

public good, and that there's a proper distribution of prizes. Additionally, suppose 'X' sells tickets in a manner violating Section 5, like selling tickets without mentioning the state organizing the lottery or not ensuring transparency in ticket distribution. In this scenario, the Central Government has the authority to issue an order to prohibit this particular lottery of company 'X'. This order would be published in the Official Gazette to formalize the prohibition and inform the public.

Section 7: Penalty

(1) Where a lottery is organised, conducted or promoted after the date on which this Act receives the assent of the President, in contravention of the provisions of this Act, by any Department of the State Government, the Head of the Department shall be punishable with rigorous imprisonment for a term which may extend to two years or with fine or with both: Provided that nothing contained in this section shall render such Head of the Department liable to any punishment if he proves that the contravention was committed without his knowledge or that he exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where a contravention under this Act has been committed by a Department of Government and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any officer, other than the Head of the Department, such officer shall also be deemed to be guilty of that contravention and shall be liable to be proceeded against and punished accordingly.

(3) If any person acts as an agent or promoter or trader in any lottery organised, conducted or promoted in contravention of the provisions of this Act or sells, distributes or purchases the ticket of such lottery, he shall be punishable with rigorous imprisonment for a term which may extend to two years or with fine or with both.

Simplified Act

(1) If a lottery is set up, run, or advertised by a State Government department after the President has approved this law, and it breaks the rules of this law, the person in charge of that department can be sent to prison for up to two years, fined, or both. However, if the person in charge can show that they

didn't know about the illegal activity or that they tried their best to stop it from happening, they won't be punished.

(2) Even though what's said in part (1), if a government department breaks the rules of this law and it turns out that the illegal activity happened because an officer (who is not the head of the department) allowed it, ignored it, or didn't pay attention, that officer can also be held responsible and punished just like they were the one who broke the law.

(3) Anyone who helps to run or sell tickets for a lottery that is not following the law, or who buys tickets from such a lottery, can also be sent to prison for up to two years, fined, or both.

Explanation using Example

Imagine a scenario where the Tourism Department of a state government decides to raise funds by organizing a lottery. Despite the Lotteries (Regulation) Act, 1998, they proceed without adhering to the legal requirements set by the Act. The lottery is widely advertised and tickets are sold to the public. After an investigation, it is discovered that the lottery was not conducted in accordance with the Act.

As a result, the Head of the Tourism Department could be charged under Section 7(1) of the Act. If found guilty, the Head could face up to two years of rigorous imprisonment, a fine, or both. However, if the Head can demonstrate that they had no knowledge of the contravention or that they took all necessary steps to prevent it, they might not be punished.

Further, if it is revealed that an officer within the department, other than the Head, had a role in the contravention, either through consent, connivance, or neglect, as per Section 7(2), that officer could also be held liable and face similar punishments.

Additionally, any individual who acted as an agent, promoter, or trader for this illegal lottery, or who sold, distributed, or purchased tickets, could be punished under Section 7(3) with rigorous imprisonment for up to two years, a fine, or both.

Section 8: Offences To Be Cognizable And Non-Bailable

The offence under this Act shall be cognizable and non-bailable.

Simplified Act

Section 8 Simplified: Crimes related to this law can be acted on by the police without a warrant, and you cannot get bail automatically.

Section 9: Offences By Companies

(1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to, any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation - For the purposes of this section, -

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm.

Simplified Act

Simplified Explanation:

(1) If a company breaks the law according to this Act, both the company itself and the people in charge at the time of the crime are considered guilty. Those people include anyone who was overseeing the company's operations and were responsible for how the company was run. They can be taken to court and punished just like the company.

However, if a person in charge can show that they didn't know about the crime or that they tried their best to stop the crime from happening, they won't be punished.

(2) Even if the first rule applies, if the crime by the company was done with the approval, help, or because of the negligence of any high-level person in the company like a director, manager, secretary, or similar officer, then that individual can also be found guilty of the crime. They too can face legal action and punishment.

Definitions:

(a) "company" refers to any organized group, whether it's a corporate body, a partnership, or any other group of people working together.

(b) "director" means a partner in the company if the company is a partnership.

Explanation using Example

Imagine a scenario where a private limited company named "Lucky Draws Pvt. Ltd." conducts a lottery business. The company organizes a lottery without adhering to the rules and regulations set forth by the Lotteries (Regulation) Act, 1998, thereby committing an offence under the Act.

Under Section 9 of the Act, not only is the company "Lucky Draws Pvt. Ltd." held liable for the illegal lottery, but also the individuals who were in charge of the company at the time the offence was committed. This means that the Managing Director and other key executives responsible for the business operations could be deemed guilty and face legal action.

However, if the Managing Director can prove that they had no knowledge of the illegal lottery being conducted or had taken all necessary steps to prevent such an activity, they might not be held liable under the proviso to subsection (1).

Moreover, if it is discovered that the offence occurred due to the explicit consent, connivance, or neglect of a specific director or manager, that individual would also be held accountable under subsection (2) and face punishment for their role in the offence.

Section 10: Power To Give Directions

The Central Government may give directions to the State Government as to carrying into execution in the State of any of the provisions of this Act or of any rule or order made thereunder.

Simplified Act

The national government (also known as the Central Government) can tell the government of a state how to put into action any part of this law, or any rules or orders that are made under this law.

Explanation using Example

Imagine a scenario where the Central Government observes that a particular state is not effectively regulating lotteries as per the national standards set by the Lotteries (Regulation) Act, 1998. To ensure uniformity and proper regulation across the country, the Central Government can issue directions to that State Government. For instance, if the state is not properly vetting lottery organizers or ensuring that the proceeds from the lottery are being used for the public good, the Central Government can step in and direct the State Government to enforce these provisions more strictly.

Section 11: Power Of Central Government To Make Rules

(1) The Central Government may, by notification in the Official Gazette, make rules to carry out the provisions of this Act.

(2) Every rule made by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule, or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Simplified Act

(1) The government of India can create rules to support this law by announcing them in a public government document.

(2) After the government makes a rule, they must present it to both houses of the Indian Parliament as soon as possible. It needs to be reviewed for a total of 30 days which can happen during one session or over multiple sessions. If both houses of Parliament decide to change the rule or cancel it before the next session ends, the rule will only be used in the new way they decide, or it won't be used at all. However, this doesn't affect anything that was already done based on the rule before they changed or cancelled it.

Explanation using Example

Imagine the Central Government of a country decides to introduce a new set of regulations for online lotteries to ensure fair play and protect consumers from fraud. According to Section 11(1) of The Lotteries (Regulation) Act, 1998, the government has the authority to create these rules and announces them through an official gazette notification.

After the rules are made, as per Section 11(2), they must be presented to both Houses of Parliament. Suppose the rules are laid out during the winter session of Parliament, they must be reviewed for a total of thirty days, which could span over the winter session and extend into the next session. During this period, if both Houses agree to modify or reject the new lottery regulations, the rules will be changed or discarded accordingly. However, any actions taken based on the rules before the modification or rejection will remain valid.

Section 12: Power Of State Government To Make Rules

(1) The State Government may, by notification in the Official Gazette, make rules to carry out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:

(a) time to be fixed for claiming prize money under clause (f) of section 4;

(b) period to be fixed for draws of all lotteries under clause (i) of section 4; and

(c) any other matter which is required to be, or may be, prescribed.

(3) Every rule made by the State Government under this section shall be laid, as soon as may be after it is made, before each House of the State Legislature where it consists of two Houses, or where such Legislature consists of one House, before that House.

Simplified Act

- (1) The government of each state can create specific rules to follow the guidelines of this law, and they will announce these rules publicly.
- (2) More specifically, the rules they create can cover the following topics:
 - (a) Deciding when prize money must be claimed as outlined in section 4, clause (f);
 - (b) Setting a schedule for when lottery draws should take place as mentioned in section 4, clause (i); and
 - (c) Addressing any other details that need to be clearly defined or could be defined by the rules.
- (3) Once the state government makes these rules, they must promptly present them to the state's legislative body, which could be one or two groups of elected officials, depending on the state's system.

Explanation using Example

Imagine a state in India where the government has decided to regulate the operation of lotteries. The state government, using its powers under Section 12 of The Lotteries (Regulation) Act, 1998, issues a notification that sets new rules for the state lottery. One of the rules specifies that winners must claim their prize money within 60 days from the date of the lottery draw. This rule addresses the matter mentioned in clause (a) of Section 12(2).

Additionally, the state government stipulates that lottery draws can only occur once a month, aligning with clause (b) of Section 12(2). This is to ensure that the lottery system remains fair and well-regulated.

Once these rules are established, they are presented before the state legislature. If the state has a bicameral legislature, it is laid before both houses; if it has a unicameral legislature, it is laid before that single house, as per Section 12(3). This process ensures that the rules are subject to legislative oversight.

Section 13: Repeal And Saving

- (1) The Lotteries (Regulation) Ordinance, 1998 (Ord. 6 of 1998), is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the said Ordinance, shall be deemed to have been done or taken under the corresponding provisions of this Act.

Simplified Act

(1) The temporary law about lottery rules from 1998 is no longer in effect.

(2) Even though that temporary law is gone, anything that was done based on it is still valid, as if it had been done under the new, permanent law.

Explanation using Example

Imagine that before The Lotteries (Regulation) Act, 1998 came into effect, there was a temporary law called The Lotteries (Regulation) Ordinance, 1998. This ordinance allowed a company to legally conduct a lottery event after obtaining necessary permissions. With the introduction of The Lotteries (Regulation) Act, 1998, the ordinance was repealed, meaning it was no longer in effect.

Now, let's say the company had already started the lottery event under the ordinance. According to Section 13(2) of the new Act, all actions taken under the previous ordinance would still be valid. This means the lottery event could continue as if it had been organized under the new Act, ensuring a smooth transition from the ordinance to the Act without disrupting the lottery that was already in progress.