Brief summary

At a press conference following the Government of the Czech Republic meeting, the Minister of Finance informed about a completely unexpected change in the field of gambling taxation. **The Ministry of Finance decided to tax players' winnings above CZK 100,000 with a 15% withholding tax** (Current situation is that players' winnings are completely exempt from the income tax).

This surprising change in the Income Tax Act was presented by the Minister of Finance at the Government meeting at the last minute, essentially "secretly", because it was not part of the bill submitted to the consultation procedure, which was commented on by the IFGR. It is not even known now what kind of winnings would be taxed; whether the net win over CZK 100,000, or even the situation when a player lost 500,000, then won 100,000, so they are, in fact, 400,000 in the red. In addition, the duration of taxation period is also unknown as well as whether this new tax will apply to all kinds of gambling games without exception.

The Minister of Finance said that this change is the result of the consultation procedure. **However, no comment place was suggested by the taxation of players.** Therefore, it is a completely unprecedented process that completely excluded an expert debate of interested parties and fundamentally violated the Legislative Rules of the Government.

Since the beginning, the MoF has given reasons for the proposed tax increase with the analyses to the original Gambling Tax Act of 2015. However, it is the impact study (RIA) to this original bill, which deems the system of taxation of players' winnings "*totally unsuitable*" for some games and, at the same time, "*very complicated"* for other types of games. ***In international comparison, this method of withholding taxation across the board for all types of gambling games is not applied by any European Union country*** (This is a quote from the MoF's analysis, p. 64).

According to the RIA analysis prepared by the MoF in 2015, the introduction of this change would constitute a "***radical modification to the current Act, which would bear a number of costs and risks***" (also a quote from RIA, p. 66). According to this analysis, the withholding tax for gambling games is, "***in view of its construction, almost unfeasible, and a positive impact on public budget revenues cannot be expected***". The conclusion of the MoF was that the taxation of winners **is practically unworkable,** if the efficiency aspect is monitored (p. 66).

Therefore, we do not know, how it is possible that the MoF is now disregarding all these conclusions and, without any discussion, pushes this ineffective system of taxation of winners without a debate with compulsory comment places directly at the Government.

The final wording of the bill may not be known until the bill is submitted to the Chamber of Deputies. We will try to obtain the text as soon as possible.

Here is the link to the press conference where the bill was presented. The Government resolution of this meeting has not yet been published. https://www.vlada.cz/cz/media-centrum/tiskove-konference/tiskova-konference-po-jednani-vlady--27--kvetna-2019-173955/