INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER
June 2019

WHAT'S UP IN THE INSTITUTE

IFGR'S PRESS CONFERENCE ON TAXATION OF PLAYERS



On 4 June 2019, a **press conference of IFGR on the proposed taxation of players' winnings** took place in Holešovice, Prague, at 10am. Besides the director of the Institute, Mgr. Jan Řehola, speakers included Jaroslav Sita (Association of Poker Players of the Czech Republic), David Huspeka (Rebuy Stars Holding), Petr Knybel (Tipsport), Miroslav Valenta (SYNOT TIP) and Vladimír Eichinger (Novomatic Group) and we thank them for their contributions. The conference was also attended by representatives of most of the major national media, who widely informed about the event both **textually** as well as **visually**. You can find the complete event minutes in the member section of our website.

WHAT ELSE

On 29 May 2019, there was essentially "secretly" adopted an amendment to the Income Tax Act at a government meeting, which introduces the taxation of players' winnings of more than CZK 100,000. Its paragraphed version was published only on 10 June (here). The bill is accepted very generally. It is not clear what can be considered winnings and how to tax it. **According to the MoF, this is the intention to create a space for expert discussion with the IFGR on the final version of the taxation of players.** Currently, the bill includes the taxation of net winnings of players over CZK 100,000 with 15% withholding tax. With the net winning of CZK 150,000, this amount will be taxed, not just the one over CZK 100,000. See details here.

WHAT'S NEXT

We are still awaiting the **announced amendment to Act No. 253/2008 Coll.**, On Measures Against the Legalization of Proceeds from Crime and Terrorist Financing, the so-called AML Act, which will be sent to the IFGR as a comment place. We will inform you immediately of its sending.

FAO invited IFGR representatives to a meeting held on **25 June 2019** at the FAO in the matter of the National Risk Assessment.

On **28 June 2019**, representatives of the IFGR will participate in a seminar for gambling tax administrators in the city of Telč. See below for more details.

MEETING OF IFGR DIRECTOR WITH DEPUTY FOR TAXES AND CUSTOMS, MR. STANISLAV KOUBA



Immediately after the IFGR press conference ended, intensive factual communication on the gambling taxation started between the representatives of the Institute and the Ministry of Finance. And on 6 June, a **meeting between IFGR Director, Mgr. Jan Řehola, and Minister of Finance, JUDr. Alena Schillerová, Ph.D.,** took place. Just before the meeting, the Minister excused herself and was represented by Deputy for Taxes and Customs, Ing. Mgr. Stanislav Kouba, who received instructions from the Minister for negotiation. The meeting lasted for 2.5 hours. You can read the full result and suggestions for further action in the **member section of our website**. However, the fact that the MoF seems to have abandoned its intention to tax players' gross winnings is crucial. One of the key arguments was undoubtedly the example of the bet of CZK 100,000 in the odds of 1.1: 1, which was given by IFGR members. Therefore, we now ask you for tips on why taxing net winnings or total annual income is inefficient and illogical. It has been proved that any contribution to the discussion can be beneficial.

EVENTS IN THE CZECH REPUBLIC

- At the invitation of representative of the Financial Administration, Ing. Jan Vytejček, IFGR representatives will participate in a **meeting of gambling tax administrators**, which will be held in Telč at the end of June. In addition to the participation of the IFGR, it was stated that representatives of the financial administration **would want to discuss the correct reporting of data on deposits and winnings by gambling operators in the tax return**. So, if you have any questions or suggestions, please, feel free to send them to us.

- IFGR was approached by representative of the FAO, Mgr. Tereza Bábová, with an offer to participate in a joint meeting on **the National Risk Assessment (NRA) process**. Topics should include:
    - ML/FT threats (list of threats, analysed factors, content and structure of the relevant chapter;
    - vulnerability (content of the relevant chapters designed specifically to individual types of obliged persons); and
    - other expectations from the NRA process by obliged persons.

  If you have any questions or suggestions to this topic, please, do not hesitate to let us know, and we will present them at the meeting.

- **OPDP's response and the MoF's information on the processing of personal data under the Reporting Decree**
  We regularly inform you about the relation between the Reporting Decree and GDPR. On 30 April 2019, we initiated an investigation into the procedure of the Ministry of Finance in connection with the Decree. They initially stated in statements that, under the Decree, they would process anonymised data, which as such do not constitute personal data, and, therefore, there is no need to address the issue. Nevertheless, IFGR experts pointed out that the data of players are pseudonymised and that the protection of personal data must be subject to an assessment, with careful consideration of which state authority could anonymised them, under which circumstances and which method would be used. On 30 May 2019, MoF updated their **frequently asked questions on the Reporting Decree**, where they agreed with the IFGR's principle that personal data are pseudonymised. **MoF nor the Customs Administration have the key to data and, therefore, are not in the position to identify**, to which data subject the pseudonymised data is related. At the same time, it was stated that data security is conducted in accordance with modern trends in the field. On 6 June, the **OPDP sent to the IFGR a statement**, where they stated that the processing is supposed to be exclusively in the pseudonymised form, which would reduce risks in the field of personal data protection. According to the OPDP, the MoF has taken appropriate technical and security measures for data security, so it is not necessary to carry out the assessment of impacts on personal data protection and **the OPDP has no knowledge that the objected processing was carried out in violation of the General Data Protection Regulation**. IFGR said that however the OPDP's statement regarding the unnecessary impact assessment is completely inconsistent with e.g. **the Annual Report (p. 60) of the OPDP,** they consider the MoF's assurance that **its representatives nor representatives of the Customs Administration have the key to data and are not able to identify the subject of personal data** crucial. At the same time, **IFGR considers it absolutely necessary that its members monitor the issue, register requests from any authority for data decryption (which is**

also imposed by GDPR) and communicate about it with IFGR representatives. As vague and problematic can be considered the MoF's formulations that a) they are not able to obtain information about a person and that b) they cannot identify data under the Decree (but not under other legal regulation). We sent you the complete summary of the issue in a separate email.

EXPRESS NEWS FROM ABROAD

- **Latvia and Estonia**
  An interesting comparison offers an overview of the Baltics, where the two most developed states of the region chose a completely **different approach to regulating gambling**. Latvian lawmakers, due to their measures, have practically terminated land-based operations except 5 star hotels, and also decided to target unlicensed online operators – players with the illegal operators face fines, and payment providers are required to check whether an operator is legal (as opposed to e.g. Germany or Norway). Therefore, the Latvian gambling market is shrinking even as a result of the increase in tax burden. On the other hand, Estonian legislators made it possible to obtain online licenses in 2010 and have been very reluctant to adopt new legislation ever since. Although they do not have the ambition to create the second Malta out of the country, they are trying to keep the legislation as simple and comprehensible as possible. The main goal is the high-quality and comprehensive protection of players. While 7 online gambling licenses have been issued in Latvia so far, 20 have been issued in Estonia. In Latvia, the black market has risen to 66%, while in Estonia only to 30%.
- **New trends in gambling games**
  IFGR continuously monitors for you news about new gambling trends. Recently, some interesting articles have been published on the subject (e.g. here or here) that are more or less identical. What are the most repetitive trends in near future estimates?
  1. **The number of online casino games on mobile phones will continue to grow** – this is logical. Smartphones simulate most PC features and are available virtually anywhere. The access is easy and with minimal security risks. Last year, the use of smartphones for these purposes increased by 37% and the trend will no doubt continue.
  2. **Linking the online and land-based worlds** – imagine that cameras and microphones are installed in your favourite casino that broadcast a live game on the Internet, and you participate in the game through computer software. Do you feel like this is a distant future? Then you are wrong, as major manufacturer developers have already created some Live table games and are working on creating others.
  3. **Greater use of cryptocurrencies** – this trend is being monitored closely by the IFGR, as the use of cryptocurrencies undoubtedly gives players greater freedom and privacy. Since the beginning of 2018, we have noticed a significant increase in the use of funds at online casinos that most often accept Bitcoins or Litecoins. Despite some instability at the end of 2018, we consider it more fundamental to ask whether operators will accept more cryptocurrencies in the future or only one species exchangeable for Bitcoin, rather than whether the trend in the use of cryptocurrencies in gambling will continue.
  4. **Blockchain games** – we devoted our time to this issue in the past, too. The development of games on this platform has already been underway, but its big boom can only be expected in 3 years.