INSTITUTE
FOR GAMBLING
REGULATION

Press briefing to taxation of gamblers‘ winnings

Prague, 4 June 2019

Who are we?

INSTITUTE FOR GAMBLING REGULATION

- The biggest gambling professional association.
- We have 32 members at present.
- Members include gambling games operators, test labs, game systems manufacturers and partner associations.

Why were we founded?

- Creating a unified platform for communicating issues related to gambling regulation.

What are our goals?

- We strive for a single, conceptual and modern development of gambling operation regulation in the Czech Republic.
- We strive to be a respected partner in a professional discussion on the topic of gambling regulation.
- We prepare expert analyses and materials.

Winnings Tax – Main Topic

- Formal shortcomings of the adoption of the bill
- Economic and social impacts of the bill
- Experience from abroad

Formal shortcomings of the adoption of the bill

Violation of the Government‘s legislative rules

The bill was adopted without the consultation procedure, without a discussion in the Legislative Council of the Government, without a submission of the material to members of the Government of the Czech Republic. Conceptual changes cannot be made this way.

Without the impact assessment, analyses, the explanatory report

The bill was not consulted with anybody, no RIA or any other impact analysis was carried out, there is also no explanatory memorandum.

The draft of the amendment is not available

Although approved by the Government, the bill is nowhere to be found.

Economic impacts of the bill

Unrealistic expectations

The MoF expects an additional profit of CZK 3.6 billion.

Our expert estimates are around CZK 1 billion at most.

Impact on other taxes

The bill for the taxation of winnings was „stuck“ to an increase in operators‘ taxes. These dropped by more than CZK 3.1 billion (-25%) in 2018.

Additional increase + tax on winnings = further loss for the state budget.

State is the biggest gambling „operator“

Already at present, the state has three times more profit from gambling than all legal operators combined. And it wants even more.

Social impacts of the bill

Players will shift to illegal operators

Players will look for alternatives to play without tax.

They will play where they are not protected.

Players will bet riskier

The state forces people to take riskier behaviour to win enough for themselves as well as for the tax. Increased addictological risks.

Players will lose more money

The state wants to tax the income of the players that lose.

This will increase their losses and deepen their problems.

International comparisons

No EU state has such a tax on winnings

„In an international comparison, no country of the European Union applies this method of withholding taxation across all types of gambling games

(MF-RIA 2015)“.

If an EU country introduced the tax on winnings, it caused a market dysfunction

Recent experience from Croatia shows that after the introduction of the equivalent of this tax the legal market dropped by 20%. The state collects less taxes and gamblers play in black game establishments and casinos.

Taxes in the Czech Republic are already well above the EU average

Technical game: EU average 27% and 19% (online). In the Czech Republic: 35%.

Fixed-odds betting: EU average 17.1%. In the Czech Republic: 25%.

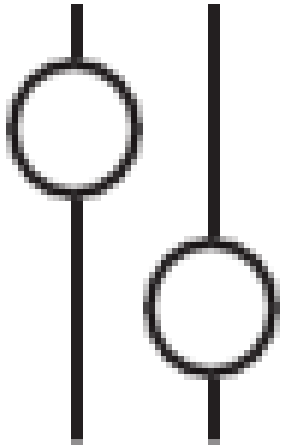
Live game: EU average 25% and 19% (online). In the Czech Republic: 30%.

Quotes from the MoF analysis - RIA 2015

„The withholding tax on gambling games is, in view of its construction, ***almost unfeasible, and a positive impact on public budget revenues cannot be expected****.“*

„The taxation of winners is ***practically unworkable, if the efficiency aspect is monitored.“***

„For some games, if deposits are not taken into account, there ***could be a risk of unwanted unconstitutional detrimental effect****.“*



INSTITUTE
FOR GAMBLING
REGULATION

For further information, please contact:
Mgr. Jan Řehola
Director of the Institute for Gambling Regulation
E-mail: rehola@iprh.cz
Mobile phone: 724 510 521