INSTITUTE
FOR GAMBLING
REGULATION

Lower tax revenue, starting the illegal market, higher social dangerousness – the impacts of the new taxation of winnings

The tax package, approved by the Czech government, expects, in addition to a further increase in taxes of legal operators, a new 15% taxation of players' winnings over CZK 100,000. Experts believe that if the bill is adopted, the harmful effects of gambling games on players will increase, the new tax liability will be circumvented by players and the overall gambling tax collection will decerease.

"This amendment to the Act was presented at the Government meeting at the last minute basically secretly, without any discussion in the consultation procedure. The government agreed with the bill, whose effects were not analysed in any way, thereby violating the government's legislative rules. It is clear from our analyses that the proposed taxation of players will not bring extra money into the state budget. Only the problems of players who are not in the plus during betting will be deepened. Unfortunately, these form the absolute majority," said Jan Řehola, Director of the Institute for Gambling Regulation.

Loss instead of winning

According to the government's bill, a player that "safe bets" during the betting at a rate of 1.1 for CZK 100,000 will also pay the tax. If such a player wins the bet, they will receive winnings of CZK 10,000, but will pay CZK 16,500 due to the new tax. Therefore, the result of their successful bet will be a loss of CZK 6,500. "The state incomprehensibly forces bettors betters to take a greater risk, because betting on lower bets will not pay off," said Tipsport CEO Petr Knybel. "The Ministry does not understand the basic principle of the functioning of the gambling market, namely that a vast majority of bettors does not earn money from betting. To want the income tax from someone who does not have an income from this activity is, in my opinion, an economic nonsense and immoral hazard from the state," Knybel added.

The bill has yet to be published, despite the Government's approval. According to finance minister Alena Schillerová, the taxation of players was incorporated into the bill based on the requirements of individual comment places. However, it is clear from publicly available sources within the eKlep government system that no comment place requested this change. The whole bill is ill-conceived, and the state must prepare for completely different impacts than it is expects.

Unrealistic expectations

The Government expects to collect more than CZK 3.6 billion from gamblers. "These estimates are completely unrealistic. Even if players do not change their behaviour under the new tax liability, the state cannot, according to our analysis, expect more than one billion. Moreover, recent experience from abroad shows that in Croatia, for example, after the introduction of the taxation of players, the market has dropped by more than 20%. In short, the players shifted to illegal operators where do not have to tax their winnings," said Řehola. The shift of gamblers to the black market is also pointed out by Jaroslav Sita, vice-chairman of the Poker Players of the Czech Republic Association. "The bill drives our 50,000 active poker players out and into the arms of illegal online Asian rooms. According to a survey that we conducted last year, about 25% of the players say it is easy to open an account with an illegal foreign poker room. Players would not even have a choice," Sita added.

Domestic casino operators are worried about the outflow of foreign clients. "Currently, more than 3 190 players a year fly from abroad to our Savarin casino to participate in big tournaments, and the moment we start explaining that they have to pay the 15% tax on winnings, they will lose interest in visiting Prague and start visiting other destinations or search for illegal organizers," comments the new bill David Huspeka,

executive director of Rebuy Stars group, one of the largest domestic casino operators.

"In our opinion, the state should not present ill-conceived bills in the pursuit of clogging holes in the state budget, which will only harm gamblers. Rather, it should think about how to protect them effectively. If they force them to pay 15% to the state budget from their potential winnings, they will certainly not solve their problems," stated Jan Řehola, Director of the Institute for Gambling Regulation.

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