INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER
July 2019

WHAT'S UP IN THE INSTITUTE

ON THE TAXATION OF WINNINGS IN THE CZECH REPUBLIC



Since the press conference, during which the Minister of **Finance introduced the intention to impose an additional tax burden on gambling in the Czech Republic**, IFGR representatives have been intensively dealing with responsible persons in order to find a viable solution for gambling operators. For this purpose and in connection with the meeting, the director of IFGR sent an email to the Deputy Minister of Taxation and Customs, Ing. Mgr. Stanislav Kouba, Ph.D., on 27 June 2019, **where he proposed preferred taxation options, which were found to be admissible following discussion with IFGR members** (more on page 2).

At the same time, representatives of IFGR are finalizing a **comprehensive analysis of the feasibility of the taxation of winnings in the Czech Republic**, which will be submitted to all parliamentary clubs and their members for reading in near future. The analysis will then be available in the member section of our website.

WHAT ELSE

- On 28 June 2019, IFGR representatives attended the annual **seminar of tax administrators in Telč**. The IPRH's speech was primarily concerned with the issues currently being raised - **raising the rate of gambling tax and taxing players' winnings** - and new gambling trends were introduced to gambling tax administrators. You can read the full article about the event as well as the IFGR's presented material in the **member section** of our website.
- On 9 July 2019 and 10 July 2019, a meeting of the Chamber of Deputies of the Czech Republic was held concerning the raise of the gambling tax rate and the taxation of players' winnings. Following the debate, the proposal was approved as expected and instructed to the Committee on Budgets. The IFGR representatives are going to focus their attention there.

WHAT'S NEXT

- Sending the AML and GA amendments to members for comments.
- Further meetings with the relevant deputies and the MoF's Deputy Minister of Taxes and Customs, Ing. Mgr. Stanislav Kouba Ph.D. regarding taxation of winnings.

CONSULTATION OF GA AND AML AMENDMENTS IS UNDER WAY



On 27 June 2019, IFGR, as a comment place, received a draft amendment to Act No. 253/2008 Coll., On Certain Measures Against Money Laundering and Terrorist Financing (AML), and to Act No. 186/2016 Coll., On Gambling (GA). The draft amendment, as well as the Explanatory Memorandum, the Final Report on Assessment of Impacts of the Regulation, the Presentation Report and other related regulations are available on the link.

IFGR representatives will also prepare a **detailed analysis of the fields affected by the changes**. The wording will be sent to you in a separate email and will also be available in the member section of our website. Which fields are these?

GA – some requirements for operators, confidentiality, reporting, self-limiting measures, Register of Excluded Persons, raffle, authorization, Authorized Persons, changes in the game system, supervision.

AML – electronic identification according to Section 8a, reinforced identification and check of clients in relevant cases, change of remote identification according to Section 11 par.7, preservation of records according to Section 16 and others.

EVENTS IN THE CZECH REPUBLIC

- **One year after GDPR came into effect**
  IFGR regularly informs you about the topic of personal data related to gambling. As it has recently been **one year since GDPR came into effect** and the Act No. 110/2019 Coll. On the Processing of Personal Data came into force, **it is necessary to assess the impacts of the adopted regulations on gambling**. We have written about new administrative obligations as well as about several positives and reliefs in a separate **article** on our website. If you have any comments or questions about this fields, do not hesitate to contact mares@iprh.cz .

- **Personnel changes at the Ministry of Finance**
  Mgr. Michaela Petrovičová became Head of Division 7303 - Administrative Proceedings in the Field of Gambling. The department is especially in charge of issuing/changing or revoking licences and decides on blacklisting a website.

- **Members' preferred options of taxation of players' winnings**
  The options are listed in order from the most preferred to the least preferred.

  1. No taxation – the only way that the MoF could collect more money into the state budget as it needs.

  2. Taxation of lottery winnings over CZK 1 million with the withholding tax – an option promoted by the MoF already in 2015. It would affect only the lottery segment, i.e. the segment with the largest RTP, when big winnings are won with a small bet, so there is a possibility to tax the "profit" of a player.
     The frequency of winnings is less frequent than of other gambling games, the winnings are not paid out in real time. Therefore, the withholding tax is easier to manage for lottery operators.

  3. Taxation of winnings over CZK 1 million on all types of games, with withholding tax - in practice, this option is not feasible for all types of games, and, therefore, it is proposed that, in case of live game, winnings would concern each specific bet. For example, in a roulette game, winnings for the entire table within one spin would not be considered winnings, but it would from each individual bet of that player (i.e. winnings from the bet on a number, split, small series, colour, etc. would be counted separately).

- **MoF published a methodological guideline for the Reporting Decree**
  On 2 July 2019, the MoF published the promised methodological guideline for daily game reporting and record. This is a more detailed guide, including examples of filling in the individual items specified in the Reporting Decree. The published section only concerns daily game reporting and record - **that is, for reporting live game and bingo in the land-based environment**. You can find the wording in documents on the member website. Unfortunately, the methodological guideline did not answer all current members' questions to the Reporting Decree, and, therefore, these questions were sent to the MoF.

EXPRESS NEWS FROM ABROAD

- **Great Britain**
  Some time ago, we informed you that the Association of British Bookmakers (ABB) and the Remote Gambling Association (RGA) are uniting on the largest gambling market in Europe. This process is continuing well and **The Betting and Gaming Council (BGC)** should be fully operational in the autumn. This will create the largest and most comprehensive gambling association on the British Isles, bringing together over 100 operators (about 90% of the market excluding lotteries). Any gambling operator who has received a gambling licence from the British Gambling Commission may become a member of the Association. The reason for the establishment and objectives of the association practically coincide with those set by the IFGR - the creation of a unified communication channel between the association members and public administration, the creation of a professional environment for effective regulation of gambling, or the support of legal gambling operators. An interesting article on the origin of the association can be found on this link.

- **Great Britain, Curacao**
  As part of our information service, we try to provide you with as much information as possible about trends (not only) in gambling or modern technologies. You can read articles on this topic regularly in the member section of our website – e.g. here, or here. We do so because we believe **that new technologies will affect gambling in near future. It can be assumed that online casinos will increasingly shift to blockchains and payment will be done in cryptocurrencies.** Recently, the English Premier League club Watford, whose general partner has become Sportsbook.io, which operates an online casino, where people pay in cryptocurrency, has startled everyone. Interestingly, the company does not have a UK gambling licence. However, this does not mean it cannot engage in marketing on the British Isles, provided its website does not entice British residents to play. Although the English Football League has a global reach, Sportsbook.io's activities can be interpreted as a preparation for future expansion not only to the islands, and it will be interesting to see how much and when the cryptocurrency casinos will fully succeed.

- **Africa**

Only **7 out of 55 African countries completely prohibit gambling**, while only Namibia and Tanzania regulate online gambling, leaving considerable room for sector development. This, as well as the economic growth in the region, **attracts operators from all over the world to Africa**. On the map on the right, we marked for you which countries regulate gambling, which regulate it only partially and where gambling is not permitted at all. If you are interested in the status of individual countries, do not hesitate to contact us!

