Results of meetings of IFGR with MoF and FAO

On 19 August 2019, IFGR met first with representatives of the Ministry of Finance (Deputy Minister of Finance, Mr. Stanislav Kouba, Director of 73rd Division, Mr. Martin Šabo and his deputy, Mrs. Petra Nespěšná) and then with the FAO Director, Mr. Libor Kazda.

The common topic of both meetings was the **scheduled October conference** (9 October 2019), where both the Ministry and the FAO promised to participate in, and not only in the form of a presentation, but also in the discussion panel. The presentation of the MoF should focus on the assessment of the gambling regulation and future outlooks (ARHA, AISG), while the FAO's appearance will focus on the assessment of the used anti-money laundering measures.

MoF

The main topic discussed with the Ministry was the Ministry's concept of the **form of the taxation of players' winnings**. Deputy Minister Kouba promised again that he plans to continue further professional discussion with the IFGR in the legislative process on the form of this taxation. According to Deputy Minister Kouba, the Ministry counts on the submission of an amendment. This amendment shall be submitted by an allied MP during the second reading. Mr. Deputy stated that the amendment is likely to include the following changes:

- the taxation will only apply to net winnings over CZK 100,000 (he stated that the limit is only a parameter and can be discussed further; however, it is the amount that the MoF will press for)
- winnings from all types of gambling games will be subject to the income tax within the annual income tax return except for lotteries, whose withholding tax from each winning will remain above the specified limit (i.e. operators, in case of all types of gambling games except for lotteries, would be exempt from paying taxes for players and players would file the tax return themselves in case that, during the whole calendar year, they had more than CZK 100,000)
- when the IFGR pointed out real impacts of this amendment, the MoF stated the following:
    - MoF is aware of the difficulty of recording winnings by operators in order to provide an overview of winnings to their players, of possible changes in players' behaviour as well as of a decrease in gambling tax collection.
    - They also stated that this does not necessarily have to happen as the amendment will affect professional players, whose number is not that high, and, therefore, there will be no decrease in gambling tax collection.
    - The MoF's motivation is supposed to be a general elimination of exceptions to the income tax.

IFGR continues to monitor the matter and takes steps to ensure that the idea of taxing players' winnings is not realized or is realized under conditions that would cause a dysfunction on the legal market to be as little as possible. We believe that the amendment presented by Mr. Kouba is a step in the right direction. However, our primary task is still to press for this amendment not to be approved in total. For this purpose, we have prepared a detailed impact analysis and a simple graphical summary of the main reasons why adopting the amendment is not a good idea. Both documents are currently being finalized and will then be distributed at face-to-face meetings with journalists as well as to all Members of the Committee on Budgets. When they are distributed, they will also be available for use

by all IFGR members. The timing and tactics of its publication will be determined, depending on the agenda of this topic's discussion in the Chamber of Deputies.

IFGR also asked the MoF about the creation of **AISG and involvement of gambling operators in the preparation of the technical specification to launch the Register of Excluded Persons**. The MoF stated that the technical specification, whose publication will start the annual transitional period for the adaption of operators to the launch of the Register, should be published by the end of this year. **This means that the Register of Excluded Persons itself should be launched by the end of 2020.** However, Deputy Kouba admitted that, since the launch of this Register would cause a decrease in gambling tax collection, the publication of the technical specification may be postponed by political decision. So, it is obvious that the state treasury really needs all the financial means. The MoF promised to send the technical specification to the IFGR for comments in advance of its publication.

Another common topic was the ongoing **Analysis of the Gambling Regulation** (ARHA). The Ministry stated that, in view of other tasks being performed, documents are currently being gathered and areas, in which the Ministry will need data from the entities concerned (operators), are being chosen. Real work on this Analysis will then begin next year. The final version of the Analysis is planned for the end of next year. Therefore, it is not realistic to expect that this project will solve the current problems of the existing regulation in near future.

FAO

The director of the FAO, Mr. Kazda, confirmed to us directly that the draft amendment to the AML Act, as submitted for the consultation, **allows gambling operators to perform the remote identification** by sending, for example, a scan of IDs, and so without the physical presence of a player. At the same time, he expressed the expectation that players will also use the second newly enabled process of the remote identification, which is the use of electronic IDs. When asked when they expect the amendment to take effect, he said that on 1 January 2020, which, in our opinion, is not a very realistic estimate. We will closely monitor and inform you of the legislative process of this amendment, which is being discussed together with the amendment to the GA.

In addition, we asked Director Kazda what the FAO's opinion on **the amendment to the AML Act,** which presented by a group of deputies and which is currently being discussed in the Chamber of Deputies, is. The FAO stated that this is an initiative of banks that want to extend the means for electronic identification by e.g. the electronic signature and to enable chaining of the takeover of identification. The FAO agreed that banks should verify the data in basic registers. However, the Ministry of the Interior states that they would be able to provide this service to banks in three years. Therefore, the FAO's opinion will more likely be negative. However, it is not clear what attitude will the MoF's administration adopt.

The extension of the oversight of compliance with the AML Act to the Customs Administration was also discussed with the FAO. The checks will continue to be shared, with the FAO retaining the methodological guidance and the set up of necessary measures to ensure the obligations set by the AML Act are met.