Transformation of the Gambling Market Since the Adoption of the Gambling Act

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NEW REGULATION SINCE 2017

COMPREHENSIVE LEGISLATION OF GAMBLING

The Gambling Act effective since 1 January 2017 except the provisions related to the information system

NEW RULES FOR AUTHORIZATION

In the case of authorizations of gaming establishments and casinos, the authorization process has newly two phases. In the first phase, the applicant must obtain the basic licence of the Ministry of Finance; in the second phase, it is the municipality who applies for authorization to place a gaming establishment in a specific municipality at a specific address.

ON-LINE GAMBLING

Only companies with the MoF‘s authorization may operate it. Obligation to properly pay taxes in the Czech Republic and ensure conditions for the protection of players.

Illegal operators who aim their target Czech players with their offers have their websites and payments via bank accounts blocked.

NEW REGULATION SINCE 2017

MAIN OBJECTIVE - REDUCING ACCESSIBILITY TO GAMBLING

The riskiest devices for addictions are individual slot machines in pubs and bars that lured people having dinner or beer to play. Therefore, the new Act abolished the possibility of operating in the so-called special operating mode in pubs and bars. Today, there are only about **40** left and will disappear completely in 2019.

ADDICTOLOGICAL OBSTACLES

Registration of players of technical games, Internet games and fixed-odds betting, quarter-hour break in technical games after every two hours played and the possibility of setting self-restricting measures. Restrictions of advertising.

Ban on free drinks and cigarettes during gambling in gaming establishments and casinos. Closing time of gaming establishments from 03:00 to 10:00.

ON-LINE GAMBLING: OFFENSES AND FINES

BLOCKING OF ILLEGAL GAMBLING OPERATOR‘S WEBSITES

A total of 121 websites of 13 legal entities have been blocked
- (such a high number of sites is due to mirroring - one subject had almost 100 very similar websites)

The administrative proceedings with a total of 40 entities
- (13 entities had their website blocked, 25 entities stopped targeting Czech citizens during the administrative proceedings, the proceedings are still underway with 2 entities)

ON-LINE GAMBLING: OFFENSES AND FINES

PENALTY PROCEEDINGS

A total of **50 proceedings** were initiated

20 cases of infringements by legal operators

30 cases of infringements by illegal operators

FINES

In total, fines amounting to **CZK 795,556,000** were imposed, of which

CZK 460,000 to legal operators

CZK 795 096 000 to illegal operators

Fines of **CZK 116,350,000** were paid, of which

CZK 250,000 by legal operators

CZK 116,090 000 by illegal operators

RETROSPECTIVE TAXATION OF ILLEGAL OPERATORS

as of mid-2019, an amount of **CZK 35,000,000** was assessed additionally and paid

over 241 retrospective proceedings are underway (for all tax periods from 1 January 2017 to 30 June 2019)

INFORMATION SYSTEM FOR SUPERVISION OF GAMBLING (AISG)

PUBLIC PROCURMENT

Ministerstvo The Ministry of Finance has signed a contract with the supplier (CCA Group) of the Information System for Supervision of Gambling (AISG), with part of the system (Analytical Module) provided in-house (SPCSS).

Five bidders submitted tenders. The evaluation criterion was not only the bid price, but also the amount of costs for the acquisition and operation of the technical infrastructure for the five years of operation of the system.

SCHEDULE

The analytical module has been in operation since 1 June 2019,
expected completion of the entire AISG - summer 2020

PARTS OF THE SYSTEM

Analytical module - collection of game and financial data and its analysis
Supervisory part - Register of Excluded Persons, verification of identity and age
Administrative part - support for the conduct of administrative proceedings for the MoF and local authority and information sharing

AISG – ANALYTICAL MODULE

Collection of game and financial data from gambling operators mainly based on Decree No. 10/2019 Coll. and its subsequent analysis. In operation since 1 June 2019 - data collection from operators.

The outputs are reports and analyzes necessary for the performance of supervision and control over gambling and materials for monitoring the situation on the gambling market.

ABOVE-STANDARD COOPERATION OF THE MINISTRY OF FINANCE

- Workshops for operators
- Playground
- Reference Client
- FAQ and Methodology (including video methodology and templates)
- Helpdesk

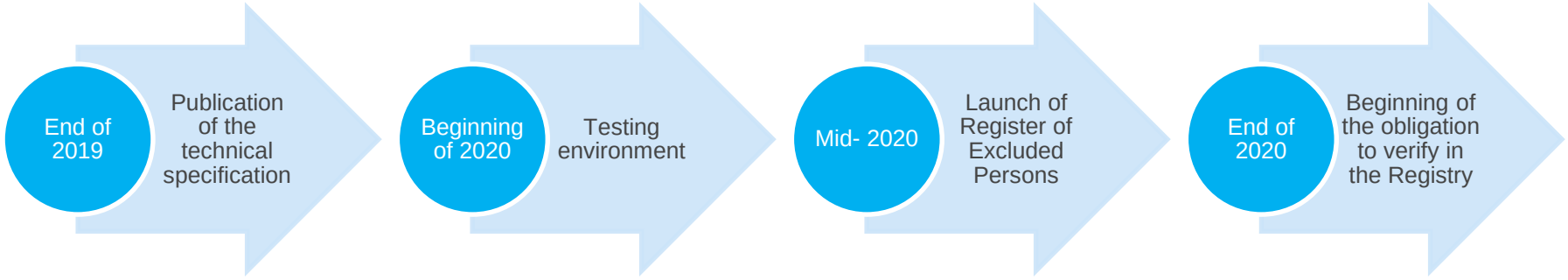
CURRENT „PURITY“ OF PROVIDED DATA

- Ongoing check of provided data and feedback to operators
- In the case of not meeting the obligation to provide data in the specified format and structure, the possibility of imposing a penalty of up to CZK 50 million

AISG – SUPERVISORY PART

REGISTER OF EXCLUDED PERSONS

monitoring the compliance with the legal obligations of operators, supporting the registration of players and maintaining a register of persons excluded from gambling



HID ASSIGNMENT PROCESS

- Necessity to verify the identity and age of a gambling participant who has already set up a user account
- Choice of one or more decisive days (following the launch of the Register of Excluded Persons, the notification at least 10 working days in advance)
- Necessity to apply before one year from the date of the technical specification publication expires
- More details in the technical specification

AMENDMENT TO THE GAMBLING ACT

Part of the AML (anti-money laundering) amendment package
Partial amendment that does not anticipate the conclusions of the Analysis of Gambling Regulation (ARHA)
There are no major factual changes, it is mainly a specification or modification of problematic passages in order to increase legal certainty

MODERATION OF REGULATION

Guaranteed tournaments
Interference with equipment and gambling during operation

- immediate intervention
- small-scale changes

LEGISLATIVE TECHNICAL CHANGES (INCREASING LEGAL CERTAINTY)

Register of Excluded Persons
Reporting

CHANGES IN SUPERVISORY BODIES

Check will be done by the General Directorate of Customs
Transfer of competence to conduct sanction proceedings in the case of Internet operation to the Customs Office for the Plzeň Region

IDENTIFICATION CHANGES (AML)

Greater openness to the online market - a new method of identification

CHANGES IN RATES OF LOTTERY LEVIES AND OF GAMBLING TAXES

Rates of levy/tax	2012-2015	2016 (lex Free)	The original MoF proposal for 2017	2017 (Gambling Tax Act)	Government proposal of 2020
Other games	20%	23%	25% fixed-odds betting, totalizator, raffle, small tournaments 30% lottery, bingo and live game	23%	25% fixed-odds betting, totalizator, raffle, small tournaments 30% lottery, bingo and live game
Technical game	20% + CZK 55/device/day	28% + CZK 80/device/day	35%, at least ca. CZK 100/device/day	35%, at least ca. CZK 100/device/day	35%, at least ca. CZK 100/device/day

TAXATION OF WINNINGS

Limitations of the current exemption in the Income Tax Act

LOTTERY AND RAFFLE

taxation of winnings exceeding the amount of CZK 100,000 (even higher amounts in the parliamentary proposals)

OTHER GAMBLING GAMES

the difference between the total of winnings and the total of deposits for a certain type of income over the amount of CZK 100,000 per tax period (e.g. fixed-odds betting + totalizator game, live game except live game tournament, live game tournament + small tournament)

ANALYSIS OF GAMBLING REGULATION (ARHA)

Based on the programme statement of the Government of the Czech Republic from 2018
Comprehensive assessment of the application of the new gambling regulation
Completion by October 2021

AREAS OF ANALYSIS

Gamblers
Business environment
Public administration
Taxes and expenditures from public budgets

POSSIBLE ARHA RESULTS

Proposal for legislative changes
Changes of methodological statements
Market standard
Addictological recommendations

INTERESTED PARTIES

Office of the Government - Division of Drug Policy
Customs Administration, Financial Administration, Financial Analytical Office
Operators
Specialized public, Relevant ministries

SOURCES OF DATA

Reported game and financial data
Analysis of foreign markets and experiences
Materials from interested parties (questionnaires, analyses)

Ministerstvo financí
České republiky

THANK YOU FOR YOUR ATTENTION