INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

November/19

WHAT'S UP IN THE INSTITUTE

NEW TAXATION APPROVED BY THE CHAMBER OF DEPUTIES

Despite extensive rhetorical obstruction by the opposition, a tax package was approved on 6 November 2019 (discussions in 3rd reading began on 18 October 2019), which includes a new tax on gambling and players' winnings.

The Chamber of Deputies (CoD) passed the **amendments (AMs) of MP Rais (ANO) (government bill), MP Vostrá (KSČM), MP Veselý (ČSSD) and Martínek (Piráti)**. Therefore, the current form of the Act is as follows:

- **Taxation of winnings over CZK 1 million** - for lotteries - paid by withholding tax immediately after such winnings are reached, operators pay. For other games - paid by income tax, once a year by a player.
- **Taxation of operators** - 35% lottery, 35% technical games, 23% fixed-odds betting, 23% live games, 23% bingo. So, the only rate that increases, is the lottery rate!
- **Abolition of Section 59 of the Gambling Act** - enabling the guaranteed tournaments to be operated in the usual form.

In order to enforce the tax package, the government coalition restricted room for rhetorical scenes of the opposition, where the opposition is likely to challenge such a violation of the Rules of Procedure of the Chamber of Deputies at the Constitutional Court. However, such a procedure has already occurred during the EET negotiations and it we can assume that the CC will proceed similarly and will support the government coalition's procedure.

NEXT STEPS ON NEW TAXATION IN THE CZECH SENATE

After the bill was submitted to the Senate, the Economic Committee, whose chairman is Senator Vilímec (ODS), was chosen to be the Guarantee Committee. The bill was also directed to the Committee on Spatial Development, Public Administration and Environment. **The Senate's deadline for its statement is 8 December 2019.** Considering the political distribution of powers in the Senate, we do not expect the Senate to approve the bill or not to state their opinion. Possible Senate decisions are as follows:

1. rejection of the bill; or
2. approval with the CoD.

After the Senate's decision, the Chamber of Deputies will re-vote on the bill. The **majority of Deputies present** will be enough to approve the **Senate AMs**. In order to pass the bill **as approved by the CoD** - see the description on the left - the Senate must approve it by majority of all Deputies, which means that **101 votes will be required**.

IFGR continues to communicate with Deputies and senators and strives to ensure that the outcome of the proposed taxation is as favourable to its members as possible.

Questionnaire - Is the basis for the tax return BET/WIN or IN/OUT - What is the situation among the IFGR members regarding the reporting of game data? We asked Czech members to fill out the questionnaire on the other side of this Newsletter.

WHAT ELSE

IFGR director appeared in the **discussion panel at the conference called "Focused on On-line"**, which was held on 5 November 2019 at the Office of the Government. You can see what the final panel looked like in our LinkedIn member section. More about the conference in section Events in the Czech Republic.

On **8 November 2019**, the Chamber of Deputies of the Czech Republic submitted the tax package (new gambling taxation) to the Senate for discussion, which will be further discussed as Senate Press No. 150.

WHAT'S NEXT

On 19 November 2019, IFGR attended the annual professional conference organized by cbData, s.r.o. In Olomouc.

On **26 November 2019** at 10:20, the tax package should be discussed by the **Guarantee Committee of the Senate of the Czech Republic, which is the Economic Committee**.

On **27 November 2019** at 9:35, t**he Committee on Spatial Development, Public Administration, Environment** is scheduled to discuss the package.

On 4 December 2019 at **9:00**, the next meeting of the Senate will take place, **where the gambling taxation will be discussed as the first agenda item**.

EVENTS IN THE CZECH REPUBLIC

Questionnaire - Is the Basis for the Tax Return BET/WIN or IN/OUT?

Given the increasing number of inquiries and the fact that the method of reporting is decisive for filing tax returns, we launch this purely statistical questionnaire, whose individual answers we will not know, for Czech members. The aim is to obtain exclusively statistical data for the purpose of creating a realistic picture of the mode, in which the data is reported the most.

Účtenkovka Changes Its Rules

The state lottery launched by the Ministry of Finance two years ago, which was supposed to support the functioning of EET, but now, according to the Ministry of Finance, serves only to motivate people in collecting receipts, **was abused by its players**. Its operation has recently been criticized by the Supreme Audit Office, which stated that it is represents a waste of money without much benefit. In August, the first player registered 11,128 receipts, which would mean going to 370 stores every day and buying something in each. It turned out that the so-called exchange of receipts exists, where receipts are sold for 0.01 CZK. For this reason, the Ministry of Finance changes the rules of the game, limiting the number of receipts that can be registered to 500 per person per month.

Sazka Increases Its Greek Market Share

Company Sazka Group continues its efforts **to take over the Greek betting company OPAP.** During October, Sazka managed to gain another 7%, with **a total share of 40%**. The intentions of the Sazka Group were not concealed by the Chairman of the Board of Directors, Karel Komárek. "We are pleased that the acquisition in October has resulted in a significant increase in the share in Opap. Our ultimate and long-term goal is to acquire a majority stake in Opap." At the same time, Sazka's management assured that it does not intend to change the current OPAP strategy and that it wants to maintain its position on the Greek market. OPAP is the fourth largest betting company in Europe in terms of revenue, with gross revenues of € 1.5 billion last year. In addition to the shares in OPAP, the Sazka Group holds shares in the Czech company Sazka (100%), the Italian company LottoItalia (32.5%) and the Austrian Casinos Austria (38.2%). In the first half of this year, the Sazka Group increased its net profit to CZK 11.3bn, which is fourfold year-on-year.

Police Operation "HAD" - Gambling, Drugs, Children

Czech Police in cooperation with firefighters, OSPOD, hygiene, ČOU and the Customs Office on Friday 8 November carried out a premiere inspection operation called HAD. The aim of the operation is to **check compliance** with the prohibitions on the sale of alcohol, cigarettes, illicit drugs and the **provision of gambling to minors**, which, according to the Police of the Czech Republic, are not observed. As part of the inspection, the patrols went to the areas of Břeclavsko, Mikulovsko and Hustopečsko. What were the results of the operation?

21 premises were inspected, police officers checked 52 persons and 8 minors had a positive alcohol test. On the other hand, no press release confirmed that a minor in a gaming establishment was checked.

Conference "Focused on In-line 2019"

At the conference on 5 November 2019 organized by the Office of the Government, not only representatives of the public administration, Finance Minister Alena Schillerová and her Deputy Stanislav Kouba (MoF), Jarmila Vedralová and Viktor Mravčík (the Office of the Government) appeared, but representatives of addictologists and preventists, including foreign experts, were also present. In our opinion, the biggest success of the conference is the **extension of the subject matter of the conference** to include addiction gaming on computer games and addiction to social networks, the Internet and new technologies. An important observation from the speeches of the representatives of the MoF was the announcement by Minister Schillerová that the **taxation of the technical game is at its maximum and the launch of the Register of Excluded Persons was confirmed for mid-2020**. Read more on the IFGR's website here.

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NEWS FROM ABROAD

Ukraine Is Preparing to Completely Change the Regulation of Gambling

We regularly inform you about the planned regulation of gambling in Ukraine. The whole process was triggered by the initiative of the new President Zelensky, who supported the opening of the Ukrainian market (not only) to foreign operators. At present, the government bill is being discussed by parliament. Its goal is to increase the revenue from gambling in the Treasury up to 5 billion Ukrainian hryvnia. To date, gambling has been largely banned in Ukraine. The new Act regulates the online environment in addition to the land-bass gambling as well as the online environment. One will need a special licence to operate online. You can read about its special conditions, how winnings will be paid out, or what is the expected number of licences to be issued in the Czech whole article here.

Greece Has Adopted a New Act on Gambling

Greece has also reformed its gambling regulations. The legislative process was accompanied by a struggle to ban the offer of games that use the random number generator. And although the original bill contained such ban, it was eventually abolished by opponents. So, it will be possible to continue to operate e.g. slot machines in Greece. Reducing the licence fee for new operators from EUR 5 million to 3 million was also successful. Another change concerns the gambling taxation, with operators now paying 35% of their gross income. It will be possible to apply for the new licence in March 2020.

In Latvia, the Largest Operators Have Committed Themselves to Developing Responsible Gambling

The 5 leading gambling operators pn the Latvian market have **jointly committed to promoting the development of responsible gambling**. Companies Paf (Pafbet), Betsafe, Optibet, 11.lv and Feniksscasino, which have a combined market share of 90% on the lottery market, will comply with the rules of responsible gambling beyond the current legislation. "In addition, we have started to develop and implement mechanisms for self-testing, deposit limitation or proactive informing about responsible gambling. We will also consider ending the risk categories of games," said Rihards Streikis, Paf director. Market self-regulation is expected to start on 1 July 2020.

New Technical Equipment in Italy

The Italian government announced that next year, there will be tenders and **new licencing of technical equipment used in the operation of various types of gambling.** In the draft budget for 2020, the Italian government promises to receive around € 1.8 billion in tenders (e.g. 350 million - slot machines, 900 million - VLT, 385 million for the right to operate machines in bars, tobacconists and others). The Italian regulator will issue new licences for 9 years, and, for example, the maximum of 250,000 (compared to the current 265,000) for slot machines, 35,000 for pubs and tobacconists. In addition, 2,800 gambling establishments and 58,000 VLTs will be licenced. The Italian technical games market is clearly the largest in Europe with an annual turnover of € 48 billion, a gross revenue of € 10.1 billion and a contribution of € 6 billion to the budget. You will soon be able to read about the amount of the licence for one machine, the minimum amount for the licence to operate or the new form of taxation in the member section of the IFGR website soon.