INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

December/19

WHAT'S UP IN THE INSTITUTE

THE SENATE RETURNED THE TAX PACKAGE TO THE CHAMBER OF DEPUTIES

After discussing the tax package bill introducing new taxation in the field of gambling by the Economic Committee and the Committee on Spatial Development, it was already clear that the Senate of the Czech Republic would not approve the bill. At the plenary session of the Senate on 4 December 2019, senators voted to **return the tax package to the Chamber of Deputies of the Czech Republic (CoD) as amended by several amendments. One of them concerns gambling, which proposes reducing the lottery rate to 23%.** The following day, the Act, as amended by the above-mentioned amendments, was sent to Deputies. Only the **following three possibilities** may arise within the meeting of the CoD:

1. CoD approves the Senate bill → gambling tax will not be raised to anyone. Taxation of winnings over CZK 1 million
2. CoD outvotes the Senate veto → gambling tax rises only for lotteries to 35%. Other games are not taxed. Taxation of winnings over CZK 1 million.
3. CoD does not approve the Senate version, does not find 101 votes to outvote the Senate veto → the gambling tax shall not be raised to anyone. Taxation of winnings will not be passed.

WHAT WILL THE IMPACTS OF THE NEW PLAYER TAXATION BE?

Starting 1 January 2020, the taxation of winnings of players over CZK 1 million will most likely be introduced. **What will be the impact of this taxation on normal operating practice?** Here are some examples of unclear areas:

Withholding tax on lotteries – e.g. whether received winnings or its amount after deduction of tax should be reported in the reporting, what should be done if the amount of winnings is reduced to less than CZK 1 million due to correction but the withholding tax was already levied.

Income tax - especially the records of operators in the case of the live game, what documents of players will be recognized for lowering the base of the tax, will the Financial Administration (FA) publish a methodical instruction for correct registration of bets and winnings of players, etc.

Will the cancellation of Section 59 of GA affect the conditions of the basic licence, or rather the game plan or ongoing sanction administrative proceedings?

Do you have any further questions? Let us know by the end of this year. IFGR will then ask the MoF and the FA to consult on this matter.

Final Report from The First Annual Conference of IFGR

What did the first annual conference give us? What were the conclusions of the speeches? How did you rate this conference? The answers to these questions can be found in the final report attached to this mail.

WHAT ELSE

IFGR **participated again in the annual conference organized by company cbData s.r.o. on 19 November 2019 in Olomouc**. The main topic was the implementation of the Reporting Decree.

On **26 November 2019, the tax package was discussed by the Economic Committee of the Senate of the Czech Republic**. You can read about the conclusions here.

The next day, on **27 November 2019, the tax package was discussed by the Committee on Spatial Development, Public Administration and the Environment.** At this meeting, senators discussed gambling only marginally. Learn more here.

On **3 December 2019**, representatives of the IFGR met with the new management of CS, **plk. Kotraba, and negotiated for the first time with the director of the legal section of the General Directorate of Customs, Col. Kučera.** You can read the minutes of this meeting here

On the same day, representatives of the IFGR attended a meeting **with PhDr. Ladislav Csémy,** head of the Centre for Epidemiological and Clinical Research on Addictions of the National Institute of Mental Health. What was the subject of the meeting? You can find it out in the Events in the Czech Republic section below.

On **11 December 2019, a workshop** of the Ministry of Finance **on the technical specification** for the Register of Excluded Persons (REP) was held at the GDC. Find more details below.

At the invitation of the FAO, the IFGR director took part on **13 December 2019** in talks with members of the European Commission regarding **the assessment of the implementation of IV AML Directive**.

The technical specification was published.

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EVENTS IN THE CZECH REPUBLIC

Assessment of the BET/WIN or IN/OUT Reporting Questionnaire for The Tax Return

The questionnaire showed that half of the voting members of the IFGR has reported data in the BET/WIN mode since the first half of 2019 and the other half in the "old" IN/OUT mode. Some voters from the second half will start to report in the BET/WIN mode on 1 January 2020. However, some members are still undecided and are waiting for internal decisions within their company.

What Was the Workshop on The Technical Specification for REP Like?

Last week, a workshop was held at the GDC, where the MoF presented the technical specification for REP. According to the estimates of the Ministry, this register will relate to approximately 150 to 200,0000 persons who either receive benefits in material need, are in debt elimination proceedings, or who received a sanction/protective treatment consisting of a ban on participating in games and betting. REP should be launched in the test environment at the end of February 2020 and in the live environment in June. REP will be fully effective for all gambling operators in December 2020.

Will the Last Wave of EET Affect Gambling?

It will not. As of 1 January 2020, a provision will be added into the EET Act, based on which gambling revenues will not be considered registered revenues under the EET Act. The Act does not provide any exceptions for individual types of gambling games.

Analysis of the Impact of the Gambling Regulation in the City of Slaný

Based on the questionnaire filled out among its members, IFGR will prepare an analysis of the legal and economic impacts of the gambling regulation in Slaný. The analysis will describe the current legislation of the land-based operation and the opinions of the Ministry of the Interior, the Office for the Protection of Competition or the Constitutional Court on the regulation of gambling, the economic impact of the current situation on the territory of Slaný and any overall ban on such operation and the development of gambling regulation in its territory.

Materials from the "Focus on Online 2019" Conference

As we informed you earlier, IFGR participated in a conference organized by the Office of the Government, whose main topic was the online environment. Individual presentations of speakers can be found here.

What Are the Shares of Individual Municipalities in the Collection of Tax on Technical Games?

Every quarter, the Ministry of Finance publishes on its website the **share of individual municipalities in funds collected from the technical games tax**. The share consists of the ratio of the number of permitted gaming positions in the territory of the given municipality to the total number of permitted gaming positions in the whole Czech Republic.

Sazka Group Becomes the Majority Owner of Casinos Austria

Czech lottery company Sazka struck a deal **to buy 17.9% of shares in Austrian company Casinos Austria**. Adding the previously owned 38%, Sazka became the majority shareholder of the company, in which the Austrian state holds one third of the shares. "The previous ownership structure did not lead to a satisfactory development of Casinos Austria, so, as the smallest shareholder, we decided to sell our shares to provide Casinos Austria AG with a clear and sustainable ownership structure," said Novomatic CEO Harald Neumann.

Casinos Austria currently operates a lottery and 12 casinos in Austria. Outside the Czech Republic and Austria, Sazka Group currently operates gambling in Greece, Cyprus and Italy. In the previous Newsletter, we informed you that they increased their share in Greek OPAPU to almost 40%.

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NEWS FROM ABROAD

Year-on-year Development of Online Gambling Within the EU

The online gambling market recorded a year-on-year increase of 11% between 2017 and 2018. Expressed in the GGR, it increased from € 20 billion in 2017 to € 22.2 billion in 2018. This confirms the generally expected trend of the increase in popularity of online gambling. In 2022, the GGR is expected to rise to € 30 billion, which would mean a one-third increase in the industry in the last 5 years. Throughout the EU, the overall share of online gambling is also increasing compared to the land-based one - from 21.2% in 2017 to 23.2% in 2018. Europe's largest gambling market in the UK, which regularly sets trends in advance, has increased even more when online gambling exceeded 34%.

Fixed-odds betting remains the most popular online gambling industry, with a share of 42.5% (EUR 9.4 billion GGR) of the gambling market. This is followed by casino games with 32.4% (EUR 9.4 billion GGR), lotteries with 12.6% (EUR 2.8 billion GGR), poker with 5% (EUR 1.1 billion GGR) and bingo with 4.3 % (EUR 1 billion GGR). The remaining games account for 3.2% (GGR 0.7 billion).

The growth of online gambling on mobile phones and tablets continues to be very dynamical. In 2017, 39% of bets were placed on these platforms compared to 61% on PCs. In 2018, their share rose to 43% and in 2020, a balance of the share of tablets and phones with PCs is expected. From around the second half of 2022, mobile devices will definitely be in the lead, with their share expected to rise to 56%.

The UK remains Europe's largest online market, with a 34.2% share. Fit is followed by Germany 11.1%, France 8.8%, Italy 8.1%, Sweden 5.2%, Spain 4.7%, Finland 4.1% and Denmark 3.6%. The share of the remaining smaller markets exceeds 20%. In total, 16.5 million customers participated in online gambling in 2018, who were betting on average every 2.5 days. The return on their bets averaged 93%.

The Biggest Current Challenges of Gambling Regulators in the World

As every year, the International Association of Gambling Regulators (IAGR) has published an assessment of the **biggest challenges** that regulators in Europe, Africa, Australia and North and South America currently face. Unlike recent years, when general consumer protection was identified as the most important challenge, the struggle with ***"problematic (pathological) gambling"*** is currently considered to be **the most crucial.** About 88% of all global regulators who are members of the association, struggle with it. The consumer protection in general continues to be a problem faced by up to 86% of regulators. Surprisingly, the number of regulators that face gambling addictions dropped year-on-year from 59% to 54%. **On the other hand, the issue of influencing results is growing rapidly, from 38% to 45%.** Not surprisingly, the vast majority of states are faced with gambling-related crime. The most common types of crime include illegal gambling, money laundering, participation in the game of players under 18 years of age, cheating and influencing the results as mentioned above. The assessment also states that two thirds of operators make a mandatory contribution to funds that exclusively serve to promote responsible gambling.

Gambling Sector Is the World's Largest Sport Sponsor

Many renowned foreign media received the information that **gambling operators have become the biggest sponsors of professional sport in the last decade.** Moreover, the financial participation of operators has been steadily increasing and in 2019, the most contracts in history have been concluded so far. As expected, most of the money goes to football, especially to British professional competitions. For example, 60% of the first and second English league have a sponsorship contract with a gambling company.

Why do operators support sports so often? Because especially **sports top events give advertisements an international outreach** that is easily backed up by the English Premiership, which provides its partners with promotion not only in Europe but practically on all continents and locations around the world. Another fundamental factor is the similar nature of sport and gambling = the pursuit of winning, with a successful bet raising an emotion similar to scoring a goal or winning. Moreover, through gambling (especially fixed-odds betting), viewers of sporting events can be directly involved in held sports events where they can compete against one another. The resulting tension naturally complements the experience of a sporting event.

Ukraine

In previous Newsletters, we informed you about the **bold plan of Ukrainian President Volodymyr Zelensky to approve a new gambling act in 2019**, which, in the end, **failed to be realized** for obvious reasons. Local lawmakers have not yet agreed on the form of gambling regulator or the actual concepts of operation and regulation of gambling. How long the delay will be in Ukraine is not known, but the opposition is now clear about it and says that the reasons for the delay are merely excuses and illustrate the inability of the government party to submit quality legislation. In addition, the government, together with the Gambling Act, seeks to enforce a package of eight other acts that introduce innovations in the economic activity of the state. Therefore, we can assume that the date of the new gambling act coming to effect in Ukraine is not on the agenda.