INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

June/20

WHAT'S UP IN THE INSTITUTE

WHAT'S HAPPENING DURING THE CORONAVIRUS PANDEMIC?

After several long weeks of complete closure of the gaming premises, it was possible to reopen gaming establishments and casinos on Monday, 11 May 2020, while adhering to strict hygiene measures, but still earlier than restaurants, pubs, bars, etc., which could reopen only 14 days later. We believe that our activities and contacting of all responsible ministries have at least partially helped this goal. After the end of the state of emergency on 17 May 2020, the government began to regulate the situation in the country, that is through decisions of the Minister of Health again. They decided to do so even though similar decisions of the Minister had previously been overturned by a court. However, the Ministry appealed against this decision and the matter is further being solved by the Supreme Administrative Court (SAC), until the SAC definitively assesses the legitimacy of the government's action. This action was already the subject of a decision-making by the Constitutional Court (CC), which, however, rejected the previous complaints due to procedural errors of the complainants. However, a chance of success at the Constitutional Court has a complaint from a group of senators, whose complaint has the greatest chance to succeed, as a group of senators, unlike ordinary natural persons, can also propose the repeal of the entire legal regulation. The ruling on the legitimacy of the government's action will be an important precondition for the possible application of compensation for damage caused because of the adopted state prohibitions.

EVENTS IN THE CZECH REPUBLIC

WHAT IS NEWS IN STATE AID FOR THE BUSINESS SECTOR

The government is also coming up with new measures to support the business sector, a **clear summary of which can be found here**.

Currently, the most discussed in this area is a MIT program, the so-called **COVID RENT**.

For the time being, considerably different information is circulating about the conditions of the COVID rent program, as the Ministry of Industry and Trade has not yet published any official conditions. What is known, however, is that the essence of the program is participation: **the landlord reduces the rent by 30%, the tenant pays 20% and the state contributes 50%**. The project of this program is currently being approved by the European Commission, so we will have to wait for the official publication a while. The Institute heard that the program should apply only to small and medium-sized businesses, or only to trade business premises. Therefore, we asked the MIT directly (the text can be found here) to obtain the official statement. We have not yet received the official answer to our question, but we have the MIT's answer to a similar question, which we addressed to the MIT simultaneously via e-mail. The MIT states that the **premises intended for the sale of goods or provision of services based on other acts will also be considered premises for the purposes of this program**. We therefore believe that this program also affects gam-

gambling operators. **Since the program is limited to CZK 5 billion, it is necessary to act quickly and start a discussion with your landlord as soon as possible.**

At present, the Institute is mostly dealing with the **STATE AID IN THE TAX MATTERS**, especially:

- Forgiving the **minimum partial tax for the period of closing gaming premises** – As we have already informed you, the Institute sent to Minister Schillerová a request for the across-the-board forgiveness of the minimum partial tax during the period of closing gaming establishments and casinos (the text can be found here), because we consider such tax collection unfair, legally questionable and liquidating for a number of entities. The Minister, although appreciating our legal analysis, stated that she currently finds more effective the institute of retrospective exercise of tax loss for the income tax for 2020. With this measure, it will be possible to claim the loss for 2020 retrospectively compared to taxes for 2019 and 2018. **Which steps will be taken by the IFGR in this area is currently being decided by its members within the sent questionnaire here.**

- **Request for forgiving the interest on deferred amount** – The interest on deferred amount is unfortunately not covered by the General Pardon of the Minister of Finance, as it only applies to income tax. **Therefore, if an operator wants to have their interest on the deferred tax forgiven, they must submit an individual application to the tax administrator, who will then decide on it.** The majority of entities requesting tax deferrals were allowed by the tax administrator to have the payment of gambling tax for the first quarter of this year deferred and the **amount of interest on the deferrals is high (currently 7.25%)**, the Institute will negotiate with director Vytejček (GFD department in charge of gambling tax administration) the conditions for granting such requests as well as a more detailed procedure for their submission. However, it should be noted that the **main condition for this application is the payment of the entire deferred tax**. The Financial Administration has issued summary information, which can be found here, and a special methodological guidance here on these applications.

THE AML AND GA AMENDMENT WILL BE DISCUSSED IN THE CHAMBER OF DEPUTIES

On Monday, the government discussed the long-announced amendment to the AML Act and the amendment to the Gambling Act (GA), to which the IFGR applied a number of comments as early as July of the previous year, and their text can be found here. **The amendment will have to be sent to the European Commission (EC) in the GA part for the notification process, which can take up to 3 months.** However, the approval process of the EC is not an obstacle to submitting the amendment to the Chamber of Deputies for discussion; the chamber simply cannot finally approve it during the notification process.

According to the adopted resolution, **the submitted wording of the acts has changed according to the opinion of the Legislative Council of the Government, and the Minister of Finance is now tasked with preparing the final text of this amendment**. The main novelty in the AML Act is the extension of remote identification of players, which will therefore be possible in the future by sending a scan of two documents and payment from a bank account. The **GA amendment mainly contains** a new definition of net loss, the obligation to request new identification data from players (the address of permanent residence and place of birth will be required instead of the place of residence address), the addition of change of deposits or the introduction of audits of game systems. According to a press release from the MoF, the government negotiated an **extension of the range of persons who will be compulsorily entered in the Register of Excluded Persons**, namely persons **who are not able to repeatedly and properly pay the maintenance**. The REP should be extended to include these persons one year after the effective date of the Act on Substitute Maintenance, which is currently being discussed in the Chamber of Deputies.

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NEWS FROM ABROAD

Europe is starting to breath and is gradually opening individual premises, including establishments and casinos. **The situation was not as favourable in all countries as it was in the Czech Republic and so gaming establishments, casinos and betting offices are still closed in most countries. Therefore, we have prepared for you a brief comparison of the situation in individual selected EU countries.** As the situation changes every day, this is data valid as of the date of issue of this Newsletter.

NETHERLANDS

Dutch premises were originally to stay closed by a government decision until 1 September 2020. As the decision causes enormous economic damage to the entire industry, as confirmed, for example, by the CEO of Holland Casino, the Dutch government moved the opening date to 1 July 2020 after pressure from industry.

ITALY

The plan to reopen land-based premises with technical games in Italy originally stated 11 May 2020. This date was abandoned because the situation around the pandemic had remained serious. At least the national lottery was relaunched on 4 May 2020.

CYPRUS

The plan presented by the Cypriot government envisages the opening of casinos only in the fourth phase of opening, namely on 14 July 2020.

MALTA

This country has allowed the so-called Lotto stalls to be reopened under strict hygienic measures, which was especially welcomed by national lottery operator Maltco Lotteries that is back in operation after 47 days.

GREAT BRITAIN

Recent assumptions indicate that in the Great Britain, gambling premises will be open under strict hygiene measures on 15 June 2020.

GREECE

Casinos in Greece also must wait for the opening; the expected opening date is during the month of July.

AUSTRIA

12 casinos have reopened in the country since Friday under increased hygiene measures.

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SLOVAKIA

Slovakia Is Combating Quiz Machines

The Slovak Gambling Regulation Office focuses its activities on combating illegal quiz machines. This follows from updated data. Since November, when it started to check these facilities, the Office has turned off more than 800 machines. At the same time, the Office filed several complaints against the operators, who, in the worst case, could face up to 15 years in prison.

GREAT BRITAIN

Impacts of Coronavirus on The Gambling Market

GB expects a decline in the British betting and sales because of the coronavirus pandemic, although there are analyses saying that the online industry should help the whole sector recover. After the closure of all land-based premises, sales are expected to fall by 37.8% since mid-March. The decline will be partially mitigated by a 0.4% increase in the online market. However, this will ultimately lead to a 17.7% decline in pre-pandemic market estimates. The decline in sales is expected to peak in May. Although everyone is clinging to reopening, experts are moderating optimism. They believe that after a slight increase, there will be a slow-down again because of the expected recession and limited buying power of players.

BELGIUM

Belgium Has Rejected A Total Ban on Gambling Advertising

Although Belgium is continuing the all-European trend of changing the regulation of gambling advertising, Belgian gambling officials have spoken out against the proposed total ban on advertising. Instead, they proposed several measures to improve consumer protection. They received unexpected support from the new president of the Belgian Gaming Commission (BGC), Magali Clavie, who said that *"the ban on advertising in Italy did not have a major impact on reducing gambling bets and, on the contrary, increased the risk of the black market strengthening."* She recommended conducting further research before deciding on advertising restrictions. A hearing was also held in the Chamber of Deputies of the Belgian Association of Gambling Operators (BAGO), which emphasized that advertising is particularly important in distinguishing between legal and illegal operators and should be available for all types of gambling games. At the same time, the association emphasized the need for wider use of tools in the fight against the black market. The association also called for the use of artificial intelligence tools to monitor players' habits and prevent problem gambling. This month, BAGO approved the European Code of Responsible Gambling Advertising, which requires the protection of minors and vulnerable in advertising in all types of media. After the situation around coronavirus calms down, the Institute intends to deal intensively with this topic as well.

MALTA

Malta Is Expanding Its Efforts to Combat Match-Fixing

The Malta Gaming Authority (MGA) has concluded an agreement on data sharing with the Swedish Football Association (SvFF). It therefore follows agreements concluded with, for example, the International Cricket Federation, the Football Association of Malta, or the International Olympic Committee. Under the agreement, the MGA and SvFF will share data to reduce match-fixing and other forms of manipulation in Swedish football. As MGA manager Antonio Zerafa said: *"The agreement between the MGA and the SvFF allows the relationship between the two entities not to be limited to discussions of best practice only, but also to allow data sharing in connection with the investigation of manipulation in sports competitions."*

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NORWAY

The Number of Problem Players Is Growing in Norway

Concerns of The Norwegian Regulator

According to a new study by the University of Bergen, rate of gambling in Norway has increased significantly in the last few years. According to the study, 55,000 Norwegians are considered "problem players", representing 1.5% of the population; compared to the 2015 study, this is an increase of 0.6%. The number of gamblers identified as medium risk increased from 88,000 in 2015 to 122,000. Among the possible reasons, researchers cited the impact of advertising, easier access to online gambling and the increasingly blurred lines between gambling games and video games. According to the study, respondents stated that they were more often exposed to gambling-related advertising from unregulated (foreign) gambling operators compared to the Norwegian monopoly operators Norsk Tipping and Norsk Rikstoto. Of course, the the numbers given are of concern to the director of the Norwegian Gambling Authority (NGA). The NGA plans to take several measures, such as blocking payments or tightening the ban on television advertising. On the contrary, the NGA praises the public's more positive perception of the taken measures for responsible gaming, especially the maximum loss limits. Another interesting finding is that the younger generation views gambling more negatively than older people do. One reason may be the time in which they grew up.

BELGIUM

Italy Is Temporarily Raising Its Gambling Tax

The Italian government is the first government to respond to the coronavirus crisis by raising its gambling tax. It is very unlikely that it will remain alone in this approach. The new fee is a tax on the turnover of accepted sports bets and the collected funds will be used to support sport. Originally, the tax was proposed at 0.3%, lobbyists for sports leagues and some ministers proposed it at up to 1%. The regulation, which has already been published in the official gazette, sets the tax at 0.5%, while the state expects to collect a maximum of EUR 40 million in this tax in 2020 and EUR 50 million in 2021. After 2021, this regulation should cease to apply. Although this regulation takes effect immediately, it still must be ratified by parliament within 60 days, during which it can undergo changes.

GERMANY

Germany Has Intensified Its Work on A New Act

Germany has notified the European Commission (EC) of its draft intergovernmental gambling agreement, and the comment procedure will last until the end of July. At least 13 of the 16 federal states must ratify the agreement by 31 March 2021 to have it enter into force on 1 July next year. The agreement will now be negotiated by the EC and the Member States by 19 August 2020. Comments from other countries, which are expected especially from Malta, could delay it by another month. The move could put an end to the frustrating 15-year period when German federal states sought to pass and enforce gambling legislation.

The aim of the agreement is to direct players to legal operators and to act against illegal gambling games on the black market. The intention is also to protect the integrity of sport, players from fraud, ensure the protection of young people and reduce gambling addiction. For example, the agreement provides for a restrictive licencing regime with a national sports-betting licence, restricted betting limits in online casino of EUR 1, a five-second delay between each spin or relatively strict advertising regulation, such as a ban on advertising for online slot machines, casino games and poker during the day (6am to 9pm). However, this ban will not apply to sports betting, except immediately before and during the live broadcast of matches. What is interesting is the obligation to have a visible "panic" button during the game, which will allow an immediate 24-hour break from playing when pressed.