

01099-17: Options in respect of Betting Tax Budget 18#27

To: Minister	Author: Gerry Kenny
Status: Completed	Owner: Gerry Kenny
Purpose: For Discussion	Reviewers: John Hogan
Division/Office: Tax Division	
Decision By:	

Final Comment

Thanks Gerry for this note. As you know I decided not to change this rate in Budget '18. Will consider for next year.

Action Required

Budget 2018 - Options around Betting tax

Executive Summary

- The Betting (Amendment) Act 2015 provided the regulatory regime for remote bookmakers and betting intermediaries offering services in Ireland, and levelled the playing field in relation to the taxation of remote operators with the traditional bookmaker;
- Licensed traditional and remote bookmakers are liable for duty at 1% on the amount of a bet from a customer in the state, while licensed remote betting intermediaries are liable for a duty of 15% on the commission charged to punters in the state;
- The extension of the tax to the remote sector in August 2015 effectively doubled the receipts from betting to €50.7m in 2016;
- Following calls for an increase in the rate, a review was carried out in the context of this year's TSG process.

Comments

There are no Comments.

Detailed Information

Background

There has been ongoing pressure to increase the excise duty in respect of betting. This has been driven by a number of issues not least the historical link between betting revenues and the funding of the horse and greyhound industry. To date, the priority has been to extend the betting duty to remote operators thus levelling the playing field for all bookmakers. This was achieved through the Betting (Amendment) Act 2015 and the extension of betting duty to the remote sector was introduced in August 2015. Since then, the consistent approach has been to bed-in the remote sector before considering further changes in this area.

The Betting (Amendment) Act 2015 provided for a regulatory system for remote bookmakers and betting intermediaries offering betting services in Ireland regardless of their location. With effect from 1 August 2015, licenced traditional and remote bookmakers are liable for duty at 1% on the amount of a bet from a customer in the state, while licensed remote betting intermediaries are liable for a duty of 15% on the commission charged to punters in the state. The extension of the tax to the remote sector effectively doubled the receipts from betting to €50.7m in 2016.

Review

Following a commitment given during the Finance Act 2016, a review of betting tax was conducted earlier this year with the outcome included in the Tax Strategy Group - General Excise paper. As part of the review, the Department initiated a public consultation requesting the views of industry, stakeholders and the general public on the current system of taxation, specifically:

- The inclusion of the remote sector into the betting regime under the Betting (Amendment) Act 2015;
- Is the existing model of turnover tax, with different approach to betting exchanges, the most appropriate for the industry at this time?
- What is an appropriate level of betting tax and the equivalent tax on betting exchanges commissions?
- What would be the impact of a move from taxing the bookmaker to taxing the punter i.e. either a percentage tax on all bets placed but paid by the punter rather than the bookmaker, or a (higher) percentage on winnings paid by the punter?

A total of 13 submissions were received. Of these, 8 were from the betting / gaming industry, 2 were from the horse racing industry, one from the addiction advocacy side and two from individuals. Follow on meetings were held with six of these at their request.

Budget Options

(i) Increase existing rate of betting duty

A straight line calculation suggests that an increase in the rate from 1% to 2% would yield an additional €50m in revenue. However the view of industry, set out in the consultation process, is that given the nature of the turnover tax any increase in the rate could be potentially damaging for the retail sector leading to closure of businesses and job losses. The case outlined was particularly stark in the context of the individual or smaller operator.

(ii) Place tax on punter

In light of the difficulties in increasing a turnover tax, placing the tax on the punter was examined. In this regard, a number of issues need to be considered:

- the possibility of punters seeking out alternative untaxed forms of betting or a move towards unlicensed operators;
- the model of tax applied to betting exchanges would have to be changed as the tax is currently based on the commission charged by the exchanges;
- the negative experience of tax on punter in other jurisdictions.

(iii) Move to Gross Profit Tax

While the review looked at the option of introducing a gross profits tax in Ireland, significant additional work would be required in advance of such a move to provide more certainty on the appropriate tax rate to apply and the wider effects of such a change on the betting market and wider social and policy implications. There is no doubt that a move to gross profits would be of advantage to business as the level of tax payable will change in response to margins. From a revenue point of view there is less stability around the yield of the tax and it is more susceptible to changes in the trade environment, with the risk burden shifting from the private sector to the Exchequer. On the other hand, a move in this direction would facilitate the inclusion of other gambling activity within the scope of the tax following the enactment of the Gambling Control Bill by the Minister for Justice.

Finally it should be noted that, in the context of the historical link between betting revenues and the funding of the horse and greyhound industry, any increase in betting receipts will be seen by some in the industry as being earmarked for the Horse and Greyhound Fund.

You may wish to speak to officials.

October 2017