News

French senate votes to end stringent turnover tax

FRANCE LEGISLATION

France's senate have agreed to do away with the highly controversial tax on turnover - in place of the more normative gross gaming revenues levy.

While a progressive shift, and one universally sought after by the industry and regulator ARJEL, the revenues tax rates that will take its place remain uncompetitively high by European standards. Horse racing betting will be taxed at 19.9 percent; sports betting at 33.8 percent and; online poker at 36.7 percent.

However these already high rates do not account for social security levies added to each vertical which bring racing and poker liabilities to around 40 percent and sports betting to over 50 percent.

"In recent years, several reports have highlighted the binding effect of the levy on players' stakes and not on GGR," the Senate explained. "ARJEL thus notes, in its 2015-2016 activity report, that 'the tax on stakes is too burdensome, and prevents the balanced development of this market."

The Senate added that the old system taxed players on "sums which they do not receive". Conversely a revenue tax means that tax bills will change with players' success or failure - meaning both operators and the state treasury will "share the luck"

"The report of the Court of Auditors of October 2016 on the evaluation of the regulation of the games confirmed that the French taxation was heavy because of this choice of base on the bets, especially as the rates are high," said senators.

"The report believes that it would be questionable to continue to use as a base the bets that only pass through the operator, rather than being held as revenue. Thus, ARJEL and the Court of Auditors propose to change the tax base to GGR."

Steady on

New UK parliament to press on with gambling regulation

UK POLITICS

Business has bounced in the wake of an emphatic election victory for the Conservaitve Party. For gambling companies this may be seen as the least-worst outcome, yet given the sentiment of parliament, bolstered by pledges made during the campaign, 2020 will undoubtedly see further restrictions to the **UK market**.

A Conservative landslide in the 12 December general election has finally assured the UK's departure for the European Union in early 2020 - giving an initial boost to British business.

The pound rose to £1.35 against the dollar in the immediate aftermath of the vote, which saw the incumbent minority government return to power with a majority of 80 in the commons. Companies exposed to either ongoing Brexit uncertainty or the prospect of Labour's tax and nationalisation plans, also saw their stocks rise.

The FTSE-100 was up 79.7 points on the day of the result, and the FTSE-250 rose 3.4 percent, hitting a record high, while certain London-listed gambling groups got a particularly favourable response from traders. William Hill's shares gained 7.4 percent and GVC's by four percent.

The British Horse Racing Association said it "welcomes the clarity" which the election result has brought for its industry "particularly relating to Brexit." However a new parliament and a new year does not necessarily equate to a new leaf for the wider gambling sector, especially online.

Whilst the Conservative manifesto was thinner on gambling policy than Labour's plans (which explicitly included advertising restrictions, online stake limits a mandatory on percent levy) the newly elected government won on a platform to "review" the 2005 Gambling Act.

This parliament en large is also firmly committed to a wholesale review of gambling legislation, with all the major parties having pledged further restrictions. Moreover, almost all of the most prominent anti-gambling voices in the commons have retained their seats.

inBRIEF

EU ONLINE GAMBLING MARKETS GROW 11 PERCENT

European online gambling markets expanded by 11 percent through 2018, hitting E22.2bn gross annual revenue, according to figures published by the EGBA. Meanwhile, offline gambling (lotteries, casinos, bookmaker shops, etc) accrued E73.5bn , accounting for 77 percent of the total EU

market (E96bn).

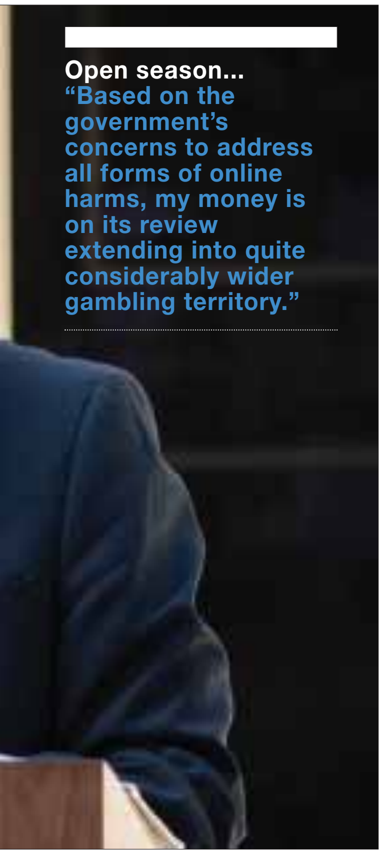
Sports betting was the most popular vertical online, with nearly half of all digital bets placed on sports. 57 percent of online bets were placed from a desktop, and 43 percent from phones and tablets, marking a steady increase from 39 percent in 2017. The figures only "reinforce the need for more consistent and strong consumer protections and industry standards across all EU countries," said Maarten Haijer, Secretary General of EGBA. "The current situation of diverging and sometimes conflicting regulations in EU countries is detrimental to consumers, authorities and operators alike."

UK REMOTE PLAY FALLS FOR FIRST TIME

Online revenues in Britain, the mother of all gambling markets, actually contracted in the year to March 2019, by 0.6 percent - the first year of negative growth since records began in 2014.

The figures, published by the UK Gambling Commission in December, show the size of the remote sector falling to £5.32bn last year (£34m less than the previous year) while the overall gambling market remained level at £14.36bn. Non-remote betting was also stable making up the second largest sector by GGY with £3.2bn National Lottery ticket sales increased by

£271.6m to £7.2bn - good news for Camelot as it prepares to bid for its tender renewal this year - although contributions to good causes decreased yet again by £21.9m to £1.5bn.



Open season... "Based on the government's concerns to address all forms of online harms, my money is on its review extending into quite considerably wider gambling territory."

The Queen's Speech, has already confirmed that a review of the Act will take place this year, and with "particular focus on tackling issues around online loot boxes and credit card misuse." However the make up of parliament and ongoing reviews into the sector, suggest this is more than likely just for starters.

"Based on the government's concerns to address all forms of online harms, my money is on its review extending into quite considerably wider gambling territory," said David Clifton, licensing expect and director of Clifton Davies Consultancy (see Comment).

"The charge is likely to be led by Conservative Party Peer Lord Chadlington and former leader of the party Iain Duncan-Smith, with Father of the House Sir Peter Bottomley bringing up the rear. They are all Vice-Chairs of the All-Party Parliamentary Group for Gambling Related Harm, whose interim report published in November called for, amongst other things, imposition of online stake, deposit and prize limits, improved affordability checks, abolition of both credit cards and overdrafts to fund gambling, a review of bonus and incentive use by operators, a statutory levy of one percent GGY and stronger enforcement powers for the Gambling Commission."

Other leading anti-gambling figures in the commons include the health secretary Matt Hancock, and former gambling minister, Tracey Crouch, both of whom were instrumental in cutting FOBT stakes down to £2 last year. While Labour's Carolyn Harris, chair of the All-Party Parliamentary Group on Gambling-related Harm, and the SNP's Ronnie Cowan, are also likely to continue making the case loudly for tougher regulations.

Meanwhile, the Gambling Commission will continue its own agenda, announcing the results of its review into gambling with credit cards in March.

In all, the UK market is almost certain to be both smaller and more tightly controlled after 2020 is over, leading to more consolidation and more efforts to seek revenues from abroad.

According to Irena Scullion, senior manager at Ernst and Young, the uncertainty around the election has been "incredibly difficult for the industry to be able to plan for." Yet such uncertainty is not restricted to the UK, with various regulatory initiatives taking place internationally, with significant implications for global online revenues.

"One of the more relevant points to the industry is the taxation of profits made through the digital (online) economy," Scullion noted.

"The questions of which jurisdictions profits should be attributed to, as well as why they should be taxed there, is the focus of the G20 and the Organisation of Economic Cooperation and Development ("OECD"). This highly politicized question brings challenges to the traditional approaches to transfer pricing and the "arms-length" basis for profit attribution which has been used for a number of years.

"Whilst this may seem to be a niche area, it is important to remember that most Betting & Gaming groups are international by their very nature and often, for regulatory purposes, operate in lower tax jurisdictions."

Bet365's Coates sets UK record with £323m pay packet

UK COMPANIES

After another year of rising sales at Bet365, chief executive Denise Coates has been awarded the highest remuneration of any UK company: £323m.

The firm boasted a 22.7 percent lift in stakes for the 12 months to April this year, bringing total wagers up to £64.5bn - a figure analogous to the GDP of Bulgaria.

Overall growth for the group was strong, revenues up 9.7 percent to £3bn - however a more modest increase compared to previous years. Bet365 grew by 25 percent in 2017.

Coates attributed the year's positives to significant investment in gaming verticals, most notably live casino, and entry into new markets.

"In addition, the number of unique new games available to customers increased in the period," Coates explained. "As a result the group's gaming operations experienced improved player retention and, ultimately, an increase in the number of active customers over the period."

Overall the company disclosed active consumers rose 23 percent in the period; in-play accounted for 79 percent of sports, and mobile betting rose 18 percent.

This is despite regulatory tightening, especially in the UK, dragging on the figures. Gambling Compliance estimates Bet365's revenues fell at home by 24 percent in 2018 - largely due to additional costs associated with greater compliance.

Understandably much of the media has focused on Coates' personal paypacket.

Coates salary of £277m is up a commensurate 22 percent on last year's. She was also awarded a 50 percent a £92.5m dividend bringing total remuneration up to £323m - 60 times the mean annual pay of FTSE-100 CEO.

In contrast, the highest paid boss of London-listed company, Jeff Fairburn of Persimmon, received £39m.

The figure has spurred disapproving comments from the usual suspects, who are typically reluctant to mention that Coates is now one of the top three taxpayers in the UK - largely because she opts to take more in salary than dividends.

Coates is expected to have paid £125m in personal taxes this year, and donated £85 her charitable foundation.

US HANDLE UP, YIELD DOWN

New Jersey sportsbooks took a record handle in November of $568m, a 15 percent lift on the previous record of $488m a month earlier. However, after paying out over the odds to punters, betting operators took just $30m of that in revenues - a 30 percent fall on the October yield. Similar trends were seen in other states - reflecting both

the ongoing ballooning popularity of sports betting since PASPA was repealed undone by a tough run of luck for bookmakers. Iowa also saw handle continue to climb, taking $59m in November - up 28 percent on the month before. Yet after paying out $55.7m in winning, bookies were left with just $3.6m, and the state even less. Meanwhile, New York has been trailing southwards. Sportsbooks pulled in 1.3m in November: that's 40 percent down from $2.2m in October, and $2.3m in September.

MACAU SEES FIRST DECLINES IN THREE YEARS

Gaming yield at Macau casinos fell this year for the first time since the central government's efforts at cracking down on corruption. November saw revenues falling 8.5 percent year-on-year only marginally worse than the city's toughest month, August, which contracted by 8.6 percent. Analysts are pitting December to be hit twice as hard with an estimated drop anywhere between 12 and 16 percent on the same period last year. Various culprits have been proposed. The political instability in Hong Kong has disrupted travel and prevented many high-rolling Hong Kongese from making their usual trips - while also preventing through traffic from mainland China. More long-term, observers suggest a dampening macro-climate in China, a weakening renminbi, and the ongoing trade disputes with the US are also taking their toll.