



Gambling Tax Reform 2014

**Information Note
December 2013**

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Foreword

At Budget 2012, the Government announced that gambling taxes in the UK would be reformed so that remote gambling is taxed on a 'place of consumption' basis. With a place of consumption tax basis, remote gambling operators will pay tax on the gross gambling profits generated from UK customers, no matter where in the world the operator is located. This reform will affect General Betting Duty (GBD), Pool Betting Duty (PBD) and Remote Gaming Duty (RGD). Premises-based betting and the treatment of spread betting will be unaffected except for some administrative changes.

The Government issued a consultation document on the reforms in April 2012, and in August 2013 published a summary of responses and draft legislation for comment. After the Autumn Statement 2013, the Government published a further draft of the legislation for consultation as part of the Finance Bill 2014 process. The final draft of the legislation will be subject to confirmation at Budget 2014 and Parliamentary scrutiny in the usual way. The reforms will be implemented on 1 December 2014, with transitional arrangements put in place where appropriate.

HMRC has prepared this Information Note to give early and provisional guidance about the reform to help those affected to start preparing for the changes.

The existing Notices (see Glossary) will be updated to take account of the reforms. This will not happen until after the Finance Bill 2014 receives Royal Assent.

Section 1: Introduction

The reform to gambling taxation will be implemented on 1 December 2014 and will affect General Betting Duty (GBD), Pool Betting Duty (PBD) and Remote Gaming Duty (RGD). HM Revenue & Customs (HMRC) will remain responsible for the administration of the taxes. Existing GBD, PBD and RGD operators, will see some changes to the way the duties are administered. Other businesses will also have to pay these duties for the first time.

The businesses affected by the reforms will be able to register, file returns and make payments easily through a new online system – the Gambling Tax (GT) Online system - which HMRC is developing. Those with Remote Operating Licences from the Gambling Commission (see section 3) will be required to register and file online; other operators, such as terrestrial bookmakers, will still be able to use paper channels if they prefer.

In due course, HMRC will publish full guidance in the form of revised Notices (see Glossary) for each of the reformed duties. In the interim, HMRC will publish a series of Information Notes. This first publication covers a high-level overview of the changes, their scope and the definition of a UK person.

Future publications will cover:

- Registration and Accounting Periods
- Duty Returns and Payment
- Record Keeping
- Enforceable Assets in the UK
- Enforcement and Compliance

These will be available on our new GTR (Gambling Tax Reform) webpage.

www.hmrc.gov.uk/gamblingtaxreform.htm

1.1 Terminology

For the purposes of this Information Note the terms contained in the table below have the meanings specified:

TERM	REFERENCE
The three duties	GBD, PBD and RGD.
Operator	The taxpayer: – each duty has its own definition of who is liable to pay. (See section 2: Liability for the Duties for further information on the taxpayer for each duty).
We/us	HMRC
Customer	The customer for the purposes of this Information Note is the gambler with whom the operator contracts.
Remote gambling	Means gambling in which people participate by means of the internet, telephone and television etc.

A full glossary is provided at the back of this document.

1.2 Matters covered by this document

- Liability for the duties
- Regulatory matters
- Definition of 'UK Person'
- The treatment of pools, tournaments and cash games

Section 2: Liability for the Duties

2.1 General Betting Duty (GBD)

GBD is payable on bets made with bookmakers, pool bets on horse and dog racing and bets made on betting exchanges. At present, there is a liability to the duty where the bookmaker or betting exchange is in the UK. From 1 December 2014, any bets made with a bookmaker, or on a betting exchange, by a person in the UK, will be subject to duty regardless of where the bookmaker or betting exchange is based. See section 4 for the definition of 'UK Person'.

This means that from 1 December 2014, bookmakers outside the UK offering remote betting to UK people will be liable to GBD on the gross profits they derive from those customers.

UK bookmakers operating from the UK who offer remote betting to non-UK persons will not be liable to GBD on those bets. GBD will only be payable on remote bets that are made by UK people.

All bets currently liable to GBD which are made by customers present on premises in the UK where a betting business is being carried on, such as UK betting shops, will continue to be liable to GBD. This is regardless of whether or not the customer making the bet is a UK person.

Although a bookmaker is liable to pay the GBD due on relevant bets, HMRC may already recover any unpaid duty from the following people as if they were jointly and severally liable with the bookmaker:

- The holder of a General Betting Operating Licence (in Great Britain), or a Bookmaker's Permit (in Northern Ireland), for the business.
- A person responsible for the management of the business.
- A director, where the bookmaker is a limited company.

2.2 Pool Betting Duty (PBD)

PBD is payable on bets that are not fixed-odds bets (other than pool bets on horse and dog racing). For tax purposes, a bookmaker will also include someone who conducts pool betting operations. From 1 December 2014, all bookmakers, including those based outside the UK will be liable to PBD on all pool betting profits that are derived from UK people. See section 4 for the definition of 'UK Person'.

This means that from 1 December 2014, bookmakers outside the UK offering pool betting to UK customers will be liable to PBD on the gross profits they derive from those customers.

Bookmakers in the UK who offer remote pool betting to non-UK persons will not be liable to PBD on those bets. PBD will only be payable on remote bets that are made by UK people.

All pool bets made by customers present on premises in the UK where a betting business is being carried on, such as UK betting shops, will continue to be liable to PBD. This is regardless of whether or not the customer making the bet is a UK person.

Pool betting on horse and dog racing will continue to be liable to GBD.

A bookmaker is liable to pay the PBD due on dutiable pool bets. HMRC may already recover any unpaid duty from the following people as if they were jointly and severally liable with the bookmaker:

- A person responsible for the management of the business.
- A person responsible for the management of any totalisator.
- A director, where the bookmaker or any of the above is a company.

2.3 Remote Gaming Duty (RGD)

Remote Gaming Duty (RGD) is currently payable on profits where remote gaming facilities are provided from the UK. From 1 December 2014, RGD will

no longer be payable on profits from the 'provision of facilities' for remote gaming. Instead, it will be payable on a UK person's participation in remote gaming under arrangements with someone else, called for these purposes, 'a gaming provider'.

See section 4 on Definition of 'UK Person'.

Example: Company A offers online roulette to UK customers. The platform which Company A uses is provided by Company B and the software is provided by Company C. Both Company B and Company C are paid under profit share arrangements. A customer using Company A's site contracts with Company A (as is clear from the site terms and conditions). On this basis, it is Company A which registers and pays RGD.

RGD will not be charged on participation by a UK person in remote gaming if:

- the arrangements are **not** entered into in or from the UK; and
- the facilities used to participate in the gaming are **not** capable of being used in or from the UK.

Although the remote gaming provider is liable to pay the RGD due on remote gaming profits, HMRC may recover any unpaid duty from the following person as if they were jointly and severally liable with the provider:

- The holder of the Remote Operating Licence for the business
(See section 3 below)

Where the provider is a limited company, a director is already jointly and severally liable with the provider.

Section 3: Regulatory Matters

Gambling regulation and gambling tax are separate matters and need to be treated as such. Accordingly, any regulatory issues need to be addressed to the regulatory body, the Gambling Commission (GC), and any tax issues to HMRC.

Under the reformed gambling tax legislation, HMRC will be able to require the GC to revoke a Remote Operating Licence in certain circumstances (and more information about this process will be included in a future Information Note) – brief details about the regulatory regime are included below.

The GC, set up under the Gambling Act 2005, is sponsored by the Department for Culture, Media and Sport (DCMS) and is responsible for the social controls on gambling in Great Britain. Licensing is one of the key features of these social controls. The GC's statutory objectives are to make sure gambling is crime-free, fair and does not exploit the vulnerable.

3.1 The licensing regime

There are different types of licences including:

- Premises
- Operating
- Personal

The GC issues operating and personal licences to entities and individuals within the gambling industry. They also issue guidance to licensing authorities who are responsible for issuing gambling operators with premises licences.

An operating licence is a licence under section 65 of the Gambling Act 2005. This licence authorises the operator holding it to perform specific functions – for example, a casino operating licence authorises the holder of the licence to

run a casino, and a bingo operating licence authorises the holder to provide facilities for playing bingo.

Under section 67 of the Gambling Act 2005 a Remote Operating Licence (ROL) authorises remote gambling activity, or activity by means of remote communication, by operators with key equipment in Great Britain. Such operators cannot legally provide remote gambling without a GC licence, however, overseas operators may transact legally with customers in Great Britain. It is illegal to advertise remote gambling unless an EU or white list issued licence is held.

DCMS are undertaking reforms to remote gambling regulation independently of the gambling taxation reforms. As a result of the DCMS reforms, a ROL will be required where at least one piece of remote gambling equipment used to provide remote gambling facilities is situated in Great Britain, or where there is no such equipment in Great Britain but the facilities can be used from there. Only those holding a GC ROL will be able to supply or advertise remote gambling facilities to customers in Great Britain.

Section 4: Definition of UK Person

4.1 Background

As a result of the reforms, duty will be charged on the gross gambling profits derived from remote gambling by UK persons. A UK person will be defined, in the case of an individual, as someone who usually lives in the UK. HMRC will have the power to publish statutory guidance about what an operator must do to determine whether a customer is a UK person. The guidance under the heading 'proposed statutory guidance' below is a first draft of what we propose to publish in our Notices (see Glossary) as statutory guidance.

In drafting this guidance we have taken into account the records and accounts that operators are required to keep for regulatory purposes to minimise the need for new systems and to minimise burdens.

4.2 Proposed statutory guidance

4.2.1 All operators should receive from the customer a declaration of the address at which they usually live before accepting gambles. If no declaration is received, the customer will be determined as being a UK person.

4.2.2 When a UK address is given, the customer is determined to be a UK person. This determination stands unless and until the customer submits a non-UK address (in which case their status as a non-UK person must be confirmed as set out below).

4.2.3 When a non-UK address is given, the operator should obtain the following information (which HMRC call 'indicators') about their customer:

- The customer's address associated with the bank or credit card account if one has been given to the operator.

- The customer's contact telephone number (landline number) or a declaration from the customer that they do not have a landline. Where remote gambling takes place using a landline telephone, the relevant telephone number will be treated as being a UK telephone number unless it is otherwise demonstrated.
- The country prefix associated with the customer's mobile phone number – where a +44 prefix denotes a UK number. Where remote gambling takes place using a mobile telephone, the relevant country prefix will be treated as being a UK prefix unless it is otherwise demonstrated.
- The IP address of the device used by the customer when money is added to, or withdrawn from, their account (for remote gambling over the internet).
- The customer's address shown on their driving licence where this is provided to the operator.
- The customer's address shown on their utility bill where this is provided to the operator.

4.2.4 If any two or more of these indicators return a result as the UK, then irrespective of whether the customer has provided an address outside the UK, the operator must treat that customer as a UK person for the purposes of gambling duties taxation. This is known as the 'Two UK Indicators Rule'.

4.2.5 Operators must prompt customers to keep their customer account details up to date. We expect customers to update their details every six months. Similarly, operators need to confirm their customers' details, by repeating the steps above, within the same 6-monthly time period.

Section 5: The Treatment of Pools, Tournaments and Cash Games

Pool bets on horse or dog racing are currently charged with General Betting Duty (GBD) while all other pool bets are charged with Pool Betting Duty (PBD). This will be unchanged, but the method of calculating pool betting profits for duty purposes will be amended.

The same principles that will apply to pool betting (see paragraph 5.2 below) will also apply for remote gaming (such as poker) where the operators make their money from participation charges or entry fees, or from a rake or deduction from stakes or prize pots.

5.1 Pool bets

For the purposes of GBD and PBD, pool bets will be described as 'pooled prize bets' or 'ordinary bets'.

A pooled prize bet is one where some or all of the customers' money is assigned to a pool or prize fund from which winnings are paid. An ordinary pool bet is any bet that is neither a fixed-odds bet nor a pooled prize bet. An example of an ordinary pool bet would be a bet on a lottery where the customer chooses their numbers and any winnings are the amount they would have won had they bought the winning ticket in that lottery.

5.2 Calculating pool betting profits

For ordinary pool bets an operator's dutiable pool betting profits for an accounting period will be the receipts due from UK people minus any winnings paid to those customers within that accounting period.

For pooled prize bets, an operator's dutiable pool betting profits will be calculated by reference to any charges made to UK customers or by reference to any amounts taken from the pool by the operator.

If any amount is due to be paid by UK customers for participating in pooled betting in addition to their stake money, that amount will be dutiable profit for Pool Betting Duty purposes.

Where any amount is taken from UK players' stakes before stakes are allocated to the pool the amount of the deduction that is taken from UK customers' stakes will be dutiable profit for Pool Betting Duty purposes.

Where a deduction is taken from either the pool, or from winnings paid out of the pool, this is to be included in the operator's dutiable pool betting profits on a proportional basis, calculated as the proportion of the deduction that relates to contributions by UK people to the pool. For example, if a particular operator adds £10,000 to a pool, half of which came from UK customers, half of the operator's deductions will be dutiable profits for Pool Betting Duty purposes. Where any money is removed from a pool, other than as prize money, the removal will trigger a liability to duty at the time it takes place. The operator will have to add these amounts to their dutiable pool betting profits at the time the removal takes place.

A number of operators may be involved in the same pool. Each operator may have both UK and non-UK customers. Each operator will have to calculate their own pool betting profits in line with the paragraphs above. If an operator makes more than one type of charge to customers, for example, if there is a participation charge and a deduction from the pool, the operator will have to consider both in their Pool Betting Duty calculation.

Section 6: More Information

If you want more information about the Gambling Tax Regime 2014, please visit our website at www.GOV.UK

ANNEX

GLOSSARY

TERM	DEFINITION
Accounting period	3-monthly calendar period (quarterly)
Betting	Making or accepting a bet on the outcome of an event, the likelihood of something occurring or whether or not something is true
Bookmaker	Someone who carries on a business of receiving or negotiating bets or conducting pool betting.
Customer	The customer for the purposes of this guidance is the gambler with whom the operator contracts for them to carry out the gambling activity.
Fixed-odds bet	A bet where the bettor knows in advance what the return will be if he wins
Gambling	Refers to any activity that is betting, gaming or participating in a lottery
Gambling Commission	Gambling regulator in Great Britain.
Gaming	Playing a game of chance for a prize
GBD	General Betting Duty
Notices	Published online guidance: Notice 451 General Betting Duty; Notice 147 Pool Betting Duty and Notice 455 Remote Gaming Duty.
Operator	The taxpayer, the person with whom the customer has made arrangements or bets
PBD	Pool Betting Duty
Remote gambling	Participating in gambling using remote communications, for example, the internet, telephone, television etc.
RGD	Remote Gaming Duty