



Department
for Culture
Media & Sport

Extending the Horserace Betting Levy

A consultation on implementation

June 2014

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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Chapter 1: Introduction

Policy

- 1.1 The Gambling (Licensing and Advertising) Act 2014 will change the basis on which the Gambling Commission licenses gambling operators from the point of origin (of the betting operation) to the point of consumption (of the customer). This means that any gambling operator, wherever they are located, engaging with British customers will have to have a Gambling Commission licence – creating a level playing field for British-based and offshore-based gambling operators.
- 1.2 The Government has taken the opportunity presented by the passage of the Gambling (Licensing and Advertising) Act 2014 through Parliament to ensure there is also a level playing field between British-based and offshore remote gambling operators who take bets on British horseracing in respect of their contribution to the Horserace Betting Levy (“the Levy”).
- 1.3 Section 2 of the 2014 Act gives the Secretary of State power to make regulations to secure that the bookmakers liable to pay the Levy include bookmakers who are required to hold a remote operating licence from the Gambling Commission. This will include the offshore bookmakers who will be required to obtain a remote operating licence as a result of that Act. The power is deliberately broad to ensure the Secretary of State is able to make all the changes that may be needed to extend the Levy compatible with the UK’s obligations under EU law. Regulations made under the power in section 2 are subject to the affirmative procedure, requiring the agreement of both Houses of Parliament.
- 1.4 Section 2 makes clear that extension of the Levy does not prevent existing provisions in the Horserace Betting and Olympic Lottery Act 2004 to abolish the Levy being exercised in the future if a suitable replacement is found.
- 1.5 The main purpose of linking collection of the Levy to holding a Gambling Commission licence is to provide a fairer basis for competition between remote gambling operators who take bets on British horseracing wherever they are based.

This will ensure that remote gambling operators are required to contribute to the Levy on the same basis and terms as onshore bookmakers. Currently, remote gambling operators are not required to pay the Levy as a consequence of basing their operations offshore.

- 1.6 In Budget 2014, Government said it would consult shortly on extending the Levy to offshore bookmakers. This consultation document sets out how Government proposes to achieve extension and seeks views on both the implementation measures and the impact of extension.

Scope of consultation

- 1.7 This is a public consultation which covers Great Britain. We particularly seek views from those within the horseracing and betting industries on the practicalities of implementation. This is not a consultation about whether or not to extend the Levy but seeks views on how to extend in the most effective way. It is an opportunity for both betting and racing industries to help shape the regulations that will bring extension into being.
- 1.8 The consultation may also be of interest to those that benefit directly or indirectly from funding provided through the Levy, such as racecourses, breeding groups, veterinary groups, owners, trainers, stable staff and jockeys; as well as all betting operators – irrespective of location - that take bets on British horseracing from customers based in Great Britain. We welcome views from anybody and all responses will be appropriately considered.
- 1.9 We will be consulting on options for wider Levy reform, including options to further modernise the existing Levy, later in the year. Consequently we are not inviting views on anything other than the measures we propose taking to achieve extension and will not be taking any wider views expressed through this consultation into account.
- 1.10 The consultation period will run for 8 weeks from 26th June to 21st August 2014.

- 1.11 Please respond before the closing date. There is a summary of the questions in Chapter 6. Please send responses to Levy.consultations@culture.gsi.gov.uk . If you do not have access to email, please respond to:
- Adrian Goodall
Horserace Betting Levy Extension Consultation
Gambling, Lottery and Licensing team
4th Floor, 100 Parliament Street,
London SW1A 2BQ
- 1.12 This consultation is intended to be an entirely written exercise. Please contact Adrian Goodall on 020 7211 6093 if you require any other format e.g. Braille, Large Font or Audio.
- 1.13 For enquiries about the handling of this consultation please contact the DCMS Correspondence Team at the above address or e-mail at enquiries@culture.gov.uk heading your communication “Extending the Horserace Betting Levy consultation”.
- 1.14 Copies of responses will be published after the consultation closing date on the Department’s website: www.gov.uk/government/organisations/department-for-culture-media-sport
- 1.15 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (“FOIA”), the Data Protection Act 1998 (“DPA”) and the Environmental Information Regulations 2004).
- 1.16 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances.

An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

- 1.17 The Department will process your personal data in accordance with the DPA, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.
- 1.18 The consultation follows the Government's Consultation Principles 2013 which is available at: <https://www.gov.uk/government/publications/consultation-principles-guidance> .

Chapter 2: Current Levy system

Introduction

- 2.1 The Levy is collected by the Horserace Betting Levy Board (“the HBLB”) from the gross profit¹ of betting on British horseracing (i.e. horseracing in England, Scotland and Wales) and distributed to help improve horseracing and, in particular, breeding and veterinary research and education.
- 2.2 The concept of a statutory Levy on the proceeds of horserace betting was first introduced by the Betting Levy Act 1961 to offset the decline in race day revenue (gate receipts) following the legalisation of bookmakers’ off course operations, which had meant that people wishing to place a bet on a horserace no longer needed to attend it. The Levy ensured that some proceeds from off-course operations were returned to racing.
- 2.3 The Levy in its present form was introduced by the Betting, Gaming and Lotteries Act 1963 (‘the 1963 Act’), sections 24-31. This Act created the HBLB; set out the purposes to which the Levy should be applied; provided for a Bookmakers’ Committee to recommend annual Levy Schemes; and established Levy appeal tribunals. The Horserace Betting Levy Act 1969 (“the 1969 Act”) introduced the process whereby the Secretary of State determines a Levy scheme should the HBLB not accept a recommendation from the Bookmakers’ Committee; and put in place sanctions in the event that bookmakers failed to pay their contribution to the Levy. The Horserace Betting Levy Act 1981 enabled bookmakers to make Levy payments on account.

¹ “Gross profit” is defined as “the aggregate of amounts which fall due to a bookmaker during a levy period in respect of bets made with him, less the aggregate of amounts paid out by that bookmaker in the levy period by way of winnings to persons who made bets with him, save in the case of a Bet-broker where it means the amounts that the Bet-broker charges in relation to bets entered into via the bet-broker and in the case of a betting exchange where it means the amounts that the betting exchange charges the parties to all bets entered into via the relevant betting exchange, in each case whether by deduction from winnings or otherwise, and save that this definition shall not apply in respect of bets placed on point-to-point, harness racing or trotting events.”
Source: HBLB Fifty-Third Levy Scheme published March 2014.

Liability to pay Levy

- 2.4 Under section 27(2)(a) of the 1963 Act the Levy is “payable only by a bookmaker who carries on, on his own account, a business which includes the effecting of betting transactions on horse races”. The term “bookmaker” is defined in section 55(1) as “any person other than the Totalisator Board who—
- (a) whether on his own account or as servant or agent to any other person, carries on, whether occasionally or regularly, the business of receiving or negotiating bets or conducting pool betting operations; or
 - (b) by way of business in any manner holds himself out, or permits himself to be held out, as a person who receives or negotiates bets or conducts such operations, so, however, that a person shall not be deemed to be a bookmaker by reason only of the fact—
 - (i) that he carries on, or is employed in, sponsored pool betting business; or
 - (ii) that he operates, or is employed in operating, a totalisator;
- and the expression “bookmaking” shall be construed accordingly”
- 2.5 Section 27(2)(b) of the 1963 Act provides that bookmakers can be “divided for the purposes of the levy into different categories”. Separate provision (section 30) is made for the Levy to be paid by the Tote (pool betting). The HBLB agrees directly with the operators of the Tote (Betfred since 2011) what they will pay in any Levy period.
- 2.6 “Bookmaker” has been broadly interpreted by the HBLB in the ensuing 50 years to embrace all on-shore licensed betting platforms and categories as they have developed. This means that the Levy is currently collected from off-course betting on British horseracing, pool betting (run by Betfred following the sale of the Tote in 2011), and on-course bookmakers. Off-course betting includes bets placed at Licensed Betting Offices (LBOs), spread betting firms and bet broking operations, including betting exchanges. It also includes onshore remote betting.
- 2.7 The HBLB has never sought to collect the Levy from offshore gambling operators. Remote betting did not exist until the development of online gambling and it was

generally accepted that the 1963 Act was not considered to have extra-territorial effect. In addition, the HBLB has never sought to collect levy from the customers of betting exchanges (as opposed to the betting exchanges themselves) on the grounds that they are not leviable bookmakers – a view that was confirmed by the Court of Appeal in 2013².

Annual Levy Schemes

2.8 The Bookmakers' Committee recommends each year the categories, rates, conditions and definitions of the Scheme to be applied from April in the following year and forwards them to the Levy Board for consideration. Under section 26(1) of the 1963 Act, the Bookmakers' Committee is "constituted in such manner as the Secretary of State may, after consultation with any body appearing to him to be representative of the interests of bookmakers generally, by regulations made by statutory instrument provide". Since 1963, the make-up of the Bookmakers' Committee has been periodically reviewed and was last revised in 2003. Further reviews in 2008 and 2011 led to no changes. Current membership is set out below:

Organisation	Seats
Coral Racing Ltd	2
Ladbroke Racing Ltd	2
William Hill Organisation Ltd	2
The Sporting Exchange (Betfair)	1
National Association of Bookmakers	2
Association of British Bookmakers	4
TOTAL	13

2.9 Membership of the Levy Board is as follows:

Chairman – appointed by the Secretary of State
2 independent Government appointed members – appointed by the Secretary of State
3 Jockey Club nominees, currently:
<ul style="list-style-type: none"> • British Horseracing Authority Chief Executive • Racecourse Association Chairman • Horsemen's Group Chairman
Bookmakers' Committee Chairman (Ex-officio)

² R(William Hill Organisation Ltd) v Horserace Betting Levy Board & Ors [2013] EWCA Civ 487

2.10 The Bookmakers' Committee has a great deal of scope in recommending how the Levy is to be calculated as no formula is set out on the face of the legislation. Currently, for all bookmakers other than racecourse bookmakers, the Levy is collected as a percentage of gross profits on British horserace betting business – irrespective of where the customer is located. However, in the past various other models have been applied for calculating the Levy, including fixed fees or as a percentage of turnover. These different methods reflect the fact that each Levy Scheme is agreed annually.

2.11 The details of the 53rd Levy Scheme (applicable from April 2014) are as follows:

Licensed Betting Offices

Each LBO will pay 10.75% of its gross profits on British Horserace Betting Business (BHBB). For an operator with 100 or fewer LBOs, an abated rate will apply to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £55,860. Operators with more than 100 LBOs will pay at the full 10.75% rate on each outlet.

Telephone and Internet

Each telephone and/or internet operator will pay 10.75% of its gross profits on BHBB.

Spread Betting

Each spread betting operator will pay 2.15% of its gross profits on BHBB.

Betting Exchanges

Each bet-broker including betting exchanges will pay on a basis equivalent to 10.75% of its gross profits, defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers.

On-course Bookmakers

Each on-course bookmaker will pay a fixed contribution of £234.

Point-to-Point Bookmakers

Each bookmaker conducting BHBB on Point-to-Point and/or Harness Racing and/or trotting events will pay a fixed contribution of £187.

Flat Rate Rebate

A Flat Rate Rebate of £758 for the first 30 LBOs in any chain and £191 for all other LBOs will be applied. This will be a sum deducted from the bookmaker's 53rd Levy Scheme liability during the year-end reconciliation.

2.12 In addition, the HBLB agreed that the owners of the Tote (Betfred) would contribute, in respect of Tote pool horseracing business, as if it were a bookmaker for the purposes of the 53rd Levy Scheme.

2.13 The 1969 Act makes provision for the Secretary of State to determine a Levy Scheme if the Levy Board is unable to give its approval by 31 October in the year

preceding that in which it is to be applied (section 1) and separate provision for a determination process for the Tote (section 5). In the last decade, the Secretary of State has been called upon twice to determine a Levy Scheme; the 47th Levy Scheme (2008/9) and the 50th Levy Scheme (2011/12).

Appeal and enforcement

- 2.14 The HBLB sends annual assessment notices to all bookmakers liable to pay the Levy. Section 28(5)-(7) of the 1963 Act makes provision for bookmakers to appeal against their assessment notice (and hence liability to pay Levy) and for the HBLB to refer their case to one of the two Levy appeal tribunals (one for England and Wales and one for Scotland). In practice, this is a very rare occurrence and a Tribunal last sat in the 1980s. HBLB now attempts to resolve any disputes directly with the bookmaker, thus negating the time and cost of a Tribunal hearing.
- 2.15 The Gambling Act 2005 (Horserace Betting Levy) Order 2007 requires the Gambling Commission to review an operating licence if the HBLB notifies the Commission that the holder of an operating licence is in default of Levy payments. The Gambling Commission must provide the operating licence holder with an opportunity to make representations before coming to a conclusion. If the default on Levy payments is proven, and the HBLB confirms they want the operating licence to be revoked, the Gambling Commission must revoke the operating licence.

Chapter 3: Extending the Levy

Introduction

- 3.1 The Levy framework set out in Chapter 2 is the starting point for extending the Levy to offshore remote betting operations. This chapter sets out how we intend to amend that framework in order to secure extension.

Liability to pay Levy

- 3.2 Although the custom and practice has seen the term “bookmaker” applied by the HBLB to all betting platforms in Britain, we consider that it should be a defined term for the purposes of clarity. We will therefore amend the 1963 Act to include a definition of “Bookmaker” to replace that set out in the Act (see paragraph 2.4 above). We think that the new definition should align with both:

- the licensing regime established by the Gambling Act 2005 (as amended by the 2014 Act); and
- existing custom and practice of the HBLB.

In practical terms this means liability to pay Levy will extend to all gambling operators that hold an operating licence from the Gambling Commission and take bets from British customers on British Horseracing.

- Q1: Will clarifying the definition of “bookmaker” in the way proposed be sufficient to ensure that liability to pay the Levy is established for all operators taking bets on British horseracing?**

- 3.3 Currently the Levy is taken from the profits made by onshore bookmakers on their British horserace betting business and where the customer happens to be based is not a factor. This model – where liability falls on the business - will be extended, with Levy being payable on the British horserace betting business of both on and offshore gambling operators, regardless of the location of the customer. Our assumption is that offshore operators licensed by the Gambling Commission who offer bets on

British horseracing will be taking racing bets from both British and non-British customers. In practical terms this means that a remote gambling operator with a Gambling Commission licence, based, for example, in France will pay Levy on profits from bets on British horseracing from all their customers, not simply those based in Britain.

Q2: Do you agree that gambling operators who become liable for the Levy after extension should pay the Levy, as now, on profits from betting on British racing by all customers, wherever situated?

Annual Levy schemes

3.4 The 1963 Act (section 24(1)) sets out that the Levy must be applied to “purposes conducive to any one or more of the following:

- the improvement of breeds of horses
- the advancement or encouragement of veterinary science or veterinary education;
- the improvement of horseracing.”

3.5 In June 2013, the European Commission ruled that the French decision to take a parafiscal levy from online horserace betting was an adequate measure to ensure fairness between gambling operators in contributing towards the costs of organising horseraces, to ensure the quality of the races, and the positive effects that flow to the breeding of horses and the wider horse and rural sector. They also found that it would not distort the European market for horseracing. Central to the Commission’s decision was the principle of “common interest”. We would be interested to receive views on whether the Levy purposes as currently framed adequately articulate the “common interest” in the British system and how this common interest might be strengthened by a change to Levy purposes.

Q3: Should the purposes to which the Levy is applied be amended to better articulate the “common interest” between betting and racing and, if so, what revisions would you make?

3.6 Given the central role played by the Bookmakers' Committee in recommending Levy Schemes, Government will revise membership of the Committee so that it is representative of all gambling operators that will fall within the scope of an extended Levy and that new membership is in place in time for negotiations in 2015 on the first post-extension Levy. We are seeking views on the composition and size of a revised Bookmakers' Committee.

Q4: What organisations should be represented on the Bookmakers' Committee post-extension and how many seats should each organisation have?

3.7 The formula for calculating payments under any Levy Scheme is not set out on the face of the legislation but is agreed annually. We would like to hear views on the desirability or otherwise of fixing the key elements of Levy Schemes (e.g. gross profits rather than turnover; % figure) in statute.

Q5: What are the pros and cons of setting out the key elements of any Levy Scheme on the face of the legislation? What approach would you support?

Appeal and enforcement

3.8 At the moment, gambling operators can appeal their liability to pay the Levy and the amount they are assessed as owing to one of the two Horserace Betting Levy Appeal Tribunals (one for England and Wales and one for Scotland) depending on where they are located in Great Britain. Given that the long term future of the Levy as a whole is still under discussion, and that Tribunals have been rarely used, Government does not intend to change the existing arrangements. Any appeal by an offshore operator will be handled by the Horserace Betting Appeal Levy tribunal for England and Wales.

Q6: Do you agree that appeals from offshore operators against Levy assessment should be handled by the Horserace Betting Appeal Levy tribunal for England and Wales?

3.9 The existing system of sanctions in the 2007 Order whereby the Gambling Commission can revoke a gambling operator's licence in the case of non-payment of Levy will automatically extend to offshore operators liable to pay the Levy.

Q7: Do you agree that existing sanctions in the 2007 Order will automatically extend to offshore operators liable to pay the Levy, with no need for further action?

Q8: What new enforcement issues do you think extending the Levy will bring and how should they be tackled?

Other potential changes

3.10 We would welcome thoughts on any other changes that you believe might need to be made to the existing levy system in order to secure extension in the most effective way.

Q9: What other changes to the Levy system should Government be considering in order to facilitate extension?

Chapter 4: Impact of extension

Introduction

- 4.1 The main purpose of linking collection of the Levy to holding a Gambling Commission licence is to provide a fairer basis for competition between remote gambling operators who take bets on British horseracing wherever they are based. It will ensure that remote gambling operators are required to contribute to the Levy on the same basis and terms as onshore bookmakers.
- 4.2 This chapter looks at some of the potential impacts of extending the Levy. The Government would welcome any comments on potential impact. Information received during this consultation will be used to produce a final impact assessment together with our response to this consultation and publication of the draft Order to be laid before Parliament.

Impact on Levy yield

- 4.3 Levy yields – including voluntary contributions - were typically in the range of £90-£100m from 2004/05 to 2008/09 but then fell to around £60m-£75m in subsequent years as set out in the table below.

Year	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Statutory Levy yield (£m)	106.3	97.7	98.7	116.5	91.6	75.4	59.5	67.7	66.7	70.1	67.9
Standard Levy rate (%)	10	10	10	10	10	10	10	10.75	10.75	10.75	10.75
Voluntary payments (£m)					1.3		0.2	6.9	7.6	7.8	12.3
Total Levy yield (£m)	106.3	97.7	98.7	116.5	92.9	75.4	59.7	74.6	74.3	77.9	80.2

Source: HBLB. Figures for 2013/14 and 2014/15 are estimates. The statutory Levy has been supplemented by additional voluntary contributions, principally through Betfair's five year agreement with Racing in 2012. The "Big Four" retail operators - Betfred, Gala Coral, Ladbrokes and William Hill – reached agreement with Racing in October 2013 to make additional voluntary contributions for four years from 2014/15. When the exceptional additional yield derived in 2007/08 from bookmakers' profits on 'high roller' betting clients are excluded, the total that year is approximately £100m.

- 4.4 Taking £100m as a typical annual value for the period from 2004/05 to 2007/08 there has been a fall of £33m to the most recent actual statutory Levy yield of £66.7 (2012/13).

4.5 Some of this gap can be accounted for by the large bookmakers having moved their remote betting operations offshore since 2008. However, this is not the whole story:

- There has been a decline in gross profits in betting shops derived from horseracing partly as a result of the growth of new gambling products and channels. The table below illustrates the decline in both turnover and gross gambling yield for off-course betting.

		Industry statistics, November 2013. Betting Data – turnover and gross gambling yield				
		Off course				
		2008/09	2009/10	2010/11	2011/12	2012/13
Dogs	Turnover	1,580.50	1,405.15	1,364.31	1,344.01	1,320.28
	£m GGY	303.95	279.89	261.07	242.55	237.41
Football	Turnover	941.73	954.98	1,031.13	1,014.20	1,158.11
	£m GGY	224.94	155.29	273.99	233.55	293.11
Horses	Turnover	5,743.51	5,442.78	5,154.37	5,298.49	4,931.91
	£m GGY	843.79	768.42	704.82	675.06	697.88
Numbers	Turnover	870.79	854.13	836.6	855.99	952.44
	£m GGY	166.30	167.14	170.23	158.81	183.62
Other	Turnover	778.40	620.78	557.63	705.05	536.49
	£m GGY	119.01	92.94	77.5	87.47	68.68

Source: Gambling Commission Industry Statistics, November 2013

- In addition, an increasing number of betting shops have fallen below the threshold above which they pay the full Levy percentage.

4.6 Since offshore remote betting operations are not licensed by the Gambling Commission, there is no centrally held and publically available dataset on which to base an estimate of the potential additional Levy yield post-extension. Any estimates of potential additional Levy yield extrapolated from published information are consequently best guesses and can only be indicative, not least because the remote gambling market is growing very quickly.

4.7 The range of “best guesses” of additional Levy yield post extension runs from £10m to £30m depending on the methodology used and assumptions made. We would welcome estimates of additional potential Levy yield from stakeholders, assuming no

change to the 10.75% take, in order to see whether there is any clustering of estimates within the range.

Q10: How much additional Levy yield would you expect to be generated by extension, if it continued to be set at 10.75% of gross profits from bets on British horseracing and the current voluntary agreements fell away?

Impact on gambling operators

- 4.8 Extending the Levy will offer a fairer basis for competition between remote gambling operators based on- and off- shore and will ensure that all remote gambling operators make a fair contribution to the Levy.
- 4.9 Expected additional Levy yields, and the stability introduced by removing the needs for AVCs, should benefit betting operators taking bets on British horseracing by enhancing the quality of the racing product, thereby potentially encouraging more customers to bet.
- 4.10 Gambling operators currently paying Levy on all their profits from bets on British horseracing, whatever the betting channel, will be unaffected by extension. Gambling operators with on-shore retail operations and off-shore remote operations will incur an increased liability but, those operators making additional voluntary contributions (AVCs) to the Levy from 2014/15 will be able to mitigate the impact by ceasing to pay AVCs. The main impact will be on gambling operators who currently do not pay any Levy because their remote services are supplied from outside Britain.
- 4.11 Extending the Levy to offshore operators will reduce the total level of profitability that is seen in this sector. It is possible that betting operators might attempt to pass a share of the Levy to consumers through worse odds, with a knock-on impact on consumer demand and, potentially, Levy yield. In all likelihood, however, this sort of effect will be mitigated by the high degree of competition in the sector.
- 4.12 Given that the impact of the extended Levy is likely to be predominantly met by the betting industry rather than the consumer, the lower levels of total profitability in the

sector could have an impact on reduced investor dividends and lower funds for investment. These effects are expected to be small in respect of the total size of the betting industry and the impact on viability and performance of the sector as a whole is likely to be limited.

Q11: Do you agree with the assessment of the impact on gambling operators? Are there any unintended consequences that have not been taken into consideration? Please provide any additional evidence that may be useful.

Impact on racing

4.13 'Racing' is used as shorthand for a wide range of stakeholders in the British horseracing industry – including racecourses, racehorse owners, jockeys, trainers and breeders. Combined with the British thoroughbred breeding industry, Horseracing employs full time some 17,400 people directly, with indirect and associated employment taking the total to 85,000. It is the second most popular spectator sport in the country, and has an overall economic impact of over £3.45bn (Source: *The Economic Impact of British Racing 2013* – Deloitte). Horseracing has particular importance to a great many rural communities, with trainers and breeders, and major training centres spread right across the country. The 58 racecourses act as major social hubs on racedays and non-racedays alike.

4.14 The Levy accounts for 7% of the inflow of money to racing (Source: *The Economic Impact of British Racing 2013* – Deloitte) but plays an important role in maintaining the quality of the racing product by incentivising racecourses (mainly through prize money) to put on meetings at times and of a quality that will generate more betting and hence more Levy. Extending the Levy to all betting operators who engage with British customers and benefit from bets on British Horseracing should strengthen the Levy's sustainability and any increased yield will bring additional benefits to the racing industry.

Q12: Do you agree with the assessment of the likely impact on racing? Are there any possible unintended consequences? Please provide any additional evidence that may be useful.

Chapter 5: Timescale and State Aid

- 5.1 We want to complete all the necessary arrangements in time for the 55th Levy negotiations in 2015 to take place on the basis of extension and are working to achieve that in accordance with the timetable set out below.

Date	Levy extension milestones
June 2014	Publish Levy extension consultation
August 2014	Closing date for Levy extension consultation
Late autumn 2014	Government response to the consultation
January – March 2015	Secondary legislation

- 5.2 Should the European Commission notification and approval process not be complete by 31 March 2015, implementing extension might need to be put back until the 2016 Levy negotiations.
- 5.3 The Levy is an existing state aid which predates the UK's accession to the European Union. Extending the Levy is a substantive alteration to an existing state aid so Government must notify the change to the European Commission and seek clearance to proceed. Such clearance must apply to the Levy as a whole, not simply the extended element of it. The clearance process is underway and will proceed in parallel with work to implement extension.
- 5.4 The Government will not extend the Levy without European Commission clearance because of the risks to racing of a net loss of Levy income. If the Levy is extended to offshore remote operators we can reasonably expect the voluntary agreements with bookmakers to be at least amended if not cancelled. If extension happened without Commission approval there would be a significant risk that the Commission would rule that any monies levied from overseas operators would have to be repaid. So racing could lose out on both the voluntary deal and any sums raised through unapproved extension.

Q14: How realistic is the implementation timetable? Aside from state aid considerations, what issues do you think could prevent the timetable being achieved?

Chapter 6: Summary of Questions

- Q1:** Will clarifying the definition of “bookmaker” in the way proposed be sufficient to ensure that liability to pay the Levy is established for all operators taking bets on British horseracing?
- Q2:** Do you agree that gambling operators who become liable for the Levy after extension should pay the Levy, as now, on profits from betting on British racing by all customers, wherever situated?
- Q3:** Should the purposes to which the Levy is applied be amended to better articulate the “common interest” between betting and racing and, if so, what revisions would you make?
- Q4:** What organisations should be represented on the Bookmakers’ Committee post-extension and how many seats should each organisation have?
- Q5:** What are the pros and cons of setting out the key elements of any Levy Scheme on the face of the legislation? What approach would you support?
- Q6:** Do you agree that appeals from offshore operators against Levy assessment should be handled by the Horserace Betting Appeal Levy tribunal for England and Wales?
- Q7:** Do you agree that existing sanctions in the 2007 Order will automatically extend to offshore operators liable to pay the Levy, with no need for further action?

- Q8: What new enforcement issues do you think extending the Levy will bring and how should they be tackled?**
- Q9: What other changes to the Levy system should Government be considering in order to facilitate extension?**
- Q10: How much additional Levy yield would you expect to be generated by extension, if it continued to be set at 10.75% of gross profits from bets on British horseracing and the current voluntary agreements fell away?**
- Q11: Do you agree with the assessment of the impact on gambling operators? Are there any unintended consequences that have not been taken into consideration?**
- Q12: Do you agree with the assessment of the likely impact on racing? Are there any possible unintended consequences? Please provide any additional evidence that may be useful.**
- Q13: What other changes to the Levy system should Government be considering in order to facilitate extension?**
- Q14: How realistic is the implementation timetable? Aside from state aid considerations, what issues do you think could prevent the timetable being achieved?**