



HM Treasury

Gambling Duty:

Public health effects of gambling duty provisions in Finance Act 2019

Presented to the House of Commons pursuant to section 62 and schedule 19 of Finance Act 2019

August 2019



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Chapter 1

Introduction

- 1.1 Parliament has requested that HM Treasury provides a report into the public health effects of the two gambling duty provisions in Finance Act 2019 within 6 months of Royal Assent of that Act.
- 1.2 These two provisions, contained in sections 61 and 62 and Schedule 18 can be described as follows.
 - Section 61 increased the rate of Remote Gaming Duty (RGD) from 15% to 21% from 1 April 2019.
 - Section 62 and Schedule 18 removed the need for casinos to pay on account when meeting their Gaming Duty obligations and allows casinos to carry forward losses to offset against future Gaming Duty liabilities. These changes will come into force from 1 October 2019.

Chapter 2

Section 61 - Remote Gaming Duty

- 2.1 The increase in the RGD rate to 21% falls in the first instance entirely on the providers of remote gaming, as it is a tax on gambling profits.
- 2.2 The 21% is taken from the difference between gaming payments made to the provider, and prizes paid out to players.
- 2.3 The provider must then decide whether it wishes to accept that reduction in net profit or if it wishes to increase its price to preserve profits. Within gambling, unlike other sectors, an increase in price is in effect a decrease in prizes being returned to players – the provider's advantage increases.
- 2.4 There are further complexities to a provider's decision in that in some common games of chance, the provider's advantage cannot be increased without changing the game. European roulette's house advantage is 1 in 37, to change that means it is no longer European roulette (American roulette has two zeroes, and so a greater provider advantage of 1 in 19).
- 2.5 Additionally, increasing the provider's advantage requires the provider to have its game recertified by an independent testing organisation to ensure player protections are respected. This adds another layer of cost and time to a decision on whether to increase the provider's advantage.
- 2.6 During discussions with industry before Budget 2018, they indicated that providers would not generally seek to respond to the increased tax by increasing provider advantage – citing the technical difficulties above and the highly competitive nature of the market, meaning an increase could risk an unacceptable loss in market share.
- 2.7 If that is the case, then players would not be expected to notice any difference in the games they were playing. Therefore, a change in player behaviour would not be expected. If some providers could no longer remain profitable at the new tax rate, this could result in further consolidation in the market and potentially some attrition away from remote gaming by players.
- 2.8 On the other hand, Government costing models did assume that there would be some pass-through of the increased rate of tax into an increased provider advantage (effectively higher prices) on non-fixed odds games.
- 2.9 Higher prices/increased provider advantage would be expected to mean some players no longer wished to carry on remote gaming. Overall spend by individuals on remote gaming would be expected to be less than it would have been had the RGD rate been left at 15%.

- 2.10 The Government has limited information on what the real-world effect has been of the change in RGD, given the timing of this report, but overall consumer spending on remote gaming increased 2.9% in the year ending September 2018.
- 2.11 The Government does not have sufficient evidence to conclude what the impact on public health will be from an increase or decrease in RGD. Insofar as there are harms related to RGD, a reduction in remote gaming spending may indicate a reduction in harms, although this will depend on whether the reduction is coming from consumers with gambling problems. Addiction harms do not lend themselves to a simple cause and effect analysis.

Chapter 3

Section 62 - Gaming Duty

- 3.1 This change brings Gaming Duty closer to alignment with the other gambling duties by removing the requirement to make a payment on account halfway through the six-month accounting period, and by adding the ability to carry forward losses in one accounting period against liabilities in the next period.
- 3.2 There is no change to the tax rate or tax base within this provision, and in practice the Government expects limited use of the carry forward of losses, as it is very uncommon for casinos not to make a gambling profit over a six-month period. This can be seen from the costing for this measure HM Treasury published in at Budget in October 2018.
- 3.3 Accordingly, the Government does not expect that this change will have an impact on individuals nor knock-on effects on public health.
- 3.4 Given the timing of this report and the commencement of the Gaming Duty changes on 1 October 2019 there is no data available yet to comment on.

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