



Machine games duty: introduction of a new higher rate

Who is likely to be affected?

Operators that provide gaming machines where the charge payable for playing can exceed £5. This is expected to impact on bookmakers and casinos.

General description of the measure

The measure will create a new 25 per cent rate of machine games duty (MGD) due on the net takings from gaming machines where the charge payable for playing can exceed £5.

Policy objective

This measure will increase the fairness of the tax system by making the more profitable high street gaming machines pay a higher rate of duty.

Background to the measure

This measure was announced at Budget 2014.

Detailed proposal

Operative date

This measure will have effect on and after 1 March 2015.

Current law

MGD is set out in the Finance Act 2012 (FA2012), in Schedule 24. There are currently two rates of MGD: a reduced rate of 5 per cent which applies to machines with a maximum charge payable for playing and a maximum cash prize of not more than 20 pence and £10 respectively (a 'type 2 machine', paragraph 5(2) of Schedule 24) and the standard rate of 20 per cent, which applies to any other machine ('type 1 machine', paragraph 5(3)).

Proposed revisions

Legislation will be introduced at Finance Bill 2014 to amend Schedule 24 to add a third type of machine (any machine where the charge payable for playing can exceed £5) which will be liable to a 25 per cent rate of duty.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+5	+75	+80	+85	+90
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	The impact on individuals and households is expected to be negligible as this measure is not expected to have a significant impact on the availability, price and payouts of machine games. Furthermore, only a small proportion of the population play machine games.				
Equalities impacts	Due to differences in gambling participation, any change to machine games duty will have an equalities impact. Men are more likely to play these types of gaming machines than women, and younger people are more likely to play these types of gaming machines than older people.				
Impact on business including civil society organisations	The higher rate of MGD will affect in the region of 400 businesses providing gaming machines where the charge payable for playing can exceed £5. There will likely be negligible one-off costs associated with familiarisation with the new tax rate. There will also be negligible administrative burden for some businesses, as they will need to collect and report data in a more disaggregated way. The measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	HM Revenue & Customs will incur costs from this increase in MGD of an estimated £350,000 in 2014-15 plus ongoing costs estimated at a total of £50,000 until 2017.				
Other impacts	<u>Small and micro business assessment:</u> some small and micro businesses providing gaming machines will incur negligible one-off familiarisation costs. The administrative burden is expected to be negligible as data collected and reported will need to be disaggregated. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored through information collected from tax receipts.

Further advice

If you have any questions about this change, please contact Andy Grimsley on 03000 98028 (email: andy.grimsley@hmrc.gsi.gov.uk).