Betting Tax Submission – June 2017

Problem Gambling Ireland & The Rutland Centre

Background: The Betting Tax, up until May 2002, was 5% (€68.1 million in revenue to the exchequer from land-based betting only, in 2001) [1]. It was then reduced to 2%. It was reduced to 1% in Budget 2006. Tax revenues (Traditional Betting Duty) have stayed between €25 million and €27.7 million since 2011 [2] – this is despite huge increases in turnover by the gambling industry. In fact, it is interesting to note that the 2008 net receipts to Revenue were almost as high as the 2003 receipts – when Betting Duty in 2003 was double the 2008 rate (see Figure 2, below). On August 1st 2015, Betting Duty and Betting Intermediary Duty for remote bookmakers came into effect. No full year data on exchequer receipts could be found by the author, at the time of writing, although it was estimated by Minster for Finance, Michael Noonan, at the time the legislation was enacted, that the new tax would raise an additional €25 million in a full year [3]. This would bring the total tax revenue up to roughly €51 million (up from €26 million in 2014), due to the massive market shift towards online gambling, in the intervening years. Ireland has the highest online gambling rates in the world (see Figure 1, below). We also have the highest gambling losses, per resident adult, in the EU – the third highest globally [4].

Figure 1

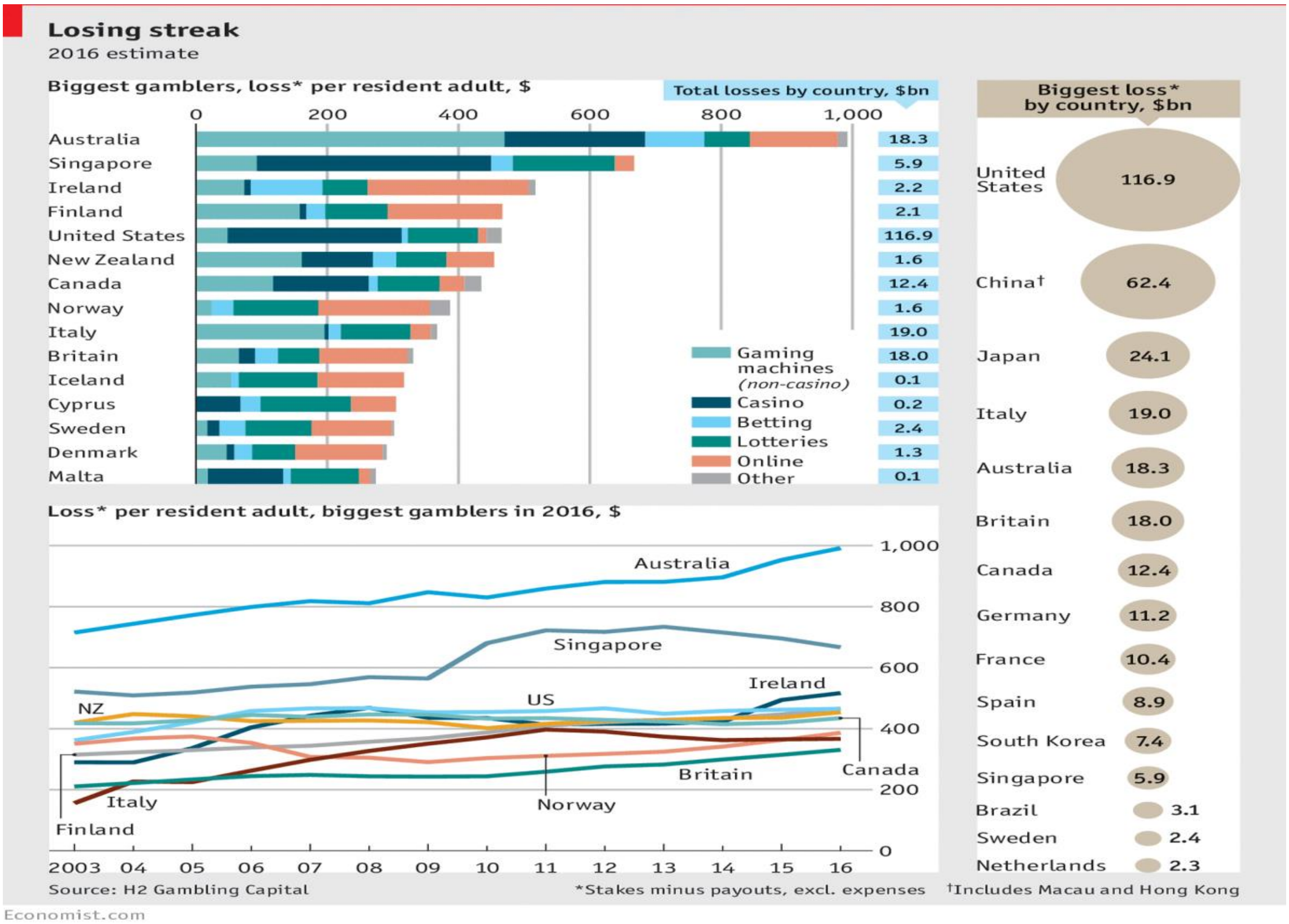

Figure 2

Betting Duty Yield

59. The table below outlines the rates and yield from Betting Duty on traditional bookmakers from January 2000 to August 2014.

Year	Rate	Yield €
2000	5%	58.9
2001	5%	68.1
2002 (1 May)	5% / 2%	48
2003	2%	38.4
2004	2%	45.6
2005	2%	45.8
2006 (1 July)	2% / 1%	54.3
2007	1%	36.4
2008	1%	36.7
2009	1%	31
2010	1%	30.9
2011	1%	27.1
2012	1%	27.1
2013	1%	25.4
2014 (Jan to Aug)	1%	19.6

Cost to the State

In 2016, the UK's GambleAware study (completed by the Institute for Public Policy Research) [5], found that the societal cost of problem gambling was somewhere between £260 million and £1.2 billion per year. When this is translated, on a per capita basis, to the Irish population, it would mean that we experience a financial cost to the exchequer of somewhere between €21.2 million and €98 million. This is a direct conversion and does not account for the fact that Ireland has the third highest gambling losses, per capita, globally – while the UK is in tenth place. The report looks at costs in the areas of housing, health, criminal justice, welfare and employment.

In 2010, the Institute of Public Health in Ireland stated: "From an economic perspective, evidence suggests that the health and social costs of problem gambling exceed government revenue gained from gambling taxes and businesses" [6]

Our Proposal

We propose that the Department of Finance consider ring-fencing 0.1% of all forms of Betting Duty, to be allocated to the provision of problem gambling treatment and prevention services. We propose that this be paid by the providers, not consumers. While we are cognisant of the fact that governments are generally not in favour of ring-fencing tax revenues, a precedent has been set by the Department in relation to ring-fencing Betting Duty funds in order to support the Horse-Racing Industry of Ireland and Bord na gCon. Both organisations are also gambling providers. According to Horse Racing Ireland's 2015 Annual Report [7], they had a turnover of €79.3 million from Total Tote Betting. Their biggest source of net income, however, was the €54.4 million they received from the Horse and Greyhound Racing Fund. In the same year, Bord na gCon received €13.6 million from the Fund [8]. The full allocation to the Fund for 2017 was €80 million [9] – up from €54 million in 2014.

An interim measure of a 0.1% allocation to gambling treatment and prevention services would raise in the region of €5 million, at current rates. While this may seem like a large sum, it is worth noting that New Zealand, with a population smaller than Ireland's, raises roughly €12 million per year for problem gambling service provision [10], through a problem gambling levy (roughly 10% of this comes from their National Lottery). New Zealand lies in sixth place in the global gambling losses (per capita) table, while Ireland is in third place. Currently, there is no dedicated statutory funding for gambling addiction in Ireland. The HSE have advised us that gambling addiction is not currently in their service plan. We see this as an interim measure as we anticipate that a Social Fund will be created if and when the Gambling Control Bill is enacted. If no interim funding is made available, somewhere between 252,000 and 440,000 people in Ireland (when family and friends are included) will continue to be impacted by gambling-related harm, with no dedicated funding to support them.

It is worth noting that the U.K. tax rate on gambling is 15% on Gross Profits - this works out as an effective tax rate of approximately 1.5% on turnover. This results in UK bookmakers paying approximately 50% more tax on turnover than their Irish counterparts. Also, the Department of Finance stated: "The explosion in the use of mobile phones, laptops and other electronic communication devices has greatly facilitated the migration of punters to the remote sector. Accordingly, until such time as the playing field for the traditional and remote bookmaker has been levelled, in so far as taxation is concerned, the rate had to be kept at low levels" [1]. As the playing field has been levelled, since the introduction of Betting Duty and Betting Intermediary Duty for remote bookmakers, in August 2015, we hope that the Department of Finance might now consider moving Betting Duty rates towards higher levels.

We see the following alternatives for ringfencing 0.1% of the Betting Tax:

1. **An increase of 0.1% on the current Betting Tax**: This is our preferred option. It has no negative impact on the Horse Racing and Greyhound industries and would still keep Betting Tax in Ireland among the lowest in the world (if not the lowest). It also serves to help the gambling industry prepare for the introduction of a Social Fund levy, upon the enactment of the Gambling Control Bill. As previously mentioned, gambling industry turnover and profits have increased over the past 20 years, while taxes raised from the sale of gambling products have decreased.
2. **10% of the current Betting Tax to be allocated to treatment and prevention**: This would mean a decrease in funding to the Horse Racing and Greyhound industries and no increase in taxes for the highly profitable gambling industry, which has seen its tax liability decrease dramatically over the past 20 years.
3. **The consumer pays 0.1%**: This would amount to a form of 'double-taxation' for the consumer, as the vast majority of gamblers operate at a net loss. The Irish Bookmakers Association, in their 2015 Betting Industry Report, have already outlined various reasons as to why taxing the consumer is not a viable approach. These include: a decline in industry turnover, increased illegal betting activity, a loss in commercial appeal and a move to non-Irish registered online operators [11].

We propose that the funds be disbursed by the Department of Justice, as they have responsibility for gambling legislation and will be responsible for the disbursement of the Social Fund, if and when it becomes available.

The New Zealand model of distribution could be used as a template for distribution of funds [12]. This would see roughly 35% going towards treatment services and the remainder going towards primary prevention, awareness/education, helpline services, research and evaluation. Based on figures provided by the Rutland Centre, the average cost of residential treatment for gambling addiction is roughly €7,500. The proposed increase would result in an additional 233 people being able to access residential treatment. Free and/or subsidised access to treatment would greatly increase help-seeking among problem gamblers, who often only seek help when they (and often their family) are in serious financial difficulties.

While the Irish gambling industry have been vocal in their support of a voluntary contribution model for responsible gambling interventions [13], this model has been shown, quite clearly not to work. In the UK, where gambling industry contributions to the Responsible Gambling Trust are on a voluntary basis, only 63% of licence-holders contributed in 2014-2015. This equated to roughly £6.5 million in donations from an industry which had a Gross Gambling Yield (the amount retained by operators after the payment of winnings, but before the deduction of operating costs) of £10 billion over the same period (not including the National Lottery) [14].

In her speech at the recent World Regulatory Briefing on Responsible Gambling Innovation (London, September 2016) [15], Sarah Harrisson, CEO of the UK Gambling Commission, made the following statement: “in 2015, under the current voluntary arrangements, the industry contributed over £6.5m to RGT for research, education and treatment under the voluntary funding arrangements. By contrast £120m was spend on TV advertising in the same year. That cannot be right. £6.5m is nowhere near enough. If the RGT were able to rely on a minimum of 0.1% of every operator’s GGY, that would provide a ballpark figure of £10-£11m - which is beginning to be a much more credible sum for such an important task. From the Commission’s perspective, it doesn’t matter too much how the industry shares this funding responsibility but I would expect the industry itself to care very much about this. How can it be fair that some operators, large and small, contribute year in and year out while others get a free ride?”

Conclusion:

There is an urgent need for statutory funding of problem gambling treatment and prevention services. This has been clearly highlighted by research funded by the Department of Social Protection [16]. Online gambling, which is highly popular in Ireland, has been shown to be three times more likely to cause a person to develop a gambling problem. Immediate action must be taken in order to provide services for problem gamblers and their families, which are independent of the gambling industry. While we look forward to the enactment of the Gambling Control Bill and the establishment of the Social Fund, the current vacuum of service-provision for problem gamblers and their families is causing serious damage at an individual, familial, community and societal level in this country. Our status as Europe’s leaders in gambling losses is not matched by the level of supports provided to those experiencing gambling-related harm. We urge the Minister to consider actioning our proposal in the 2018 Budget.

References:

1. Department of Finance. General Excise Duties (Tobacco, Alcohol, Betting and Others), 2014. http://www.finance.gov.ie/sites/default/files/14.02%20General%20Excise%20Duties.pdf

2. Revenue Breakdown of Betting Duties, 2011 – 2015. http://www.revenue.ie/en/corporate/documents/statistics/excise/betting-duty-receipts.pdf

3. The Journal, February 9th 2015. http://www.thejournal.ie/online-betting-tax-1924416-Feb2015/

4. The Economist. February 9th 2017. The World's Biggest Gamblers. http://www.economist.com/blogs/graphicdetail/2017/02/daily-chart-4

5. Institute for Public Policy Research. Cards on the Table: THE COST TO GOVERNMENT ASSOCIATED WITH PEOPLE WHO ARE PROBLEM GAMBLERS IN BRITAIN. December 2016. http://www.ippr.org/files/publications/pdf/Cards-on-the-table_Dec16.pdf?noredirect=1

6. The Institute of Public Health in Ireland. Developing a population approach to gambling: Health issues. December 2010. http://www.publichealth.ie/files/file/Developing%20a%20population%20approach%20to%20gambling.pdf

7. Horse Racing Ireland Annual Report 2015. http://opac.oireachtas.ie/AWData/Library3/AFMdocslaid081216_152213.pdf

8. Parliamentary Question from Catherine Murphy, TD, to Minister Michael Creed, in relation to funding provided to Bord nag Con. February 21st 2017. https://www.kildarestreet.com/wrans/?id=2017-02-21a.1354

9. Parliamentary Question from Catherine Murphy, TD, to Minister Michael Creed, in relation to funding provided to Bord nag Con and Horse Racing Ireland. February 21st 2017. https://www.kildarestreet.com/wrans/?id=2017-02-21a.1345

10. Associate Health Minister, Peter Dunne, New Zealand. New three-year strategy to address gambling harm. Press Release, 27th May 2016. https://www.beehive.govt.nz/release/new-three-year-strategy-address-gambling-harm

11. Irish Bookmakers Association. Betting Industry Report, 2015. http://www.irishbookmakersassociation.com/wp-content/uploads/2015/09/Betting-Tax-2015.pdf

12. New Zealand Ministry of Health. Strategy to Prevent and Minimise Gambling Harm 2016/17 to 2018/19. 27th May 2016. http://www.health.govt.nz/publication/strategy-prevent-and-minimise-gambling-harm-2016-17-2018-19

13. Submission of Paddy Power plc to the Committee on Justice, Defence and Equality in relation to the Heads of Gambling Control Bill 2013. https://www.paddypowerplc.com/sites/default/files/attachments/paddy_power_submission_on_heads_of_gambling_control_bill_august_2013.pdf

14. Responsible Gambling Trust UK. Report and Financial Statements 2014-2015. http://www.responsiblegamblingtrust.org.uk/media/1139/rgt-annual-report-2015.pdf

15. Harrison, Sarah, CEO UK Gambling Commission. Speech to the World Regulatory Briefing on Responsible Gambling Innovation, September 2016. http://www.gamblingcommission.gov.uk/pdf/Speeches/WRB-Responsible-gambling-innovation-September-2016.pdf

16. Fulton, Crystal. Playing Social Roulette: The Impact of Gambling on Individuals and Society in Ireland. Final Report, June 2015. https://www.welfare.ie/en/pressoffice/pdf/Playing-Social-Roulette.pdf