

Irish Bookmakers Association



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Overview and Key Proposals

The Irish Bookmakers Association (IBA) is the largest representative body of the bookmaking industry in Ireland. IBA membership comprises approximately 650 betting shops in Ireland.

The bookmaking industry in Ireland is a very significant employer, with approximately 5,000 staff in betting shops and a further 1,000 employed in head office operations for major bookmaking companies. The bookmaking industry is also a major source of tax revenues for the exchequer.

The IBA believes that with reform of both the taxation and the regulation that is applied to the betting sector the significant employment that is supported by the sector can be protected whilst at the same time the contribution to the exchequer can be increased.

The IBA is proposing three reforms:

1. Level the Playing Field

Solutions for Tax reform

- Taxation on betting should apply to all operators in the sector and a new approach to taxation should be put in place which attracts international operators to establish in Ireland, and taxes bookmakers on profits in line with all other businesses.

2. Modernise the Sector

Reform of the Approach to Technology

- Betting shops should be allowed to offer computerised betting opportunities, which are forms of betting already offered by mobile and online operators, so that they can compete with these platforms and enhance the contribution to the exchequer.

3. Liberalise the Sector

Reform of Opening Hours

- The opening hours of betting shops should be reformed to allow extended trading hours in the winter months. This would allow betting shops to compete with other betting platforms, would create employment and would also enhance the contribution made by the sector to the exchequer.

Level the Playing Field

The current rate of betting taxation in Ireland is 1%. This taxation is levied on turnover, not on profit, making this form of tax unique in Europe.

Taxation on turnover also takes no account of profits or of losses, and is applied regardless of profitability.

The doubling of betting taxation has been raised as a possible action in the upcoming budget. However, in the absence of a major reform of the approach to taxation this action would have an exceptionally negative impact on jobs in the retail betting sector and on the returns to the exchequer from betting taxation.

- The intense competition between retail and internet betting would prohibit the passing on of this tax to customers by the retail sector, as to do so would further exacerbate the loss of customers from retail betting who would simply move their custom to other platforms.
- Based on 2008/2009 figures, there is almost a direct correlation between the decrease in turnover in betting shops, and the increase in turnover on internet betting. Between 2008 and 2009, the retail betting market suffered a decline of 15.5% while non retail betting increased by 13.5%.
- Over the last five years turnover has decreased by 40% at retail betting shops.
- Other platforms – like telephone and online betting – are not subject to betting taxation.
- The doubling in taxation would put a large number of independent bookmakers – currently under extreme financial pressure – out of business, and would lead to a rationalisation of retail outlets operated by the larger players.
- Shop closures would have a direct negative impact in the level of revenue to the exchequer.

The approach to betting taxation – and the entire regulatory and legislative structure underpinning betting – requires reform in order to meet the needs of a modern betting sector.

The Irish Bookmakers Association proposes that betting taxation remain at 1% until a more thorough reform agenda is introduced which would include a new approach to taxation on betting which would include:

- 1. A licensing system, applied to all betting operators, be they in shops, over the telephone or online**
- 2. Taxation on profits, not turnover**

Modernise the Sector

With rapid technological advancements of recent year, betting has never been more accessible and now takes place not only in retail betting shops but also on-line, on interactive TV, via telephones, iPhones, iPads, and SMS.

In addition, gaming terminals, such as poker machines, are now operating in a wide variety of locations across the country including bars, fast food outlets, gaming emporiums, arcades and casinos. It is estimated that up to 10,000 terminals are now in operation paying a minimal AMLD cost.

Betting terminals are currently operating in a legislative grey area which contrasts sharply with the highly regulated approach that retail betting shops must adhere to. The outdated regulatory regime applicable to licensed bookmaking premises, established by the Betting Act, 1931, prohibits bookmakers from adapting their business models in order to respond to customer demand, impacting on their use of technology.

At present, Greece and Spain are both examining significant reforms of their betting and gaming legislation and regulation, as a response to the challenging economic circumstances that pertain in both countries. Reforms in Ireland could also assist in raising additional revenue for the exchequer.

A proposed solution is to embrace technology and, instead of prohibition which only serves to drive business to other available channels legal or otherwise, implement a licensing system to regulate all forms of gambling activity.

Under this approach, licensed betting premises would be permitted to install virtual betting terminals with a fixed licence cost. These terminals would not have the B3 content (i.e. slots) as in the UK, and by regulation a fixed number of machines could be allowable in each betting shop, with a licence fee to be paid to the exchequer per machine.

This proposed licensing system would raise overall revenue by bringing all betting/gaming and gambling activities into the tax net.

Economic Impact of Modernisation and Liberalisation

Section 21 of the 1931 Act (As amended by Section 85 of the Finance Act, 1988 and Section 66 of the Finance Act, 2007) requires licensed betting shops to close by 6.30 p.m. between 1 September and 31 March each year, except on days when an Irish race meeting is taking place.

These regulations were devised long before the emergence of online and telephone-based betting, technological developments which have revolutionised our industry and are readily available to customers on a 24 hour basis.

Extended opening hours would increase the taxation contribution made to the exchequer by the betting sector as it would allow for increased trade at retail betting shops.

This can be done by amending the Finance Act to allow outlets trade until 10pm each evening during the winter months.

This reform would create approximately 500 long term jobs in the betting sector.

The Irish Bookmakers Association (IBA) believes that there are significant revenue sources available to the exchequer from the modernisation and liberalisation of the approach to betting in Ireland.

- a) Introduction of computerised betting products into the LBO market (SSBT's - Self Service Betting Terminals)
- b) Repatriation of off shore business
- c) Extension of opening hours in LBO's throughout the winter period

a) Introduction of SSBT's into the LBO market:

The introduction of betting terminals into the LBO market will provide a strong basis to sustain betting shops and jobs on an ongoing long-term basis. Betting shops are currently fighting for market share with online and mobile operators. Apart from thousands of betting products which can only be offered using computerised devices including In-play betting and virtual products, these operators are open 24 hours a day 7 days a week for business.

It also provides a solution to smaller independent bookmakers for whom the cost of an online presence is prohibitive, and offers an alternative to their customers.

Included in the chart below is an estimate of the duty that could be raised by the introduction of betting terminals;

Estimate of Betting Duty Raised from SSBT's

Number of LBO's in Ireland	1,123
SSBT's per LBO	2 - 4
Licence fee of €2000 per terminal	€4.5 - €9 Million

It was highlighted in the recent government document on Casino legislation that in excess of 10,500 gaming machines operate in Ireland, in venues such as Chipper's, Pub's, private members clubs, Children's fun parks, AGC arcades and a myriad of others. Most of which escapes both regulation and taxation.

If the proposed licence fee was charged to each machine instead of the current €100-€150, it would net a further €20 Million. Betting Shops are compliant and pay their taxes. Unlike taxation which is captured retrospectively this would be an instant cash injection for the exchequer.

€24.4 Million upwards available from licensing existing and new betting machines, which are currently THERE but not legislated for.

b) Repatriation of off shore business:

The potential financial gain from reviewing the existing legislation for taxation of the online businesses could be substantial. Several foreign countries have successfully adopted such a policy and have attracted many companies which could contribute to the overall 'take' for the Irish exchequer should a similar policy be adopted here.

Figures from Paddy Power Plc. Interim reports on the next page clearly demonstrate the potential business that could be attracted should the tax structure be reviewed:

Paddy Power Online Channels:

Amounts staked in 2010 €1,126 Million (up 31% on 2009)

Paddy Power Telephone Business:

Amounts staked in 2010 €293 Million

Using Paddy Power figures to extrapolate the potential turnover and other possible taxable avenues from repatriating overseas business clearly shows the levels of income attainable.

c) Extension of Opening hours

Presently, Irish Betting offices cannot open after 6:30pm from September 1st to 31st March each year, unless there is an Irish Race after 6.30pm. It should be noted that there is UK racing throughout the winter and that UK betting shops are open for same. If Irish customers would like to bet on any of these evening meetings, they must do so through the multitude of betting platforms that do not contribute to the Irish Exchequer. We would propose extending our opening hours to cater for our customers throughout the winter.

The current figures for turnover after 6.30pm show that 20% of the daily takings are taken between 6.30pm – 9.30 pm. (Source: Ladbrokes). Based on this percentage, the potential duty and payroll taxes to be gained by allowing extended opening hours throughout the winter would be over €5.8M, as table below shows:

Winter Opening Proposal	
Bookmakers shops in Ireland can only open in the evening after 6.30 from September 1st to 31st March each year if an Irish race meeting races after 6.30pm	
If betting shops were allowed open 3 nights per week over the winter (approx. 28 weeks)	€2.3million additional betting duty
Each shop on average would employ 2 people for 4 hours (between 6 and 10) at an average hourly rate of €12 per hour.	€3.5million additional PAYE/PRSI
Staff would receive over €9.6 Million in additional wages.	
500 Part-time staff could be kept on all year	

round
Total: €5.8 Million in additional taxes

About the Irish Bookmakers Association

Founded in April 2005, the IBA is the largest representative body of the bookmaking industry in Ireland. Its membership comprises about 650 of the 1123 betting shops in Ireland.

The association has a broad-based membership in that it represents all the major operators, including Ladbrokes, William Hill, Boylesports, Hacketts and Bar One Racing, in addition to a strong mix of independent operators.

The Association's Chairperson is Sharon Byrne, and Joe Lewins of Ladbrokes Ireland is Vice Chair.

The bookmaking industry is a significant employer, with approximately 5,000 staff in betting shops, and a further 1,000 in head offices. The Irish bookmaking industry is a major source of tax revenues for the exchequer through PRSI, PAYE, Corporation Tax and VAT.

The IBA's primary concern is that Irish Retail Bookmakers (LBO's) do not operate

It should be noted that operators cannot recover a large proportion of their overheads due to the non-recovery of VAT.

on a level playing field with the non-retail sector as the latter is able to offer customers tax-free betting and gaming without any deduction.

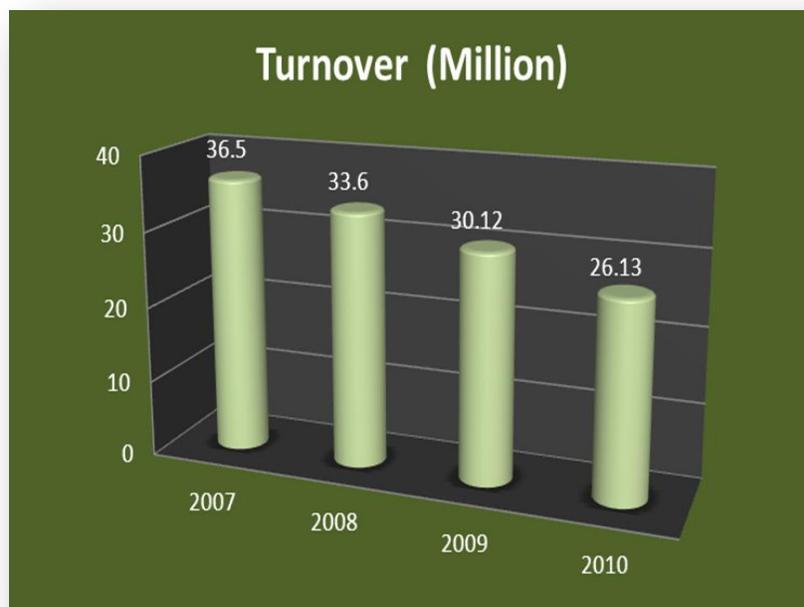
The Betting Industry in Ireland

The LBO's share of the overall national betting market has fallen from 91% in 1999, to an estimated 60% in 2010.

At the same time, telephone, internet, egaming.com sites, betting exchanges, mobile betting, interactive TV and private members clubs have all grown substantially and are now estimated to be the biggest growth areas in the betting industry. A similar phenomenon was evident in the UK before the introduction of GPT and the complete modernisation of the industry there.

It has to be recognised that betting and gaming now operate in a global market resulting from technological advances. Key Issues now facing the Industry include:

- *Restrictive Legislation*
- *Funding of HRI*
- *Casino Proliferation*
- *Anomalies in Taxation*
- *Product Development*
- *Opening Hours*



Non retail betting now includes:

- *Betting exchanges*
- *Offshore Telephone betting*
- *Sportsbook Internet betting*
- *Smartphone app's*
- *E Gaming offshore*
- *Poker (both land based tournaments and on-line)*
- *Interactive TV betting and gaming*
- *Private Members Clubs (Land based Casinos)*

There is clearly a demand for the services of non-retail products, given the level of marketing spend we see by providers of some of these services, and from the first hand knowledge of some of our members, that also provide some of these services through off shore companies.



Mobile phone betting grew by over 300% in 2010, as shown in Paddy Power annual accounts 2010.

The net result is that customers avail of these services and the Irish Exchequer receives minimal revenue.

Taxation

In 2005 betting duty off-course was reduced from 2% to 1% with the 1% to be borne by the betting industry rather than the betting shop customer.

This measure was taken to provide a level playing field, as the encroachment of telephone and on-line tax free betting had created an imbalance in the Irish betting market. Without the introduction of this change, we would have seen the continuation of betting turnover towards offshore destinations. This decline was already evident over a number of years.

The taxation of betting shops is fundamentally flawed for the following reasons:

- The current system of turnover tax was originally created to be paid by the customer. However, it is now paid by bookmakers who are expressly forbidden from passing on this taxation to their customers.
- The current system of turnover taxation also has no regard to profitability – i.e. betting shops are subject to taxation on turnover, not on profits, so even shops making a loss are subject to betting taxation. This form of turnover taxation is unique in Europe.
- The Irish Racing product which we all fully support represents less than 15% of our overall betting turnover, and we pay duty on 100% of turnover

which is used to fund racing. It should be noted that we are not allowed to show pictures from Irish Greyhound tracks.

- The current 1% rate renders many Independent betting shops unviable, as the effective tax rate is over 98.8% of their revenue when added to all other taxes paid by betting shops.
- Under the current taxation system it is betting shops alone that contribute to betting taxation – online, exchanges, telephone and mobile operators are not within the betting taxation net.
- New betting platforms have grown very considerably in recent years, leading to a decline in betting being transacted at licensed betting shops and a consequent fall in the amount being raised by betting taxation.
- The response to this should not be to penalise the one betting platform which is paying taxation (betting shops) whilst continuing to allow other platforms to avoid taxation. It should also avoid putting our domestic online operators at a disadvantage to global competitors.

**We believe that approx 60% of Irish Betting escapes Taxation
Up from 10% in 1999**

Track record of LBO's

The LBO industry currently employs over 6,000 people throughout Ireland. The industry operates in a regulated environment and is proud of its track record both in terms of the quality of service it delivers to customers and the social responsibility practices it employs.

The members of the IBA are conscious of their role within society and of the potential dangers of problem gamblers. The IBA, in conjunction with the Dunlewey substance and advice centre in Northern Ireland, has set up Freephone line for persons affected by problem gambling which operates 7 days a week.

There is also a network of qualified counsellors across Ireland who offer face to face counselling services. This service was created and funded by Irish betting shops.

Uncertainty of Legislation in Ireland

The betting industry in Ireland is regulated in accordance with the 1931 Betting Act and the 1956 Gaming and Lotteries Act and there is widespread agreement that the betting, gaming and lottery legislation is out of date and in need of urgent updating and reform.

There have been several reports published but legislative changes have not been made. As every day passes jobs are being lost, and online and mobile operators based outside Ireland continue to bet into the Irish market tax free.

We call on the Government to urgently address the legislative failings and save thousands of jobs in our Industry.

Conclusions

Licensed bookmakers' share of the overall national betting market in Ireland has fallen from 91% in 1999 to an estimated 60% in 2010.

At the same time telephone, internet, egaming.com sites, betting exchanges, and private members' clubs have all grown substantially and are now estimated to be the biggest growth areas in the betting industry.

A similar phenomenon was evident in the UK prior to the introduction of betting terminals and GPT there.

The Irish Exchequer cannot afford such leakages of tax revenue, and we believe betting shops can continue to provide massive employment and generate substantial tax if they were allowed to compete with online and mobile operators, along with the extension of opening hours throughout the winter.

The IBA strongly recommends that the Government implement changes to the Betting and Gaming legislation to address the outdated 1931 and 1956 Acts. With a view to ensuring that all forms of gaming and illegal betting are regulated and that Irish Betting shops are allowed to compete in a rapidly evolving technical industry.

We would welcome involvement in any further working group that may be established to address any of the issues raised in this submission.