

Point of Consumption Tax Consultation Paper  
NSW Treasury  
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SYDNEY NSW 2001

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Dear Sir/ Madam,

## **Response to Consultation Paper – Point of Consumption Tax on wagering in NSW**

Tabcorp Holdings Ltd (**Tabcorp**) appreciates the opportunity to make this submission in response to the Consultation Paper regarding a Point of Consumption Tax (**POCT**) on wagering in New South Wales (**NSW**).

Tabcorp, through its wholly-owned subsidiary, TAB Limited, operates the totalisator in NSW, and through its subsidiary brands (e.g. *TAB*, *Sky Racing*, *Trackside*, *NSW Lotteries*, and *Keno*) makes an economic contribution in NSW of over \$1.3 billion per year, which includes around \$460 million in NSW taxes and around 2,000 NSW jobs. In addition to this, Tabcorp supports around 30,000 racing industry jobs throughout the state.

Totalisators (**TABs**) are the major source of funding for the racing industry. For example in FY17 the NSW TAB provided the racing industry in NSW with \$326.2 million or around 75% of total funding.

### **Summary of this submission**

The wagering taxation environment in NSW is in urgent need of reform.

Tabcorp is the only company who pays betting taxes in NSW. Online wagering companies licensed in the Northern Territory (**NT**) do not pay NSW wagering taxes due to an anachronistic tax regime which has not kept up with industry changes (namely the recent proliferation of online wagering operators in Australia). In simple terms, around 40% of bets placed in NSW are untaxed.

This out-of-date taxation environment is resulting in less funding for the racing industry in NSW; less resources available for sports integrity, regulatory oversight, and responsible gambling programs in NSW; and, downward pressure on the economic contributions of both Tabcorp and the racing industry in NSW.

Tabcorp therefore respectfully requests that the NSW Government introduce fair and modern reforms to the NSW wagering taxation environment. This can be achieved by implementing a POCT with the following features:

- **1.5% turnover based POCT** – a turnover model is fair and is consistent with the current NSW racing industry arrangements for administering product fees (**race fields fees**), there are also likely to be less definitional disputes and less scope for wagering operators for loose interpretations of 'revenue' to minimise tax;
- **1 July 2018 commencement date** – a NSW POCT was foreshadowed in the last NSW budget, wagering operators expect it and are well-placed to absorb it, and delays will disadvantage the local TAB and local racing industry (e.g. implementation on 1 January 2019 is likely to lead to continued discrepancies of over \$40 million to online wagering companies);
- **Simple and self-assessing administrative arrangement** – similar to existing requirements for the payment of industry race fields fees by every wagering operator in Australia and the current administration of the South Australian POCT. Audit protections can be built into such a regime;
- **Residential address to be determined as the point of consumption** for bets placed online – for accuracy, ease of administration, for consistency with other jurisdictions, and to avoid double-taxation;
- **Racing industry and local totalisator to be no worse off** – to ensure the sustainability of the racing industry, to recognise the role and existing licence conditions of the local TAB, and to deliver benefits to the community, including preservation of the principles and revenue flows from NSW Racing Tax Parity arrangements; and,
- **Racing industry to receive 50% of incremental revenue flows** – in lieu of reduced ability of the racing industry to raise income from race fields fees.

Tabcorp is in discussions with the racing industry in NSW to ensure that the racing industry and totalisator are no worse off from the implementation of a POCT. It is especially important that the arrangements reached under Racing Tax Parity in NSW are preserved.

We estimate that implementing a POCT with the above features has the potential to raise around \$86.7 million in revenues in its first year – dependent on how the NSW TAB is treated.

We are happy to meet to discuss this Submission, or how we can support implementation of fair and modern reforms to the wagering taxation environment in NSW.

## Tabcorp's economic contribution in New South Wales

Tabcorp through its subsidiary brands (e.g. *TAB*, *Sky Racing*, *Trackside*, *NSW Lotteries*, and *Keno*) makes an economic contribution in NSW of over \$1.3 billion per year.

This includes around 2,000 Tabcorp employees in NSW and over 3,750 Tabcorp supported venues – 1,322 lottery and newsagents, 1,151 Pubs, over 950 Clubs, 192 TAB agencies, and over 150 race tracks.

In addition to this, Tabcorp directly and indirectly supports around 30,000 racing industry jobs throughout the state.

## Tabcorp's position on a Point of Consumption Tax

Tabcorp supports a POCT which incorporates the following core principles:

- Implemented at a State/ Territory level;
- No double taxation – POCT should replace existing wagering taxes (or potentially credits provided within existing frameworks) and customers' "place of residency" determined as place of consumption;
- No tax credits to wagering operators – for GST or race fields fees paid;
- Local racing industry to be no worse off – in NSW this includes no changes to the principles or revenue flows from NSW Racing Tax Parity agreements. Racing industries should also benefit from incremental revenue flows in lieu of reduced ability of the racing industry to raise income from race fields fees;
- Local State totalisators to be no worse off – state totalisators are the biggest source of funding for the racing industry, existing licence agreements apply and have been paid for (i.e. upfront payments and ongoing taxes); and
- POCT should be simple to understand, implement and comply with – the South Australian self-assessing implementation infrastructure is ready to roll out.

Tabcorp supports the introduction of a POCT for the following reasons:

- Modernises the existing tax system – a consumption-based tax recognises changes in wagering consumers' behaviour through the shift to online, and also enables maintenance of a strong retail gambling sector, recognising community views that gambling in the supervised environment of pubs, clubs, TAB agencies, race tracks and newsagencies is acceptable and appropriate;
- Increases community benefit through enhanced opportunities to fund the racing industry, responsible gambling / consumer protection programs, sports integrity, animal welfare, and similar programs;
- Achieves these objectives without disproportionately and adversely impacting the state totalisator which already provides substantial funding to government, racing industries and sporting bodies; and,
- Will more than likely lead to a reduction in excessive industry advertising.

Wagering operators in Australia are expecting a POCT and are well-placed to absorb it. For example, Sportsbet Australia recently announced another year of record profits (e.g. \$200 million in 2016 and \$240 million in 2017), and during the announcement of these results stated that "2018 is likely to see the widespread introduction of point of consumption taxes. Sportsbet is in a good position to withstand increased taxes and benefit from any market consolidation"<sup>1</sup>.

Further, the recent acquisition of substantial holdings in CrownBet and William Hill, to the tune of around \$550 million<sup>2</sup>, indicate Toronto-listed The Stars Group had no hesitation in investing in the Australian market in the full knowledge that many states had already implemented their POCT model or, like NSW, were considering the best methods for introducing such a model.

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<sup>1</sup> [http://otp.investis.com/clients/uk/paddy\\_power2/rns/regulatory-story.aspx?cid=619&newsid=986000](http://otp.investis.com/clients/uk/paddy_power2/rns/regulatory-story.aspx?cid=619&newsid=986000)

<sup>2</sup> <http://www.afr.com/business/gambling/the-stars-group-could-spend-up-to-785m-on-crownbet-and-william-hill-20180306-h0x46g>

The table attached includes the total turnover and wagering taxation paid in FY17 by twenty operators in Australia, which highlights how they are well-placed to absorb a POCT.

We also note that wagering turnover continued to grow following introduction of a similar POC tax in the United Kingdom, and we understand that wagering turnover has also increased in South Australia following introduction of the POCT in July 2017.

A POCT was foreshadowed in the last NSW budget, wagering operators expect it and are well-placed to absorb it, and delays will disadvantage the local TAB and local racing industry (e.g. implementation on 1 January 2019 is likely to lead to continued discrepancies of over \$40 million to online wagering companies).

## **Next steps**

We hope that this Submission provides you with the appropriate material required to implement fair and modern reforms to the wagering taxation environment in NSW.

## Attachment – Estimated turnover and wagering taxation in Australia for FY17

Operator	Estimated Turnover \$m	Estimated Tax \$m	Effective Tax Rate
<b>NSW, VIC, ACT licensed operator:</b>			
- Tabcorp ( <i>TAB</i> )	11,501	161.05	1.40%
<b>QLD, NT, SA, TAS licensed operator:</b>			
- Tatts ( <i>UBET</i> )*	3,480	18.61	0.53%
<b>WA Licensed operator:</b>			
- RWWA ( <i>WA TAB</i> )	2,028	40.35	1.99%
<b>NT Licensed operators:</b>			
- Sportsbet	5,641	0.58	0.01%
- Ladbrokes	3,032	0.58	0.02%
- William Hill	2,738	0.58	0.02%
- CrownBet	2,559	0.58	0.02%
- Bet365	2,020	0.58	0.03%
- Betfair	>1,000	0.58	0.06%
- Lottoland	<1,000	0.00	0.00%
- Betchoice / Unibet	<1,000	0.58	0.06%
- Neds.com.au	<500	0.58	0.12%
- Betting.Club	<500	0.58	0.12%
- TopBetta	<500	0.58	0.12%
- Sportsbetting.com.au	<500	0.58	0.12%
- PointsBet	<500	0.58	0.12%
- DraftStars	<10	0.00	0.00%
- Favourit	<10	0.00	0.00%
- MoneyBall	<10	0.00	0.00%
- PlayON	<10	0.00	0.00%
- Puntaa	<10	0.00	0.00%
- SportsChamps	<10	0.00	0.00%
- Plus Connect	<10	0.00	0.00%
<b>Total NT licensed operators</b>	<b>20,860</b>	<b>6.9</b>	<b>0.03%</b>

\*Tatts merged with Tabcorp on 22 December 2017