

Submissions on proposed Point of Consumption Tax on wagering in NSW

I am a bookmaker who is based and licensed in NSW, trading under the name of BlueBet. Please find my reply to the consultation paper of March 2018 below.

Kind regards,

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Should NSW introduce a PoCT on wagering? If so, why? If not, why not?

No, for several reasons, as outlined below:

Wagering operators already contribute significantly to the state of NSW and the racing industry

My business is based in NSW. I employ approximately 20 staff, all of whom in turn pay income tax and contribute to the NSW economy. I rent premises from the Australian Turf Club in Sydney which is a major employer and conducts the state's major racing events.

BlueBet pays several million dollars in product fees annually – these are paid to various registered Australian racing and sporting bodies, which in turn support their sporting code and employ many thousands of others.

In addition to the above, BlueBet pays:

- company tax;
- GST on net wagering revenues; and
- payroll tax.

Our contribution to NSW is already significant. Any further imposition of taxes is excessive and inequitable. It poses a genuine threat to the viability of my business.

Reduction in Competition

A POCT is unsustainable for all but the largest wagering operators and simply cannot be absorbed by small to medium sized wagering operators. In the short term this will mean less value for punters and less incentive for NSW based operators to employ people or invest further money into their business. In the medium to long term it will ultimately mean several bookmakers will cease to operate.

With the reduction in bookmakers and the subsequent reduction in competition across the industry, there will be:

- less turnover and therefore less revenue for the government and the racing industry;
- significant job losses across the racing and bookmaking industries;
- a resurgence of SP and offshore bookmakers who contribute nothing to NSW or the racing industry;
- an increased threat to the integrity of racing and sports conducted in NSW;

- less value for punters, meaning lower turnover and less funding for the racing industry.

If NSW was to introduce a PoCT:

2. Which PoCT design elements should be harmonised across jurisdictions, and why?

Any discussion of multi-jurisdictional harmonisation must start by saying the model adopted in South Australia is misconceived and excessive. It was introduced with minimal consultation by a debt laden government which has subsequently lost the state election after a large swing against it. In our submission the South Australian model should be totally disregarded by other states.

As far as a NSW POCT, I am strongly of the view that there should be some concession for those bookmakers who have chosen to base themselves here and already contribute to the state in other ways. As outlined above, BlueBet stimulates the NSW economy and employs approximately 20 staff. Corporate bookmakers based in the Northern Territory do not make any such contributions and any new POCT, whilst opposed by us, should at the minimum make concessions for those in NSW.

When considering the size of this tax, I would ask the government to also consider:

- individual bookmakers based in NSW should be entitled to tax concessions to allow for other benefits they bring to the state;
- the SA rate of 15% is simply unsustainable;
- the current tax applied to the TAB is well below the South Australian rate of 15%;
- any examination of the fees paid by the TAB should also consider the extremely generous and lucrative retail monopoly they hold in NSW which would necessitate them paying a higher rate than any other operator.

3. Should a PoCT be levied on the operator's net wagering revenue (player loss) or on the operator's wagering turnover? Why?

Any new tax must only be levied on revenue, not turnover. Existing product fee models which charge on turnover alone, or a hybrid of turnover and revenue, have already greatly eroded profit margins of wagering operators. Any further tax on turnover, where operators would be forced to pay tax even in circumstances where they had wagering net losses, is simply not viable and would cause a lot of operators to close their doors. It is important to remember that unlike the TAB's totalisator business or betting exchanges, bookmakers actually have risk and do not simply take a percentage of monies held.

A new tax on turnover will be a total disincentive for new competition to enter the market and will only encourage SP bookmakers who pay no tax and are not subject to any integrity requirements.

4. Should all forms of wagers (online and terrestrial) be captured by a PoCT at a common tax rate?

Notwithstanding our opposition to any new tax, if one is to be imposed, it should be opposed to both.

5. Should a common PoCT rate apply to all wagering types (fixed odds, totalizator, betting exchange etc.)?

In as far as the POCT would apply to betting exchange bets, there are others who are better positioned to comment.

You will note submissions lodged by professional punters (as posted to Twitter) which contend that a tax of 5% on fixed odds betting can be absorbed by bookmakers. There is no reliable basis for this wide ranging assertion and it should be disregarded. It is unfortunately a reality that any further tax impost on small to medium sized bookmakers will have to be passed on to punters, regardless of the method used to implement it.

6. Should a customer's location be defined through their usual residential address for the purpose of a PoCT, or should it be based on where the bet was made? How should this be verified and updated?

Use of residential addresses is the most practical method.

7. What should the PoCT rate/s for NSW be? For which reasons?

There should be no POCT for those operators who are licensed in NSW and already contribute significantly to the NSW economy.

Any POCT imposed upon interstate corporate operators should be minimal and calculated to ensure small to medium sized businesses can absorb the tax so competition within the industry is ensured and wagering is not driven underground to illegal/unlicensed bookmakers.

For further details please see my submissions at questions 1, 2 and 5 above.

8. Should there be a tax-free threshold? If so, at what level? Should oncourse bookmakers be exempt from a PoCT?

Bookmakers who are licensed in NSW should be granted concessions to reflect the other contributions they make to NSW. On track bookmakers are crucial for the good of the industry and the public's race day experience. They are also required to bet to higher minimum bet limits and take greater risk.

A full exemption from the POCT would be appropriate, however at the very least, NSW bookmakers should be subject to a far higher tax fee threshold (e.g. \$5M).

Considering the potential impact of a PoCT on wagering practices and the wagering industry:

9. Estimates of the take-up of illegal offshore wagering are uncertain. Stakeholders are encouraged to provide any relevant information or evidence on the sensitivity of punters to changes in odds and shifting to offshore operators.

A POCT will lead to less competition in the market and lower profit margins for bookmakers. This will ultimately have to be passed on punters in the form of less attractive odds, fewer offers and

restricted promotions. Modern punters, particularly those from a younger demographic, are increasingly sensitive to value. If they cannot get that same value they have now through licensed bookmakers, they will happily seek it through offshore operators or Australian based SP bookmakers.

10. What has been the experience of operators in complying with South Australia's PoCT administration procedures?

Currently, I have to submit monthly reports to approximately 20 different racing and sporting bodies, as well as comply with numerous integrity enquiries. The SA POCT has just added yet another to that list. Putting aside the financial burden of the SA POCT, it is yet another compliance burden which is a time consuming and expensive drain on staff and IT resources for a small business.

11. What are the practical issues and challenges for stakeholders in implementing a PoCT, and what is an appropriate implementation timeframe in NSW?

Any reporting should be required no more regularly than once a quarter and should be through a well conceived online platform.

No new tax should be implemented without an extensive consultation period. The government must look at the broader picture and appreciate the benefits it receives from those bookmakers licensed in NSW, and the effect a POCT would have on their future viability.