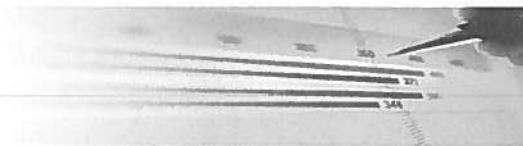




**GAMBLING CAPITAL**

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# **Benchmark of Gambling Taxation and License Fees in Eight European Member States**

**Prepared on Behalf of:  
Netherlands Ministry of Finance**



**Final Report**

**25 March 2013**

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## Background

The Netherlands Ministry of Finance has commissioned H2 Gambling Capital (H2) to produce a report benchmarking the taxation and license fees in respect of gambling in eight European member states. These are Belgium, Germany, Denmark, France, Italy, Malta, Spain and the United Kingdom).

This particular grouping of member states was included not because of the absolute size of their gambling markets but as they all enacted gambling regulation in respect of interactive gambling. The Netherlands is current in the early stages of developing its own interactive gambling legislation and is considering an appropriate taxation and licensing scheme.

As a group the eight member states accounted for just over 78% of the total gross win generated by the regulated EU27 gambling market in 2012. H2's initial assessment of the EU27's total gambling gross win for 2012 is €82.3bn, which was -0.9% of the prior year. Of this interactive market channels accounted for 12.6% up from 11.9% in 2011. Indeed without the ongoing development of interactive channels for gambling across the EU27 the decline would have been much greater.

The percentage of gross win generated via interactive channels ranged from low single digit in Southern Europe to around a third in some of the Scandic nations. The variation in percentage accounted for by interactive channels is primarily due to cultural and technical variations though the regulation and supply structure of each market can also have an impact.

In general as would be expected it is the early adopting Northern European and Scandic member states which have experienced a higher proportion of their interactive gambling sector taking place via interactive channels whilst in the south the rate remains low. In Italy, for instance, only approximately 4% of the value of the gambling sector was conducted via interactive channels in 2012 despite the nation being the first of the EU27 to adopt a dot country regulatory scheme.

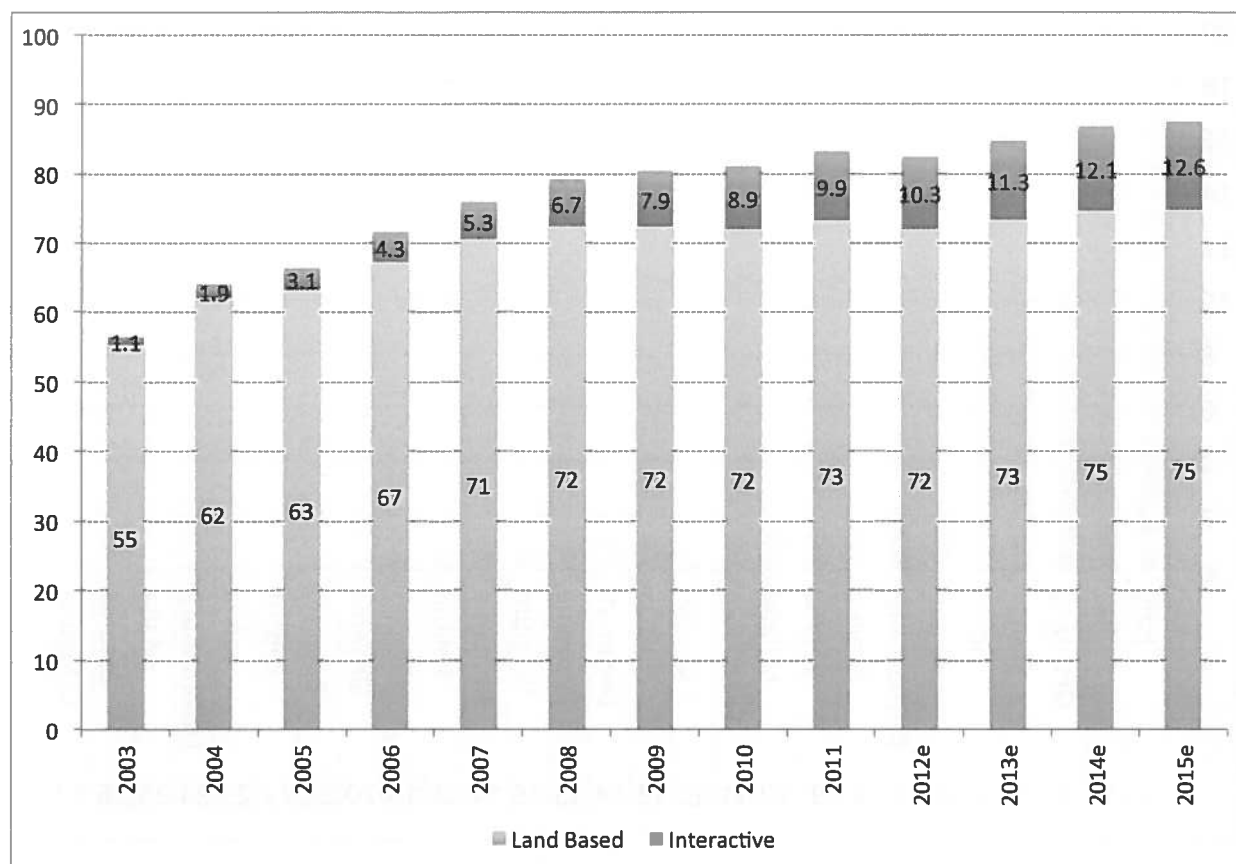
Generally the majority of state revenue generated in regulated gambling markets comes from either a headline gambling tax or good cause distribution policies in the case of state pari mutual horserace betting or lottery monopolies.

Application fees typically fund the regulatory body responsible for oversight of the gambling product. The same is generally the case for annual license fees – which are utilised to fund compliance and research into problem gambling and other areas. In some cases the annual license fee can equate to a form of gambling taxation, particularly in the case of gaming machines.

H2 note that no two markets are the same. Variations in taxation, fees, the product verticals available, the supply structure, ring fencing and technical requirements mean that each market needs to be thought of as an independent entity which share a number of similarities with other member states but also a number of differences.

In addition, to this there are variances in population (volume and distribution), demographics, wealth and culture within the member states to be recognised.

Figure 1 – EU27 Gambling Gross Win (€bn)



Source: H2 Gambling Capital

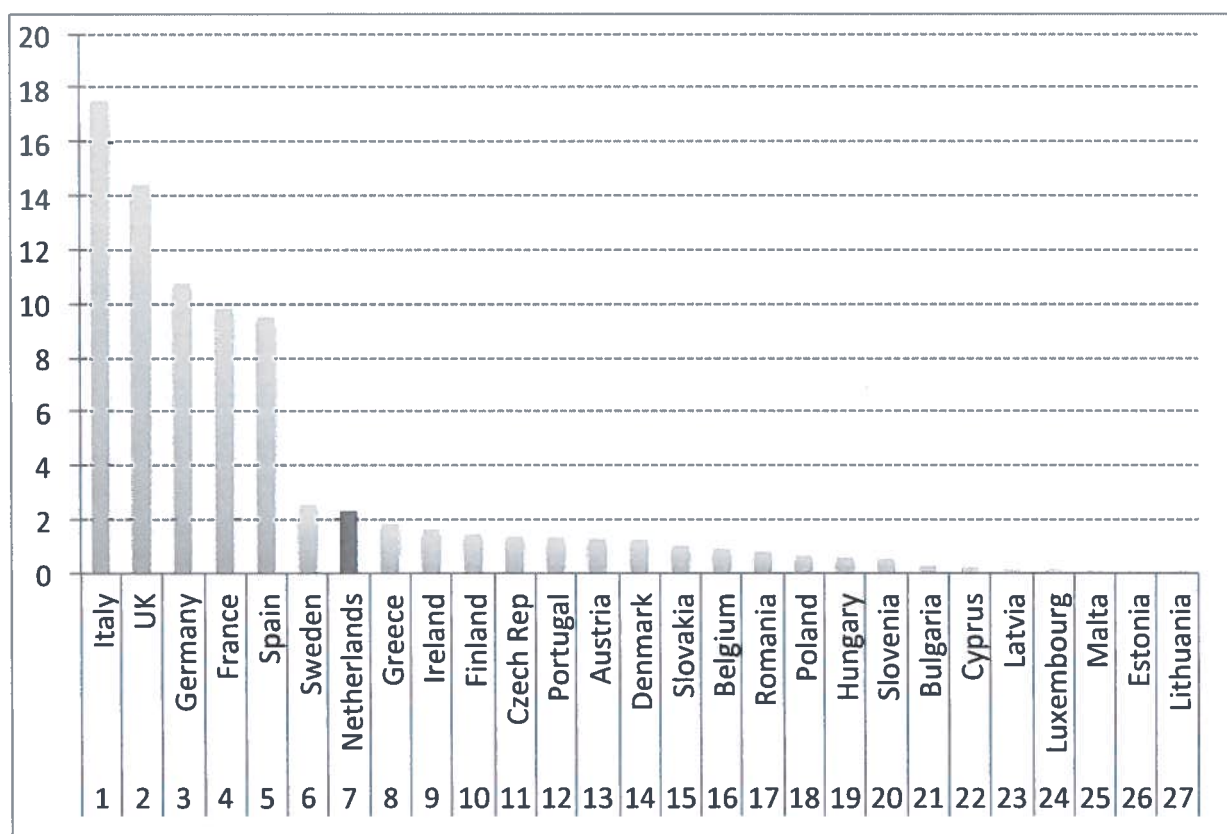
Of the group of eight member states considered in this report Italy has by far the largest gambling market, and indeed the largest in the EU27 and the fourth largest in the world, with a 2012 gross win of €17.5bn.

The United Kingdom followed at €14.4bn, Germany at €10.7bn, France at €9.8bn, Spain at €9.5bn, Denmark €1.2bn, Belgium at €0.9bn and Malta at €0.1bn though the vast majority of the latter's gambling business is based on companies that only service customers outside of Malta and predominately participants in other EU27 member states.

The Netherlands ranked as the seventh largest member state in terms of domestic participant gambling gross win in 2012 at approximately €2.3bn. The only member state with a higher level of gross win than the Netherlands not included within this report was Sweden which ranked sixth with €2.5bn in domestic participant gross win.

In considering the information contained in this report it should be recognised that not all gambling markets are equal. In section 1 we provide a brief background with respect to the product availability and supply structure in each of the eight markets. It should be noted that not only is the scale, product availability and supply structure different but most importantly the regulative structure of the interactive channel is based around three distinct models.

Figure 2 – EU27 Gambling Gross Win 2012e (€bn)



Source: H2 Gambling Capital

Six of the member states included in this study have in recent years developed their own onshore regulated 'dot country' interactive gambling markets. In this case the operator is regulated and pays gambling taxation and license fees in the same jurisdiction as the participant.

It should be noted that in some of this group not all products are included (France pari mutual horserace betting, sportsbetting and poker only, Germany<sup>1</sup> sportsbetting and live casino only) and in others Italy<sup>2</sup> and Spain<sup>3</sup> there has been a progressive introduction of products. In Denmark and France it should be noted that interactive bingo continues to be operated by the state lottery monopoly.

Four of the dot country markets (France, Germany, Italy and Spain) are ring-fenced meaning that participants can only play on platforms with other participants located within the same jurisdiction. This restriction is not in place in either Belgium or Denmark. All interactive gambling products can be more attractive where there are high levels of player liquidity whether it is because of the positive impact on player prize pools or operator risk.

<sup>1</sup> It should be noted that Schleswig Holstein one of Germany's 16 landers or states has issued licenses for all interactive gambling products but the coalition government is considering joining the other 15 in the more restrictive State Treaty

<sup>2</sup> Italy introduced interactive gaming machines in December 2012 as the final one of the major interactive product verticals

<sup>3</sup> Spain is expected to permit interactive gaming machines from the middle of 2013

**Table 1 – Six Member States Included with Dot Country Interactive Gambling Markets**

Member State	Major Products Included	First Bet Taken	Other Restrictions
Belgium (dot be)	All	2011	Land based license required
Denmark (dot dk)	All (Horserace Betting & Bingo Monopoly)	2011	
France (dot fr)	Pari Mutuel Horserace Betting, Sportsbetting & Poker	2010	Requirement that IT is located in France & liquidity ring fenced
Germany (dot de)	Sportsbetting & Live Casino	2013	Sportsbetting licenses limited to 20 & Only Land based casinos may offer live casino games
Italy (dot it)	All	2007	Liquidity ring-fenced but AAMS leading discussions with other regulators to create a cross border pool
Spain ( dot es)	All – Gaming Machines to Follow in The Current Year	2012	Liquidity ring fenced

Source: H2 Gambling Capital

Without cross-border liquidity small markets in particular will fail to reach their potential. Though liquidity is a factor in large markets as well especially in poker where dot country operators are competing against much larger dot com platforms. As a result the regulators that oversee many of the EU27 dot country interactive markets are currently exploring the possibility of cross boarder pooling of their liquidity in poker.

Poker is the most notable where the number of participants on a platform equates to game level availability as well as the scale of the prize pool. Liquidity is also important for progressive jackpots in casino, pari mutual betting payouts, bingo prize boards, etc.

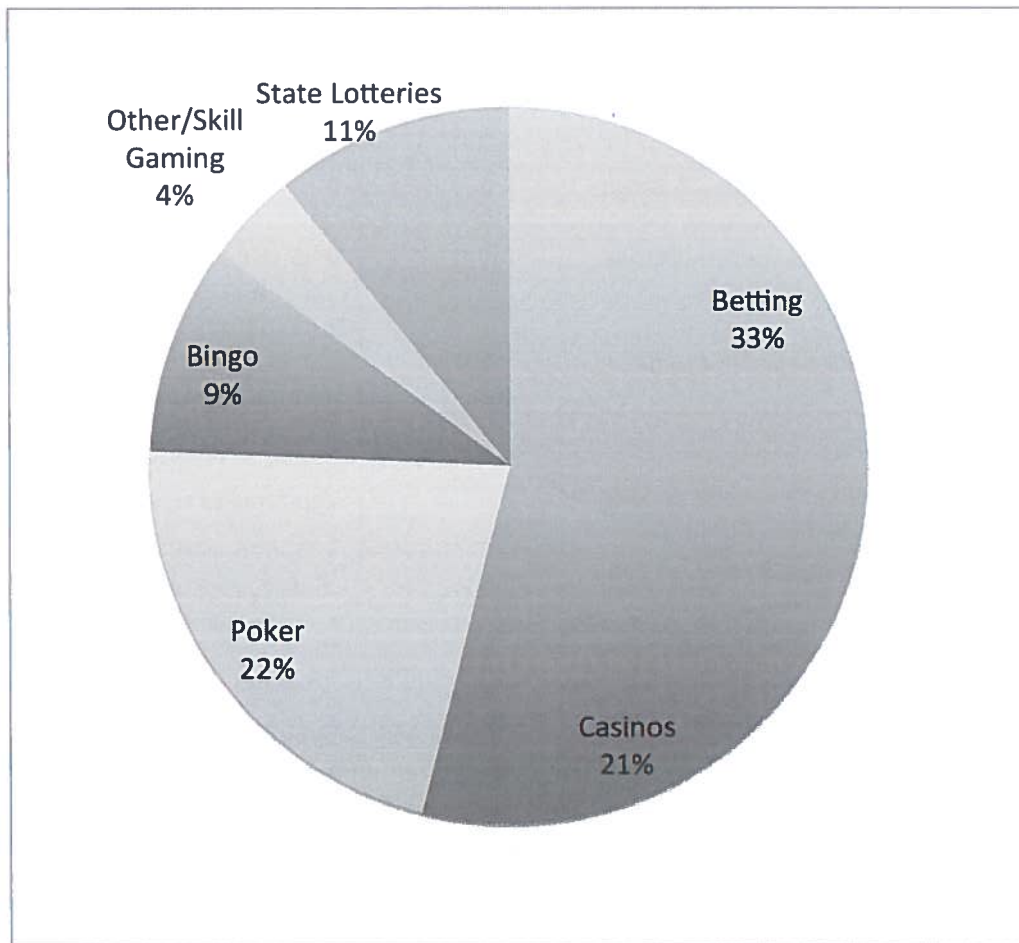
Fixed odds betting also relies on an element of player liquidity as a larger player pool means operators can offer better value as economies of scale generally lead to a better ability to manage risk. Where permitted betting exchanges, like poker, are really only attractive where there is a critical mass of liquidity available in order that the majority of bets may be matched easily.

Of the remaining two markets H2 would class Malta as an 'export' market as although it is home to numerous interactive operators the vast majority of these do not target Maltese citizens. The reason for this is not due to any restrictions in the member state's interactive regulations but as offshore companies do not pay as higher rate of corporation taxation on their non-Maltese business. As the potential Maltese market is relatively small most companies do not believes that it is worth the additional administration to service Maltese customers.

Malta was one of the first markets to regulate all the major interactive gambling product verticals with low rates of taxation designed to establish a commercial hub that encouraged companies to base their operations locally in order that the jurisdiction benefits from job creation and the associated secondary economic benefits.



Figure 3 – EU27 Gambling Gross Win by Product Vertical 2012e



Source: H2 Gambling Capital

Finally H2 would class the United Kingdom as an 'import' market. Here there is no requirement for the operator to be licensed onshore<sup>4</sup> and all but a couple of interactive sportsbetting operators service United Kingdom participants from offshore jurisdictions. However, the United Kingdom government is in the process of introducing a 'point of consumption' tax that will be levied on all the interactive gambling activity of the nation's citizens.

It should be noted away from the major betting and gaming product verticals state lotteries have retained their monopolies in respect of their core draw, numbers and instant product portfolios.

There are a number of dot country markets that have introduced more favourable taxation rates for interactive gambling. Although it is early days still in the majority of markets it is clear that the success, sustainability and competitiveness of a dot country interactive gambling market, especially the smaller ones, is dependent on a competitive tax rate.

<sup>4</sup> Operators servicing participants in the United Kingdom - operators may locate their interactive operations either in another EU27 member state or a jurisdiction include on the 'White List'



## Section 1 – Land-Based Gambling Taxation

In this section H2 outline the national gambling taxation regimes applicable to the operators in each of the major product verticals (i.e. horserace betting, sportsbetting, casino, bingo, gaming machines and lotteries). Information is provided regarding the rate and the tax base.

In the case where any of the member states' taxing authority is delegated to the sub-national level the regime applicable in the capital city has been provided. It has been highlighted that this is the case.

Please note that in terms of taxation land-based poker is generally categorised as a casino table game and therefore the category has been removed. If there is any exception this has been noted in the relevant subsection.

### Belgium

The Belgian Gaming Commission oversees gaming across the nation's three regions, Brussels, Flanders and Wallonia. Fixed odds sportsbetting, pari mutual horserace betting and a national lottery are also in operation across Belgium.

The commercial sector provides casinos, betting shops and gaming machine arcades (salles de jeux). In addition, the commercial sector is also permitted to provide on-course totalizator bets, under the control of the PMU Belge, to which they pay a fee.

PMU Belge organises off course pari mutual betting in Belgium. The racecourses own the organisation. Horserace betting is taxed at a rate of 15% of gross profits (tbc).

Fixed odds betting is taxed at rate of 15% calculated with respect to gross profits.

Casinos are taxed on a progressive scale again with respect to gross win. In respect of tables there is a rate of 33% for each property on gross win of up to €865k per annum with the rate increasing to 44% for any gross win in excess of this level.

In the case of gaming machines and electronic roulette the rate commences at 20% in respect of the gross win per property up to €1.2m per annum. There is then a further six bands with the highest being 50% for all gross win in excess of €12.35m per annum.<sup>5</sup>

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<sup>5</sup> Full details of all of the Belgian casino taxation bands are included within the table in appendix one of this report

## Belgium Gaming Machine Taxation Bands

Gross Win (€m)	Threshold Tax Rate
<€1.2m	20%
€1.2m - €2.45m	25%
€2.45m - €3.7m	30%
€3.7m - €6.15m	35%
€6.15m - €8.65m	40%
€8.65m - €12.35m	45%
>€12.35m	40%

Source: The Belgian Gambling Commission

Gaming machines in arcades are taxed with respect to the same scale as those located in casinos.

Real money bingo is only available at the nine land based casinos and is taxed in the same way as table games.

The Belgian National Lottery is state owned and offers draw, numbers and instant games with funds distributed to charities or development projects. Approximately 2% of the lottery's sales were paid in taxes in 2011 with a further 7% being allocated to good causes.

## Denmark

Gambling in Denmark is overseen by the Danish Gambling Authority (SKAT). The government holds a state monopoly on the majority of land-based gambling with the exception of casinos (six properties) that are offered by a limited number of five star hotels.

Dansk Spil subsidiary DanToto is responsible for horserace and greyhound betting. Taxation is set at 11% of gross win growing to 19% for revenue in excess of DKK16.7m.

Sportsbetting is offered by Danske Spil under the Oddset brand and also via the EliteGaming franchised Café Pitstop establishments, where players can watch sports, play machines and purchase Danske Spil products. Sportsbetting is taxed at 20% of gross win.

Gaming machines are taxed at 41% of gross win. Arcades are subject to an additional 30% gross win tax on revenue over DKK250k per annum (DKK3k per machine up to 50 and DKK1.5k for each additional machine). Restaurants are subject to an additional gross win tax on revenue over DKK30k (see appendix 1 note 8).

Casino gross win is taxed at 45% with an additional 30% tax on revenue in excess of DKK4m (see appendix 1 note 7). The only exception is poker tournaments, which are taxed at 4% of player deposits.

Danske Spil is the license holder for the national lottery and is taxed at 6% on sales. In addition, Det Danske Klasselotteri A/S is license to offer a class lottery, Almindeligt Dansk Vare- og Industrielotteri a goods lottery and Landbrugslotteriet an agricultural lottery.

## France

France land-based gambling is a combination of monopoly, in the case of lottery and horserace betting (Francais de Jeux (FDJ – 71% state owned) and Paris Mutuel Urbain (PMU) are the respective monopolies), and commercial casinos.

The majority of FDJ and PMU revenue goes to the state or is allocated directly to various projects. PMU holds the land-based monopoly to offer horseracing betting in France. There is 10% turnover tax and a further 10% is allocated to horseracing. The pay out rate is approximately 75% with the balance allocated toward the cost of operations.

French casinos are regulated by the Sous Direction des Courses et des Jeux (the 'Subdivision of Races and Games' (SRG)), which in turn is a division of the Ministry of the Interior. Casino taxation is applied under a progressive scale to gross win after the deducting a 25% tax allowance. In addition, in certain cases, an additional allowance of 5% for high quality artistic productions and/or an additional 5% allowance for investments in hotel and thermal spa facilities. (see appendix 1 note 4).

Since the implementation of the Online Gaming Law of 12 May 2010 the basis upon which the tax is calculated for gaming tables has no longer been the same as for gaming machines meanings that casinos now pay a lower tax rate on table game revenue.

In addition to the national tax local authorities take a maximum rate of 15% according to the same tax base. However, the combined total of the state and local authority taxation may exceed 80% of the tax base. Where the combined total would otherwise exceed the 80% threshold, the local authority's share is deducted from the national government's take.

Gaming machines are not permitted outside casinos in France.

The tax rate for FDJ is 1.5% of sales (see appendix 1 note 3).

### French Casino Taxation Bands

Gross Win (€m)	Threshold Tax Rate
<€87k	10%
€87k - €171k	15%
€171k - €507k	25%
€507k - €943.5k	35%
€943.5k - €1.572m	45%
€1.572m - €4.716m	55%
€4.716m - €7.86m	60%
€7.86m - €11.0055m	65%
€11.0055m - €14.1495m	70%
>€14.1495m	80%

Source: Sous Direction des Courses et des Jeux

## Germany

The regulation of gambling in Germany is a mixture of centralised and decentralised legislation with federal, local or a combination of regulation applying dependant on product type.

Lotteries, gaming machines and betting products are regulated across the Lander by either federal regulation or unifying legislation though with regard to the latter there are cases where individual Lander divert from the consensus. Bingo halls are not permitted and there is a state monopoly on lotteries.

Horseraceing and sports betting are regulated under the federal act Rennwett- und Lotteriegesezt (Horseracing and Lotteries Act). This act applies to all 16 Lander setting a taxation level of 5% on turnover. As an example of Lander diverting from the consensus, Schleswig Holstein introduced a concession fee system of 20% on the hold.

Casinos are regulated at a state level either by private companies or a state monopoly. The fees and taxation vary between states up to 90% of gross win in some cases though margin pressure is reduced as employee salaries are largely covered by tips. In Berlin both casinos are part of the state monopoly.

Gaming machines do not fall under gambling law but are regulated by the federal Act Gewerbeordnung (industry code). Tax is set by the Lander at either 16% of turnover or in the case of Berlin an entertainment tax (Vergnügungssteuergesetz), which is 20% of gross win where the machine has a tamperproof system. Where the system is not installed the tax is just over €1.3k per machine per month.

Germany differs from many member states in the EU27 in that each Lander has its own lottery. However, pooling liquidity between states is permitted. Germany is also a member of the Euro Jackpot EU27 lottery, made from a prize pool generated by players in Denmark, Estonia, Germany, Italy, Netherlands, Slovenia and Spain.

Lottery taxation is 20% on sales but small charitable lotteries with sales under €40k are exempt.

## Italy

All gambling in Italy is overseen by the Amministrazione autonoma dei monopoli di Stato (AAMS) with the exception of land-based casino gambling which exists in just four locations due to a loophole, these properties only pay the standard company taxes, there is no additional gambling taxation.

Public licenses are available for horserace and sports betting, gaming machines and bingo halls via a call for bids process.

Betting shops and corners are commercially available in Italy. Betting on horserace and sports is taxed at between 4% and 8% of turnover.

### Italy Comma6 Taxation Agreement

Revenue Levels	Tax Rate Applicable
Revenue as in 2008	12.6%
Up to 15% more than 2008	11.6%
15%-40% more than 2008	10.6%
40%-65% more than 2008	9%
65% more than 2008	8%

Source: Italian Report to Euromat

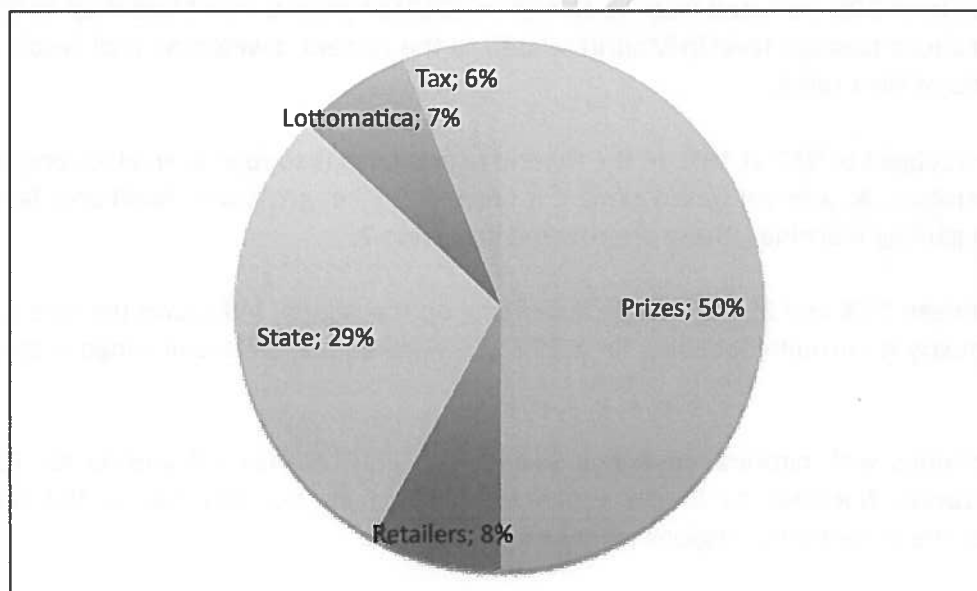
Comma6 gaming machines are taxed at 12.6% on the 2008 level and if revenue increases it is taxed on a scale between 11.6% and 8%. The newer VLT machines are taxed at 4% of turnover the rate will increase to 4.5% in 2013.

Italian bingo halls are taxed at 20% on turnover with an additional 3.8% SOGEI fee (for the administration of the game). A national 58% pay out ratio is imposed.

In the case of the national lottery 50% of the sales of the traditional and instant lotteries and lotto is paid out as prize money. The retailers receive 8% of the sales, with 29% allocated to the state treasury, 7% goes to Lottomatica (as operator) and 6% is paid as gambling tax.

SISAL operates the Supernalotto on behalf of the Consorzio Lotterie Nazionali. The latter receives 12.4% of sales. Prize payout is 38% then of the remaining 49.6% retailers are allocated 8%, gambling tax is 6%, 5% is paid to the operator (SISAL) and AAMS receives a 2% fee.

### Lottomatica Italian Lottery Revenue Allocation



Source: H2 Gambling Capital

## Malta

The Lotteries and Gaming Authority (LGA) oversees the vast majority of the Maltese gambling sector. The only exception is that the Ministry for Justice and Home Affairs and the Malta Racing Club oversee horserace betting. The Maltco Lotteries holds the monopoly license for national lottery games including the operation of horserace and sportsbetting. Bingo and casino licenses are commercially available.

Sports and horserace betting are taxed at 25% of net turnover.

Bingo halls are taxed at 10% of ticket sales and 30% of entrance fees. Gaming machines are subject to either a 20% gross win tax or €400, whichever is larger. The tax is payable on monthly receipts.

Casinos are taxed at 36% of gross win on table games and 40% on gaming machines. However, any gross win generated by approved junkets are taxed at the lower rates of 15% tables and 25% for machines.

Lottery draw games are taxed at 20% of turnover and instant win games at 12.5%.

## Spain

The majority of gambling in Spain is decentralised and overseen by the autonomous regions. Sportsbetting is currently only permitted in Basque and Madrid and though regulated separately is taxed at 10% on gross win in both regions. Horseracing bets in Madrid are taxed at 10% of gross win. Random combination bets are taxed at 13% and “sleepers” 1.5%.

Casino taxation varies from 10% (reduced from up to 45% in 2012) of gross win in Madrid up to 60% in other regions. The reduced taxation level in Madrid related to the current development of resort style casino on the outskirts of the capital.

Gaming machines are subject to VAT at 18%. In the Madrid region Cirsa is supplying an electronic video game (Wingo) to operators. As a server based game it is taxed at 25% of gross win. Additional fees are payable quarterly on gaming machines, these are covered in section 2.

Bingo is taxed at between 15% and 25% of stakes depending on the region. In Madrid the rate is 15% of stakes but the industry is currently lobbying for a 25% gross profits tax. Electronic bingo is taxed at 30%.

The two national lotteries with national coverage, Sociedad Estatal Loterías y Apuestas del Estado (SELAE) and Organización Nacional de Ciegos Españoles (ONCE.) do not pay tax to the federal government rather to the autonomous regions where the level varies.

## United Kingdom

All gambling in the United Kingdom is overseen by the United Kingdom Gambling Commissions with the exception of the National Lottery, which is regulated by the National Lottery Commission.

### United Kingdom Gaming Duty Rates From 23 March 2012

Lower Threshold (Gross Win)	Upper Threshold (Gross Win)	Gaming Duty as a Percentage of Gross Win
£0	£2.175m	15%
£2.175m	£3.675m	20%
£3.675m	£6.300m	30%
£6.300m	£11.843	40%
£11.843	n/a	50%

Source: HMRC

Horserace betting and sportsbetting are both taxed at rate of 15% of gross winnings<sup>6</sup>. Bingo halls are taxed at 20%.

Casinos are taxed with reference to a progressive Gaming Duty that is levied on gross win with a scale from 15% to 50%. It should be noted that the threshold for each band is reviewed in the government budget in March each year and are generally lifted in line with inflation.

Gaming machines are currently subject to an Amusement Machine License Duty (AMLD) which is payable per device annually. The rate currently ranges from £935 to £6,295 per device per annum. It should be noted that the rates are reviewed in the government's budget each March and tend to be increased by inflation. Gaming machine gross win is also subject to VAT at a rate of 20%.

It should be noted that a review of the taxation of gaming machines is currently in progress and it is likely that going forward a gaming machine duty calculated with respect to gross win will be introduced for most of the gaming machine categories.

### United Kingdom Amusement Machine Licence Duty Rates From 23 March 2012

Gaming Machine Category	AMLD Payable per Device per Annum
Category A	£6,295
Category B1	£3,150
Category B2	£2,480
Category B3	£2,480
Category B4	£2,250
Category C	£935
Category D	n/a

Source: HMRC

NB. A full list of all the current definitions of gaming machines in the United Kingdom is contained in Appendix 1

<sup>6</sup> Gross win is defined as stakes less prizes but including bonuses



Camelot operates the National Lottery under a monopoly license. Sales are subject to a lottery duty at 12%.

Society and syndicate lotteries are permitted which fall under the remit of the commission, these have become increasingly popular with the Health Lottery now available nationally.

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## Section 2 – License Fees and Other Statutory Levies in Addition to Gambling Taxation

This section outlines the national regulatory and licensing fees as well as any other statutory levies and charitable contributions applicable to each of the gambling activities (i.e. horserace betting, sportsbetting, casino, bingo, gaming machines and lotteries). Details are provided regarding the fee or rate for each product vertical.

In countries where the taxing authority is delegated to the sub-national level the rules applicable in the capital city have been provided.

### Belgium

#### Belgium Warranty and License Fees

License type	Warranty Payment	Annual License fee	Commercial Warranty
A (casino)	€250k	€19k	-
B (arcades)	€75k	€9.5k	-
F1 (sportsbetting)	€10k	€10.9k	€500 - €50k
F2 (F1 + retail)	Requires F1 license	€3.26k (fixed / €1.6k (mobile	€5k
E (supply/retail)	€25k / €12.5k per 50 games	€3.17/ €1.6k per 50 games	-

Source: Commercial License Holders

In Belgium commercial gambling operators are subject to an annual license fees across all gambling categories along with two warranties. The first must be fulfilled after the grant of the licensee, which is then returned when the license expires, if the licensee has met all of its obligations. The second is a commercial warrantee to be paid after the grant of a license.

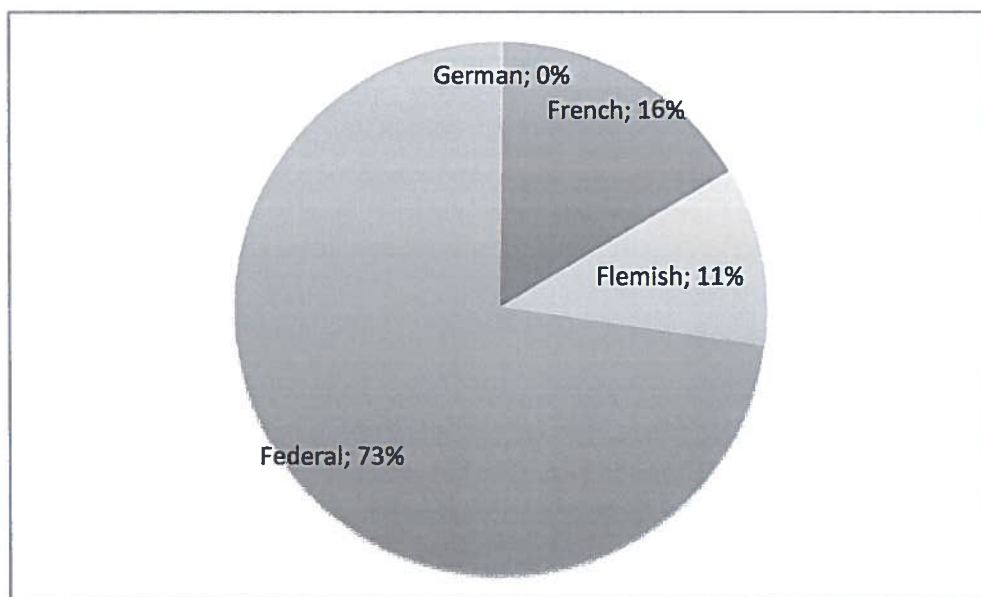
The A Category (casino) annual license fee is currently €19,035 with an initial warrantee fee of an additional €250k.

A category B (Arcades) license is currently €9,517 per facility with an initial warrantee of an additional €75k.

A F1 (betting operator) annual license fee is €10,862 and the F2 (betting premises) is €3,258 for a fixed position or €1,629 for a mobile position. The former is also subject to a warrantee guarantee fee of €10k and a commercial warrantee fee of between €500 and €50k. The latter is also subject to a commercial warrantee fee of €5k. There are additional agreements with the organiser of horseracing but these are on a case-by-case basis.

Under the Law of 16 January 1989 27.44% of the Belgium lottery subsidies fund is distributed to the three communities German (1%), French (40%), Flemish (59%). Grants are then allocated to matters related to the community including scientific research, birth and childhood, nursing homes, people with disabilities, education, tourism and environment.

### Belgium National Lottery Distribution of Subsidies



Source: Belgian National Lottery

The remaining 72.56% is allocated to the federal budget covering matters such as specific provisions under federal law, poverty and sustainability, social integration, renovation, events, national prestige and new projects.

### Denmark

In addition to gambling taxation, applications for commercial horserace betting, sportsbetting, and casino are subject to a license applications fee of DKK250k. Poker tournaments applications are subject to a of DKK1k per location.

In addition gaming machines are subject to an annual fee of DKK600 per device.

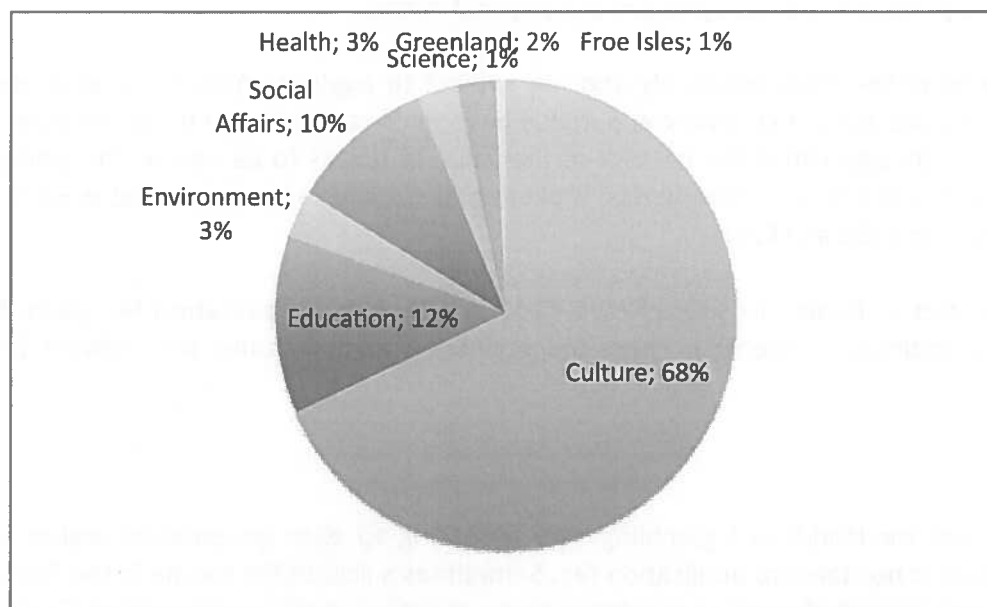
The Ministry of Taxation issues Danske Spils license and the Gambling Authority regulates the company.

Danske Spil is 80% owned by the state with 10% owned by the Sports Confederation of Denmark and the remaining 10% owned by the Danish Gymnastics and Sports Associations.

In 2011 the profit of DKK1.576bn was distributed across seven ministries and two colonies in accordance with the following percentages: culture (68%), education (12%), environment (3%), social affairs (10%), health and interior (3%), science, technology and innovation (1%) and finance (0%) as well as Greenland (2%) and Faroe Isles (1%).

Since January 2012 and the introduction of interactive gaming only lottery funds have been allocated according to the above.

## Danske Spil Allocation to Good Causes



Source: Dansk Spil

## France

PMU pays 10% of its horserace betting turnover back to the horseracing sector.

In casinos there is General Social Contribution (GSC) levy on gaming machine gross win. In January 2005 the rate of CSG was increased to 9.5%. This rate is applied to 68% of the total gross win generated by gaming machines in French casinos.

FDJ's surplus is distributed between good causes. In 2011 €679m of its €11.445bn turnover (5.9%).

## Germany

Lotteries are state owned organisations as are the majority of casinos. Therefore, much of the surplus generated by both sectors is put back in the local communities.

Specifically the two casinos in Berlin (Spielbanken) are part of the state monopoly and therefore not subject to application or annual license fees.

Commercial bingo halls are not permitted and there are no fees associated with them. However private companies can offer free bingo games as long as there is no cost associated with the game including the entrance fee or requirement to purchase drinks.

Horserace betting in Berlin is permitted for licensed bookmakers who must pay an additional application fee of €340 (code 2249 "Verwaltungsgebührenordnung - VGebO"). A security deposit must also be paid but the information is not available for Berlin, as a comparison Schleswig-Holstein is €10k and Mecklenburg-Western is €25k.

Commercial bookmakers in Berlin must pay an additional license fee of 0.1% of gaming capital (the total of predicted bets placed) as well as up to €2k per physical outlet.

State lotteries are part of the state monopoly and not subject to application/license fees in Berlin. Lotteries with low risk potential (no commercial purpose beyond the advertising effect) are permitted in Berlin and subject to an application fee of 0.1% of the value of tickets to be sold or the estimated amount when the value is not known. Commercial brokering of state lottery is permitted in Berlin the application fee is between €200 and €2k.

Gaming machine arcades in Berlin are subject to a €200 to €2k license application fee (code 8114 "Verwaltungsgebührenordnung - VGebO"). There are additional administrative fees related to the premises.

## Italy

Application license fees for land-based gambling vary according to each government invitation to tender. Therefore there is no standard application fee. Sometimes a license fee can be in the form of a pre-paid or guaranteed amount of taxation in relation to the duration of the license period. The Italian government does not impose annual license fees for most products.

Comma6 machines are not subject to annual license fees. However VLT machines are subject to a one off fee of €15k per device which is paid by the network providers.

In respect of lottery all of the money paid to the state is done so in the form of taxation as outlined in section 1.

## Malta

In addition to taxation on land-based gambling in Malta an application fee of €1,165 is payable for a bingo hall license and a further annual license fee of €27,952 for a class I bingo hall or a six monthly fee of €16,306 for a class II bingo hall.

A license application fee to offer gaming machine is €1k followed by an annual license fee of €80 per machine and €1k per premises.

Casinos are required to pay an annual license fee of €75k, poker games are covered by this fee.

The lottery is subject to an annual license fee of €150k and a further €50k fee payable to the responsible gaming fund. Horseracing falls under the lottery license fee as does sportsbetting.

## Spain

There are a number of fees in Madrid associated with gambling, the fees applicable are small charges intended to cover the cost of administration they are not large enough to generate revenue for the region, with the exception of the quarterly fee on gaming machines.

Business fees are applicable for each type of gambling establishment. Registration of a gambling business is €298.94 with a renewal or modification fee of €90.76.

Applications to operate a gaming machines cost €17.11 and the renewal is the same price. There are additional fees for the authorisation of various aspects of the machine including site communication diligence (€25.69) and the authorisation of machine interconnects (€128.40). In addition there are quarterly fees payable on each gaming machine.

Category B machines are subject to a quarterly fee of €900 or €1,800 for 2 or 3 player machines, for 3 or more players there is an addition fee of €480 for each player. Category C machines are subject to a quarterly fee of €1,350 and category D €125.

The fee for a permit to conduct raffles is €198.09.

There is a €3.22 fee per square meter for the authorisation of practicing gambling activities. An authorisation renewal to practise local gambling is €198.9. A prior consultation fee of €77.64 is also payable before feasibility is assessed. The fee for technical inspections of gaming equipment is €84.39.

## United Kingdom

The United Kingdom has a fairly complicated set of fees related to gambling products that tend to follow tiered structure based on number of location or revenue. In addition to taxation a standard betting license, which also covers horseraces, is subject to an application fee of between £977 and £40,032 and an annual license fee of between £1,531 above £304,960 (see appendix 2 note 4).

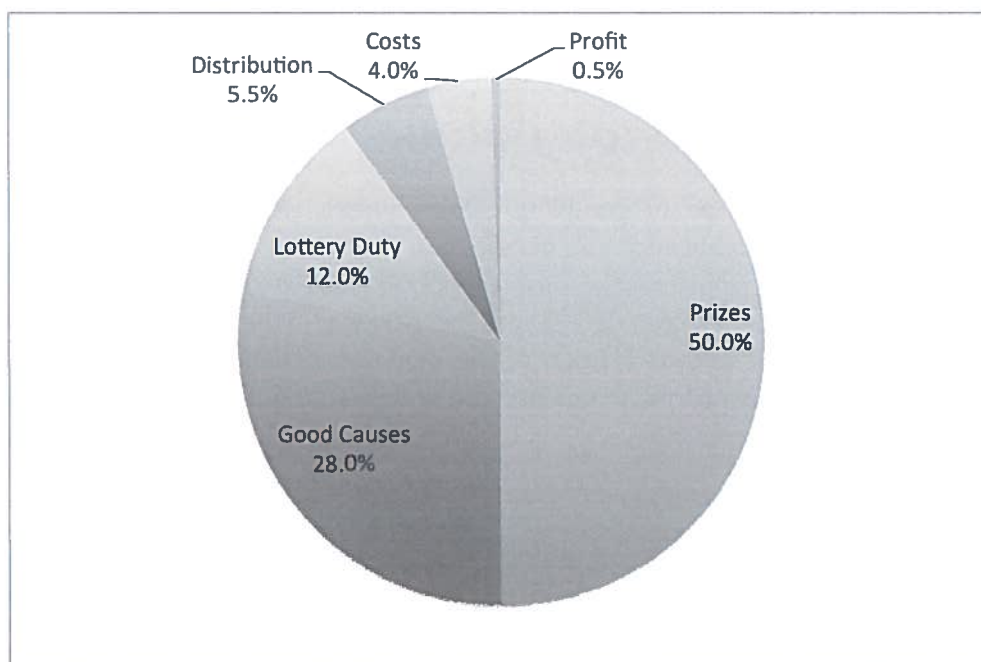
Casino licenses under the Gaming Act 1968 are no longer available. Under the Gambling Act 2005 casino license application fees are £28,641 for a small casino and £37,591 for a large casino. The annual license fee for a small casino is currently £51,877 with the rate being £108,132 for a large casino.

In the United Kingdom gaming machines are subject to a license application fee of £977 up to £16,274 and an annual license fee of £1,020 or higher (see note 2).

Bingo halls are subject to an application fee of between £977 and £20,504 with an annual fee of between £1,531 and £95,840 (appendix 2 see note 5).

Society lotteries are required to pay an application fee of between £163 and £2,527 and an annual license fee of between £384 and £15,813 (appendix 2 see note 6). All fees are payable to the gambling commission who use the fund for enforcement, oversight and research purposes.

### United Kingdom National Lottery Distribution of Sales



Source: National Lottery Commission

In addition, to the fees set out above there is a statutory Horserace Betting Levy which is payable by bookmakers on all of their British horserace business. Each year prior to midnight on 31 October the bookmaking industry to submit and have a levy scheme agreed under the 1963 Betting, Gaming and Lotteries Act by the Horserace Betting Levy Board (HBLB)<sup>7</sup>. The scheme is then implemented for from the following 1 April.

In the event that agreement cannot be reached by 31 October, the matter referred to the Secretary of State for Culture, Media and Sport for determination, and his or her decision is imposed.

The levy rate is currently set at 10% of gross win. During the 2011/12 year the fiftieth levy scheme yielded £67.7m. In addition, there was an additional £7.2m in voluntary contributions and other income reported by the HBLB. The later is mainly made up of Betfair's contribution following the transfer of its business to Gibraltar.

The National Lottery pays 28% of its sales over to six 'good causes', health, sports, the arts, heritage, voluntary environment and educational services. Twelve lottery distributors currently determine the allocation of the funding<sup>8</sup>. A thirteenth, the Olympic Lottery Distributor, was in operation until the 2012 games.

<sup>7</sup> The Horserace Betting Levy Board includes representatives from the bookmaking sector and racing as well as independent government appointed members.

<sup>8</sup> The United Kingdom's lottery funding distributors are currently; Arts Council England, Arts Council of Wales, Arts Council of Northern Ireland, British Film Institute, Big Lottery Fund, Creative Scotland, Heritage Lottery Fund, Sport England, Sport Northern Ireland, Sport Wales, SportScotland and UK Sport.



There are no additional national lottery license fees. The license is currently awarded for a term of ten years<sup>9</sup> on the basis of a submission that includes a business plan based around the statutory distribution of sales which was first established under the National Lottery Act 1993.

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<sup>9</sup> The first two lottery licenses were awarded for a period of seven years November 1994 to January 2002 and January 2002 to February 2009. The third license was initially to run for a period of ten years but has been extended by four years and so now run until 2023.

### Section 3 – Participant Gambling Taxation

What are the taxes on the participants of gambling activities i.e. on their winnings? Are these taxes different from those applicable to normal income? Please provide a brief description of the special rules, if any, applicable to the participants on their gambling activities i.e. on their winnings.

It should be noted that the participant based taxation of gambling is fairly rare across the EU27. In general gambling winnings are not subject to any taxation including standard income taxation. Of the group of in eight members states included within this benchmark study just Denmark and Spain have a system of taxing gambling participants. Amongst the other major EU27 member states only Greece and the Netherlands currently have gambling participant taxation in place.

#### Denmark

Danske Spil and Landbrugslotteriet are subject to a 15% player withholding tax on prizes over DKK200. The class lotteries are subject to a player withholding tax of DKK 17.5% on prizes over DKK200.

Player taxes are imposed on players playing on pokers sites located outside Denmark, EEA or EU. This is more a deterrent from playing on those sites than an attempt to tax the industry.

#### Germany

In Germany income tax is not payable on winnings from games of chance. However, a Cologne financial court ruled in 2012 in the case of Eduard Scharf, a professional poker player, that he had to pay income tax on his winnings as it was classed as commercial income linked to personal skill.

#### Spain

Spain is the only member state to have already introduced a specific tax on interactive player winnings. This is currently set at 10% but only applies to net winnings. The 10% tax on net winnings is considered as separate from any other income tax allowances.

Under the player winnings tax net losses of operators accounts for somewhere in the region of 30-35% of deposits. Net winnings of players account for a further c.30%, the remainder either stays on the networks as player funds or is withdraw as an amount less than or equal the original deposits. Effectively about two thirds of the deposits are taxed. The headline impact of a player tax is not a burden on the operator, however, it impacts the value to the player and so the economics of the sector.

## Section 4 – Interactive Gambling Taxation and License Fees

This final section outlines whether in the product verticals where interactive gambling has been regulated whether there is a different rate of taxation and / or license fee payable. Where this is the case the differences between the land based and interactive taxes have been outlined.

### Belgium

Interactive taxation in Belgium varies from land-based taxes and is less restrictive across all products with the exception of horserace betting. However, interactive licenses are only available to operators who have a land-based license and pay the higher tax rates on this activity.

Interactive sportsbetting, casino, poker and bingo are all taxed at 11% of gross win. Land-based horserace and sports betting are taxed 15% of gross win, with the latter being just 4% higher for land-based.

The land-based taxation scale for casino tables and bingo is significantly higher than interactive at a minimum of 33% on gross win rising to 44% versus an 11% gross win tax for interactive.

Gaming machines outside casinos are taxed at a minimum of 20% of gross win up to 50%, making the interactive equivalent considerably lower at 11%.

In the case of lottery the national lottery had its monopoly extended to the interactive platform.

Interactive annual license fees are the same as the land-based equivalent for all products, casino (A+), slots (B+), and sportsbetting (F1+). The latter has an additional warrantee guarantee of €65k, making the total for an interactive license of €75k.

### Denmark

The rates of interactive taxation differ from the land-based equivalent for commercial products except in the case of sports betting which is the same rate. Danske Spil retains its monopoly for bingo and horserace betting. Away from these two verticals all interactive betting and gaming in the dot dk market is subject to a 20% gross win tax.

Horserace betting taxation is lower in the case of land-based activities at 11% of gross win growing to 19% for revenue over DKK16.7m.

Land-based casino taxation is significantly higher than the Interactive equivalent at between 40% and 75% of gross win versus 20%.

Initially the launch of the Danish interactive market was delayed due to a challenge on the proposed tax rate by the Danish Gaming Association (DAB), stating the lower rate for interactive tax amounted to state aid.

The EC ruled in favour of the 20% rate because the positive effects of the liberalisation of the sector outweighed potential distortion of competition if the land-based tax had been implemented.

Gaming machines taxation is also much higher for land-based restaurants and arcades with both paying an initial rate of 41% of gross win with an additional 30% over a certain threshold (see appendix 1).

Application fees in Denmark are the same for interactive and land-based equivalent products. There is an option to apply for a limited revenue interactive license, in this case the fee is doubled to DKK500k.

## France

Taxation for interactive gambling in France differs from the land-based equivalent across all products verticals with the exception of lottery and bingo where in both cases FDJ's monopoly has been extended to the interactive channel. In both case taxation and licensing arrangements are in line with the overall taxation of FDJ's land based operations.

Land-based horserace betting is taxed at 10% on handle and an additional 10% to horseracing making the effective rate 20% of handle. The interactive equivalent is 14.4% of handle, which includes 9.8% that allocated to horseracing.

Interactive sportsbetting is taxed at 8.5% of turnover. It includes a 1% levy that is paid to sport.

Interactive casino is not permitted in France but poker is allowed and is taxed at 2% on the value of pots and is capped at €1. The land-based equivalent would be the general casino taxation rate is between 10% and 80% of adjusted gross win.

Application and annual license fees differ from interactive. The latter application fees range from €2.5k to €10k with annual fees ranging from €10k to €40k depending on the number of products licensed (see appendix 3 note 4).

## Germany

Taxation in Germany varies across all products from land-based taxation with the exception of sports and horserace betting with the former taxed at 5% on turnover for both the land-based and interactive equivalent. Interactive gambling is only permitted for sports betting, live casino games and the lottery monopolies outside of Schleswig Holstein.

In Schleswig Holstein the taxation is set at 20% of gross win across the board including in land-based betting shops. This is significantly lower than the rate of 5% of handle on sportsbetting in the other 15 Lander, and the application of the land based casino rate for live casino games.

However, in terms of market significance Schleswig Holstein population accounts for just c. 3% of the total German population. Furthermore, the new coalition government is seeking to join the other 15 Lander under the 2012 State Treaty. However, they may encounter some difficulties as a number of interactive license have already been awarded in the sector.

On 24 January 2013 Schleswig-Holstein voted to cancel the law on interactive gambling as such there are no longer any license application fees. Prior to this the casino fee was between €2k and €12k and the sportsbetting fee was between €2.5k and €15k. These vary significantly from the land-based fees in Berlin, which range depending on product (see section 2).

An annual fee is payable for Interactive licenses in the other 15 Lander (Interstate Treaty), this is based on operator turnover. Up to €30m turnover is 0.1%, from €30m to €50m is 0.8%, from €50 to €100m is 0.05% and over €100m is €71k plus 0.03%. The annual fee is discounted by 10% for subsequent years. In addition half of this fee is payable for issuing the licence based on business forecasts. There is also an additional ordinance fee of €500 to €500k.

Inline with what is outlined for commercial bookmakers in section 2 above in Berlin they are required pay an additional license fee of 0.1% of gaming capital (the total of predicted bets placed / lottery tickets).

## Italy

Interactive taxation in Italy varies from the land-based equivalent across all gaming products. Taxation of sportsbetting and horserace betting are similar for both for land-based and interactive though the actual interactive levels tend to be slightly lower as rates vary according to bet type. Land-based sportsbetting is taxed at between 2% and 8% of turnover where as the equivalent interactive range is 2% to 5%.

Interactive bingo is taxed at 11% of turnover with additional 1% fee going to SOGEI for the operation of the game. The land-based taxation rate for the game is 20% of turnover and a 3.8% SOGEI fee.

Land-based gaming machines are taxed at either 20% of gross win for interactive versus a turnover tax of 4.5% (2013) on VLTs and 12.6% (pre 2008 levels then tiered system) for Comma6 devices followed by a tiered system (see appendix 1).

Due to a loophole in the law land-based casinos are only subject to Italian business taxes where as the interactive equivalent are subject to taxation of 20% on gross win and tournament games at 3% of the buy in.

There are no annual license fees for either land-based or interactive products. Application fees vary from interactive which are fixed (see appendix 3) where as land-based application fees vary depending on the government bid process.

## Malta

Interactive taxation in Malta varies from the land-based equivalent across all products. Furthermore the vast majority of operators do not target local residents as a higher rate of corporation tax is applicable on this business and most have decided it is not worth the additional administration cost.

Malta has set a low interactive tax rate to attract interactive, targeting offshore players, to the island. The same is not the case for land-based products that by definition are only available to residents and tourists.

Land-based sports betting available via the lottery is taxed at 25% of turnover versus the interactive equivalent of €7k per month.

Land-based casinos are taxed at 36% of table games gross win and 40% of machine gross win. The interactive equivalent is €7k per month and 5% of real income minus operation costs up to €466k for poker.

Land-based gaming machines are taxed at 20% of gross win with a minimum of €400 per month compared to a fee of €7k per month for the interactive product.

Bingo halls are taxed at 10% on ticket sales and 30% of entrance fees whereas the interactive product is subject to the flat fee of €7k per month.

Application fees and annual license fees also vary. Interactive fees are the same across all major products at €2,330 for an application plus a five year term fee of €8.5k and a €1.5k license renewal fee.

In contrast the fees vary for the land-based equivalent products from €80 per machine with a €1k application fee to €75k per annum for casino and up to €32k per annum for bingo (see appendix 2 for further details).

## Spain

Interactive gambling in Spain is taxed at 25% of gross win at the federal level plus an administration fee of 0.1% on the gross operating income per annum (lotteries are exempt from the taxes). Additional taxes are applicable at the regional level but may not be higher than 20% of gross win, in the case of Madrid this is set at 10%.

Land-based taxation varies by region but is typically higher than this; with the exception of casino in Madrid that announced a 10% gross win tax reduced from 45% in 2012.

Sportsbetting is only available in Madrid and Basque where taxation is 10% of gross win this is lower than the equivalent interactive tax levels of an effective 30% on gross win.

Gaming machines are subject to VAT at 18% compared to the interactive taxation on slots of c. 30%.

Bingo in Madrid is taxed at 15% of turnover and up to 25% in other regions. This is significantly higher than the interactive bingo tax rate at c. 30% of gross win. Operators are currently lobbying the government to reduce the bingo hall tax rate to 25% on gross win.

The lotteries retain their monopoly on the interactive channel and so taxation / payments to good causes are the same across both channels.

Interactive additional fees vary from the land-based equivalent and are set regionally. In Madrid a guarantee of €200k is payable at registration. In addition a €12m bank guarantee is payable but can be split as €6m bank and €10m insurance. Both interactive and land-based business in Madrid are subject to the standard business fee of €289.95 for a license application.

## United Kingdom

All interactive commercial gambling in the United Kingdom is taxed at 15% of gross profits. However, under the Gambling Act 2005 any operator that is either established within the EU27 or in any additional jurisdiction included on the 'white list' they are freely allowed to market and operate in the United Kingdom. Consequently, all but a few betting sites are located outside of the United Kingdom and as such to date have not paid any gambling taxation in the nation.

The United Kingdom has released a draft law that will introduce a 'point of consumption' interactive gambling tax that would be payable by offshore operators on all interactive gambling gross win taken from United Kingdom residents. The exact rate of the tax is yet to be set but operators have been making a case for a rate lower than the current 15% rate for operators licensed in the United Kingdom.

The betting (horse and sport) and lottery product verticals in the United Kingdom have the same tax rate for their interactive activity, as is the case for land-based operations. In the case of betting this is 15% of gross win with the rate for the national lottery being 12% of sales.

Interactive gaming is taxed with respect to a flat gross win tax of 15%. This is the same rate as the lowest tax band payable by land based casinos. The land based bingo rate is higher at 20% of gross win whilst land-based gaming machine taxation is effectively higher with a combination of licensee fee and VAT to pay at the moment, though going forward gross profits taxation at a slightly higher rate than the current interactive operator rate of 15% is expected to be implemented.

Application and annual license fees in the United Kingdom are fairly complex with tiered systems for a large number of licenses. The interactive fees do vary from land-based, however, they tend to follow a similar category and tier approach.



## Appendices

Final 25-03-13

## Appendix 1 – Land-based Gambling Taxation

Member State	Horserace Betting	Sportsbetting	Casino	Non-Casino Gaming Machines	Bingo	Lotteries
Belgium	15% gross win	15% on Gross Win	Gross Win Tax Tables <€865k – 33% >€865k – 44% Machines (inc elec roulette) <€1.2m 20% €1.2m-€2.45m 25% €2.45m-€3.7m 30% €3.7m-€6.15m 35% €6.15m-€8.65m 40% €8.65-€12.35m 45% >€12.35 50%	As casino machines	As casino tables	The profits of the Belgium National Lottery are distributed to charities or development projects
Denmark	11% GGR for pool betting – 19% on revenue in excess of DDK16.7m [6]	20% gross win	40% to 75% gross win[7]	41% gross win + additional [8]	Falls the under lottery monopoly	6% turnover tax and 15% gross win on prizes exceeding DKK200
France	10% turnover tax and 10% to horseracing [5]	Same as lottery	<€87k 10% €87k - €171k 15% €171k - €507k 25% €507k - €943.5k 35% €943.5k - €1.572m 45% €1.572m - €4.716m 55% €4.716m - €7.86m 60% €7.86m - €11.0055m 65% €11.0055m - €14.1495m 70% >€14.1495m 80% - gross win [4]	N/A	N/A – interactive only	1.5% turnover tax and 3% to sports development fund. Remainder to Government, Employees and shops [3]
Germany	5% turnover [10]	5% turnover [10]	Subject to state regulation. Mostly tax and levy system applied which varies with revenues which can go as high as 90% of gross win [2]	Berlin entertainment tax of 20% on gross win or €1.3k per month if the machine does not have a tamperproof system	Commercial bingo is not permitted except as a subset of lottery games.	20% of sales (small charitable lotteries with sales under €40k are exempt from tax)
Italy	2-8% turnover	2-8% turnover	0% - only standard business taxes are applicable.	Comma6 = 12.6% on turnover of 2008 level and if turnover rises a lesser percentage applied to the difference (11.6% to 8%). Currently around 13.4% VLT 4% turnover in 2012 increasing to 4.5% in 2013	20% turnover tax along with 3.8% Sogei fee and a 58% payback ratio	6% of sales [1]
Malta	Falls under lottery	25% net turnover via lottery	Table games 36% gross win, machines are 40% [9]	20% gross monthly revenue with a minimum amount of €400	10% on ticket sales and 30% on entrance fees	20% turnover draw, 12.5% instant win (excluding quick keno), Other games 25% of net turnover
Spain	Same as sportsbetting	10% gross win for Basque and Madrid. Random combinations are 13% and *sleepers 1.5%.	Up to 60% depending on region with 55% being the common highest but much lower rates in some cases  Madrid reduced to 10% of gross win from 45% in 2012	B2/B3 18% VAT	15-25% on Sales depending on region. Madrid 15%.	LAE and ONCE are exempt from gaming tax levied at a federal level but pay tax to autonomous regions which have their own tax policies Catalunya is subject to rules for its own autonomous regions

Source: H2 Gambling Capital, National Gambling Regulators / Monopolies

## Appendix 1 – Land-based Gambling Taxation con...

Member State	Horse Race Betting	Sportsbetting	Casino	Non-Casino Gaming Machines	Bingo	Lotteries
United Kingdom	15% on Gross Win	15% on Gross Win	Gaming Duty based on Gross Win: First £2.175m 15% Next £1.500 20% Next £2.626m, 30% Next £5.542 40% Remainder 50%	Annual Amusement Machine License Duty per Device [11] Category A £6,295 Category B1 £3,150 Category B2 £2,480 Category B3/A £2,480 Category B4 £2,250 Category C £935 Category D n/a	20% on Gross Win	12% on Sales

Source: H2 Gambling Capital, National Gambling Regulators / Monopolies

NB: Poker is taxed at the same rate as casino in all member states included within this study

[1] 50% of the sales of the traditional and instant lotteries and the lotto is paid out as prize money. The retailers receive 8% of the sales. With the remaining amounts, 29% goes to the state treasury, 7% goes to Lottomatica (as operator) and 6% is paid as gambling tax. The Consorzio Lotterie Nazionali receives 12.4% of the sale of the lotteries and the AAMS receives a 2% fee. In the case of Supernalotto, prize payout is 38% of the gross revenue; the retailers get 8%, 6% in the gambling tax and 5% is paid to the operator (SISAL).

[2] Casino tax pressure is reduced in Germany as many employee wages are paid from tips.

[3] FDJ, owned 72% by the government and the rest owned by lottery agents and FDJ employees. The government sets contribution it returns to the state. Also FDJ pays a stamp duty of 1.5% of the handle and a further 3% to the National Sports Development Fund.

[4] State deduction is on gross proceeds. First state deduction is 0.5% on traditional games and 2% on gaming machines to the municipal authorities on gross win. Before the second deduction, casinos have the right for an allowance, meaning a portion of their revenues will be exempt from further taxation.

The first allowance is automatically given to every casino and it is 25% of gross win. The second allowance is up to a further 10%, but is only given to casinos that are hosting artistic events in their premises and/or investing in their hotels and spa facilities. After allowances have been deducted, tax is paid on the rest of the sum. The tax scale is progressive and ranges from 10% for revenues up to €58k all the way to 80% for revenues over €9.4m.

[5] 50% of GGY for sports betting PMU is taxed in a similar way to FDJ, with c. 30% of total turnover going to state budget as well as other funds.

[6] local pool betting 11% turnover tax with a deduction of DKK20k per held race day, with a maximum deduction of 24 days per calendar year.

[7] Holders of a license to offer games in land-based casinos must pay a tax of 45% of gross win less the value of the tokens in the cash box. There is also a further tax of 30% on the portion of gross win less the value of tokens in the cash box in excess of DKK4m. For tournaments the tax is set at a minimum of 4% of total deposits.

[8] In addition to the 41% machines in restaurants must pay 30% on revenue over DKK30k, Arcades must pay 30% on revenue over DKK250k (DKK3k per machine up to 50 and DKK1.5k for additional machines). The tax is calculated on an individual bases for each restaurant or arcade. Discounts are available for charitable causes.

[9] Takings generated by approved junkets are taxed at 15% gross win for tables and 25% for machines.

[10] Schleswig Holstein imposes a concession fee of 20% of the hold.

[11] Classification of gaming machines in the United Kingdom is as follows:

*Category A:* A gaming machine that does not fall into any other category;

*Category B1:* A gaming machine in respect of which the amount required to play the game once does not exceed £2, and the value of prize that may be won in any one game does not exceed £4k in money or as a non-monetary prize;

*Category B2:* A gaming machine in respect of which the amount required to play the game once does not exceed £100, and the value of the prize that may be won in any one game does not exceed £500 in money or as a non-monetary prize;

*Category B3:* A gaming machine in respect of which the amount required to play the game once does not exceed £2, and the value of the prize that may be won in any one game does not exceed £500 in money or as a non-monetary prize;

*Category B3A:* A gaming machine in respect of which the amount required to play the game once does not exceed £1, and the value of the prize that may be won in any one game does not exceed £500 in money or as a non-monetary prize;

*Category B4:* A gaming machine of which the amount required to play the game once does not exceed £1, and the value of the prize that may be won in any one game does not exceed £250 in money or as a non-monetary prize;

*Category C:* A gaming machine in respect of which the amount required to play the game once does not exceed £1, and the value of the prize that may be won in any one game does not exceed £70 in money or as a non-monetary prize; and a Gaming machine in respect of which the amount required to play the game once does not exceed 5p.

*Category D:* Either a gaming machine required to play the game once does not exceed £1, and the value of the prize won in any one game does not exceed £50 as a non-monetary prize or a gaming machine required to play the game once does not exceed 10p, and the value of the prize won in any one game does not exceed £5 in money.

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## Appendix 2 – License Fees / Payments to Good Causes in Addition to Gambling Taxation

Member State	Horserace Betting	Sportsbetting	Casino	Bingo	Gaming Machines	Lotteries
Belgium	As sportsbetting – contracts with the horseracing organiser on a case by case basis	F1 (license holder) annual license fee is €10,k, F2 (land-based retail) is €3,258 for fixed and €1,629 for mobile.	€19,035 per annum, plus €250k guarantee returned if all obligations have been met	Fall under casino	€9,517 per annum plus an initial guarantee of €€75,000 which is refundable	Profits are distributed to charities or development projects
Denmark	Dansk Spill (Dan Toto) monopoly with surplus to horseracing	DKK250k license application fee [1]	DKK250k license application fee Poker DKK1k per application per location	Falls under the state lottery	DKK600 per machine per year,	Only state lottery and charity organisations.
France	Monopoly Limited to PMU - funds allocated as in section 1	Falls under FDJ monopoly	General Social Contribution (GSC) of 9.5% levied 68% on gaming machine gross win.	N/A	N/A	State lottery monopoly. Profits distrusted as in section1 [9]
Germany	Application fee €340 per bookmaker [8]	License fee of 0.1% of gaming capital (the total of predicted bets placed) / up to €2k per physical outlet.	Berlin state monopoly.	Only as a subtype of lottery and falls under the state monopoly. Halls are not permitted.	Application fee between €200 and €2k.	State monopolies
Italy	Government bid, which varies. No annual license fees	Government bid, which varies. No annual license fees	Government bid, which varies. No annual license fees	Government bid, which varies. No annual license fees	Government bid, which varies. No annual license fees	State lottery revenue distributed as in section 1
Malta	Falls under lottery	Falls under lottery	€75k annual license fee	Application fee €1,164.96. Annual license fee class 1 hall €27,952.48, class 2 – 6 monthly fee €16,305.61	On off €1k application fee and €80 per machine. €1k annual premises license fee	€150k annual license, €50k annual responsible gaming fund fee
Spain	€298.94 + additional [10]	€298.94 + additional [10]	(298.94 + additional [10])	€298.94 + additional [10]	B machines are €900 per quarter, C, €1,350 and D, €125 + additional [7]	State lottery revenue distributed as in section 1
United Kingdom [3]	Same as sports	Standard application fee £977 - £40,032, Standard annual fee £1531-£304,960+ [4]	2005 Act application fees small casino £28,641, large casino £37,591, Annual fee small £51,877, large £108,132	Application fee £977-£20,504. Annual fee £1,531-£95,840 [5]	Application £977-£16,274, Annual license £1,020+ [2]	Application £163-£2,527, Annual fee £384 - £15,813 [6]

Source: H2 Gambling Capital, National Gambling Regulators / Monopolies

[1] Application fees for both interactive casino and betting license together are DKK350k.

[2] Arcade license application fees are based on the number of shop and categorised as either adult gaming centres (AGC) or family entertainment centres (FEC). The former is £977 up to 4 premises then a tiered system up to £16,274 for 400 or more. The latter is £977 for 4 premises up to £16,274 for 100 – 199.

Annual fees for AGC are £1,5232 for 4 premises up to £53,236 for 399, over 399 there is an additional fee of £5,000 per block of 100. Annual fees for FECs start at £1,020 for up to 4 premises to £43,921 for up to 199. A discount of 25% applies for the first year unless the operator is applying for a remote or linked license. A combination of licenses received additional discounts.

[3] Personal management licenses are required at a cost of £370 for a duration of 5 years at which point a further fee may be levied. Premises license fees are payable to the local authority and vary by location. Various discounts are available for each category based on multiple licenses and also for the first year of operations.

[4] Pool betting application fee is based on gross gambling yield, £651 less than £0.55m up to £4,882 for over £10m. Betting intermediaries are charged £198. Limited betting license fees are £178 up to 75 track days to £979 for over 200.

Annual fees for standard betting range from £1,531 for up to 4 shops to £304,960 for up to 2,499, each additional block of 2,500 shops is an additional £25,000 per annum. If no machines are available in the shops the annual fee is £1,461 for up to 4 shops to £16,860 for up to 50 shops. Limited betting annual fees are £200 for up to 75 track days and £1,346 for 200 or more.

Pool betting annual fees range from £2,222 for gross gambling yield of up to £0.55m to £12,137 for gross gambling yield above £10m. Betting intermediaries are £280 and £4,338 respectively.

[5] Annual fees and application fees for bingo range from the lower quoted value for up to 4 shops to the higher value for 100+.

[6] Society lotteries and syndicates, the former operating license application fee is £163 for proceeds of up to £100k and £325 for £500k+. The latter is £877 for less than £0.55m in revenue and £2,527 for in excess of £10m. For annual fees the former is £348 to £1,458 respectively and the latter is £2,075 to £15,813. The national lottery is not regulated by the gambling commission and does not pay an annual license fee.

[7] A number of additional application fees are imposed for machines in Madrid. Operating business license (€50.81), Installation in bars, café and restaurant (€42.81), testing laboratories (€50.81). There are also general business fees of €298.94. Category B machines are subject to a quarterly fee of €900 or €1,800 for 2 or 3 player machines, for 3 or more players there is an addition fee of €480 for each player. Category C machines are subject to a quarterly fee of €1,350 and category D €125.

[8] Horserace betting is only permitted with bookmakers licensed under the Race Betting and Lottery Act ("Rennwett- und Lotteriegeseztz"). The horseracing permit is issued under the (code 2249 "Verwaltungsgebührenordnung - VGebO"). A security deposit must also be paid. The information for Berlin is not available but as a comparative Schleswig-Holstein is €10k and Mecklenburg-Western €25k.

[9] Lotteries with low risk potential (no commercial purpose beyond the advertising effect) are permitted in Berlin and subject to an application fee of 0.1% of the value of tickets to be sold or the estimated amount when the value is not known. Commercial brokering of state lottery is permitted in Berlin the fee is between €200 and €2k.

[10] Additional fees are payable on a variety of authorisations and testing related services, these are outlines in section 2.

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### Appendix 3 – Interactive Gambling Taxation

Member State	Horseshoe Betting	Sportsbetting	Casino	Ring Game Poker	Tournament Poker	Bingo	Lotteries	Fees
Belgium	3% Handle	11% Gross Win	11% Gross Win	11% Gross Win	11% Gross Win	11% Gross Win	Retained by land-based lottery	Same as land-based with exception of the F1 license warrantee of €75k
Denmark	Daske Spil monopoly tax paid in same way as land based activity	20% Gross Win	20% Gross Win	20% Gross Win	20% Gross Win	Daske Spil monopoly - tax paid in line with lottery games	Retained by land-based lottery	Same as land-based – restricted revenue licenses are DKK50k
France	14.4% on Handle (Including 9.8% to Horseracing) - Tax Component was Reduced from 5.7% to 4.6%	8.5% on Handle (including 1% Levy for Sport)	Not permitted	2% on pots with a €1 max or	2% of gross buy in	FDJ retain monopoly with tax paid as part of core operations	Retained by land-based lottery	Application fee of €5k - €10k, Annual fee of €20k - €40k, renewal of accreditation €2.5k - €5k[4]
Germany	SH 20% Gross Win	15 Lander 5% Turnover / SH 20% Gross Win	15 Lander Live Casino as Land Based Taxation / SH 20% Gross Win	SH 20% Gross Win	SH 20% Gross Win	SH 20% Gross Win	Retained by land-based lottery	Tied between 0.03% and 0.1% based on turnover. 50% of this payable as license fee. Ordinance fee of €500 - €500k [6]
Italy	2-5% on Turnover slightly lower range than land based	Varies by Bet Type (2-5% on Handle) But Average 4% on Handle	20% Gross Win	20% GW	3% of buy in – cash games are taxed at 20 gross win	11% on Sales & 1% Fee to SOGEI for Operating the Network	Retained by land-based lottery	Application fees €350k all products except bingo €50k[3]
Malta	0.5% on gross amount of bets accepted up to €466k or €1.2k for rooms	0.5% on gross amount of bets accepted up to €466k or €1.2k for rooms	€7k per month (€4,660 for first 6 months) or €1.2k for platform rooms	5% of real income (rake less operational costs) to a maximum of €466k	5% of real income (rake less operational costs) to a maximum of €466k	€7k per month (€4,660 for first 6 months) or €1.2k for platform rooms	€7k per month (€4,660 for first 6 months) or €1.2k for platform rooms	Application fee €2,330. Annual license fee €8,500. Renewal fee after 5 years €1.5k [1]
Spain	25% Gross Win + autonomous authority fees	25% Gross Win + autonomous authority fees	25% Gross Win + autonomous authority fees	25% Gross Win+ autonomous authority fees	25% Gross Win + autonomous authority fees	25% Gross Win+ autonomous authority fees	Monopoly retained by land-based lottery and taxed at the same rate	Madrid €200k registration guarantee, €12m bank guarantee[5]
United Kingdom	15% Gross Win	15% Gross Win	15% Gross Win	15% Gross Win	15% Gross Win	15% Gross Win	12% tax on Sales	Application fee £163 - £63,671[2]

Source: H2 Gambling Capital, National Gambling Regulators / Monopolies

NB: Green shading indicates different to land-based equivalent



[1] Before a license is issued there is a system audit fee of €1,770 and a compliance audit fee after issue of the license then every two years of €2,750. A white label annual fee of €70 is payable for every white label capped at €30,000.

[2] A remote general betting license application fee for virtual events ranges from £2,933 for GGY of less than £0.55m to £63,671 for GGY of £500m or more. The fee is the same for remote casino and bingo. The equivalent for real events betting application fee is £3,259 for GGY less than £5.5m up to £28,641 for revenue of over £550m. Pool betting is £651 for GGY of less than £1.5m and £4,882 for GGY of 550m or more. The Intermediary license application fee is £6,346 for revenue under £5.5m up to £4,882 for GGY over 550m. Trading rooms are £593 under 0.55m up to £1,627 for £6.6m or more. Limited license are £593.

Remote lottery license (syndicate) applications are £977 for revenue less than £0.55m to £2,463 for revenue of £10m or more. Society lottery remote application fees are £163 for GGY up to £0.1m up to £325 for GGY over £0.5m.

Remote general betting annual license fees for virtual events range from £3,188 for GGY of less than £0.5m to £155,425 to GGY of £500m or more. The fee is the same for remote casino and bingo. The equivalent for real event betting is £13,529 for GGY less than £5.5m up to £155,425 for revenue of over £550m. Pool betting is £1,594 for GGY of less than £1.5m up to £155,425 for GGY of 550m or more. The annual fee for an intermediary license is £13,529 for GGY under £5.5m and £155,425 for GGY over £550m. Trading rooms are £1,594 under £0.55m up to £19,063 for GGY of £6.6m or more. Limited license are £1,594 per annum.

The annual fee for a remote lottery license (syndicate) is £348 for GGY less than £0.55m up to £48,893 for revenue of £10m or more. Society lottery remote application fees are £348 for GGY up to £0.1m up to £1,458 for GGY of £0.5m or more.

Additional license are available for software and gaming machines.

[3] Application fees are the same for all products (€350k) with the exception of bingo (£50k). There are no annual license fees.

[4] On filing an application for authorisation the fee is €5k for a single product, €8k for 2 products and €10k for three. For each license issued or renewed on 1 January each year, a single product fee is €20k, two products are €30k and three products are €40k. Applications for renewal or accreditation must pay a fee of €2.5k for one product, €4k for two and €5k for three products.

[5] The bank guarantee of €12m can be split at €6m bank guarantee and insurance of €10m.

[6] The annual fee based on turnover is payable up to €30m turnover is 0.1%, from €30m to €50m is 0.8%, from €50 to €100m is 0.05% and over €100m is €71k plus 0.03%. The annual fee is discounted by 10% for subsequent years. In addition half of this fee is payable for issuing the licence, based on business forecasts.

## Glossary of Terms

AWPs	Amusement with Prizes Gaming Machines;
Betting Sub-Sector	Fixed odds, betting exchanges, pari mutuel (pool), etc;
Dot Com	Interactive gambling activity serviced by the international (non-Swedish) licensed market;
Dot Country	Domestic interactive gambling activity serviced by a programme regulated by the national government (the same model is utilised for other nations' locally regulated schemes; i.e. Italy is dot it, France is dot fr etc);
Drop	The amount of money exchanged for chips in land-based casinos;
Gambling Sector	Includes the sub-sectors of betting, gaming and lotteries;
Gaming Sub-Sector	Casinos, gaming machines (slots), bingo, etc;
Gross Win	Gross turnover (stakes) less prizes paid out but including bonusing or commissions in the case of betting exchanges or rake/tournament entry fees in the case of poker – sometimes referred to a gross gaming yield (GGY), gross profits or house win, etc;
Gross Turnover	The amount staked (or bet) by customers – Betting AKA handle, bingo/lottery AKA sales, gaming machines AKA the amount played;
Interactive Gambling	Any gambling that takes place via the customer interfacing with an automated system – this can be via PC/Internet, mobile device/Internet/app or interactive television;
Land-Based Gambling	Any gambling activity that takes place at a physical licensed location;
Locally Licensed	Gambling activity that takes place with both the customer and the operator located/licensed within the same jurisdiction;
Lottery Sub-Sector	Draw games, instant (scratch) games, numbers games, etc;
Net Turnover	As gross turnover but in respect of casino table games includes the drop and for gaming machines coin in;
Offshore	Gambling activity that takes place between a customer based within Sweden and an operator licensed (/physical location of its servers) in a different jurisdiction;
Onshore	Gambling activity that takes place with both the customer and the operator located/licensed within the same jurisdiction. This is only applicable to interactive gambling as virtually all land-based gambling takes place on licensed premises (the exception being voice telephone betting);

Rake	The percentage fee that the operator takes from the pot of a hand of poker;
Remote Gambling	Any gambling activity where the consumer and the operator are located in different locations. Generally interactive gambling with the addition of telephone betting;
VLTs	Video Lottery Terminals.

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## About H2

H2 Gambling Capital (H2) is the leading supplier of data and market intelligence regarding all aspects of the global gambling industry. Regarded, as the 'Industry Standard' for interactive gaming. As such H2 is by far the most quoted source of data in investment bank analysts' notes/company reports and the media.

H2's data has been quoted in much of the media including, the BBC, the New York Times, the Economist, the Financial Times, the Guardian, the New Yorker, CNBC, Bloomberg, Reuters, Time Magazine, the Wall Street Journal and the Washington Post.

Over the past decade H2's team has supplied data to or worked on a bespoke basis with over 600 organisations including, operators, suppliers, regulators, professional services companies, governments, lotteries, lobby groups and trade associations.

H2's bespoke assignments having included working in the United States with PwC (National Economic Unit) on scoring the Frank Bill, providing input into the American Gaming Association's Internet gaming task force, providing evidence at the Internet poker hearing at the Californian Senate and assessed the fiscal/economic impact of the regulation of Internet poker across five key states for a lobby group. In Europe H2 has worked as technical gambling advisors to the Hellenic Republic.

H2 is eGaming Review's official data partner, is partnered with Trust Partners (Italy) / Gaming Edge (UK) and is a partner firm of the world's leading knowledge marketplace provider; Gerson Lehrman Group.

H2's off-the-shelf gambling data service includes over 1.5 million data points, selected market reports as well as interactive regulatory information for the leading interactive gaming jurisdictions. H2 now provides subscribers with between 350 and 400 new postings or updates per annum.

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### Further Information

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## The Impact of Various Gross Gaming Revenue Taxation and Levy Rates on Gambling in the Netherlands – NB. Without Interactive Lotteries

**Client: The Ministry of Security and Justice of the Netherlands**

**Date: 21 November 2013**

### Background

The Ministry of Security and Justice of the Netherlands has requested H2 Gambling Capital to run a number of scenarios based on different levels of taxation and levies on both the proposed interactive (Dot NL – to commence 1 January 2015) and existing land based gambling markets

The Ministry has also requested that H2 provide an estimate of the full declaration by licensed operators of their gross win and the payment of all the taxation and levies that are due.

Both taxation and levies are calculated based on Gross Gaming Revenues (which includes bonus payments). In addition, to the various headline taxation in the case of interactive gambling there is also a fixed 1.5% levy for the funding of the regulator and a further 0.5%-1.5% levy for a gambling addiction fund.

It is assumed that the Dot NL interactive gambling market will be very similar to the existing Danish Dot DK market where the pooling of international liquidity is permitted. Unlike the Danish market (where interactive horserace betting and bingo<sup>1</sup> are retained as monopolies) it is assumed that all aspects of the market with the exception of the lottery monopolies will be opened up online.

Three approaches have been employed to arrive at the likely scale and channeling to be achieved by the Dot NL Interactive Betting and Gaming Market:

- A – Optimal Case – Considers and adapts solely the Danish Dot DK market;
- B – Conservative Case Considers the Impact of a number of Dot Country markets around Europe;
- C – Blended Case – Calculated with respect to the mean of approaches A and B above.

Utilising just the Danish Dot DK market provides a comparison with the most positive dot country market to date – Whilst the Dot NL market will have similar rates of taxation and levies / technical requirements to the Dot DK market such as the ability to pool Dot Com liquidity H2 would warn against an exact comparison due to the fact that there will be possible target marketing restrictions, responsible gaming and a number of incumbent monopolies all of whom do not have not level of interactive presence that Danske Spil had in the pre-reregulated market.

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<sup>1</sup> It is understood that there is still a debate as to whether existing licensed state lotteries may be the only entities able to offer interactive bingo in the dot NL market. Please refer to the end of this document for an estimation regarding what the impact of this would be on the data presented here.

It should be noted that the more conservative case (B) has the draw back that the dot country markets around Europe to date have seen differences in the products included, product launch timings, taxation regimes, pre-regulatory market developments, the relative strength of the incumbent monopolies and various time series of information. Using a selection of markets has tended to create a drag on potential market scale and channeling rates.

However, it was necessary to consider a blend of a number of onshore-regulated markets in order to create time series (only the first six month's data is available in respect of the Dot DK market at the time of writing) and also to consider the responsiveness of markets to changes in the taxation / levy burden.

***NB. All of the Analysis for Interactive Gambling Includes Betting and Gaming Only (i.e. No Lotteries as any Interactive Lottery Activity will be Subject to the Land Based Lottery Taxation Regime)***

## **APPROACH A – OPTIMAL CASE: DOT NL INTERACTIVE GAMBLING MARKET BASED ON ANALYSIS OF DANISH DOT DK MARKET**

### **Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Dot NL Interactive Gross Gaming Revenues**

*Scenario 1a. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 0.5% for Addictive Gaming (€m)*

Addiction Fund Contribution	0.5%	0.5%	0.5%	0.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	313.8	371.2	425.8	457.9
15%	265.2	311.6	355.3	379.1
20%	210.1	242.2	275.2	296.9
25%	173.5	197.7	222.9	240.2
29%	166.2	185.7	205.2	217.4

*Scenario 1b. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.0% for Addictive Gaming (€m)*

Addiction Fund Contribution	1.0%	1.0%	1.0%	1.0%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	309.4	365.4	418.7	450.2
15%	261.5	306.7	349.3	372.7
20%	206.4	237.8	270.0	291.2
25%	171.0	194.7	219.3	236.2
29%	163.7	182.7	201.7	213.6

*Scenario 1c. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.5% for Addictive Gaming (€m)*

Addiction Fund Contribution	1.5%	1.5%	1.5%	1.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	305.2	359.9	411.8	442.6
15%	257.8	302.0	343.5	366.4
20%	202.9	233.5	264.9	285.7
25%	168.6	191.7	215.7	232.2
29%	161.2	179.7	198.3	209.9

**Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Interactive Channeling into the Dot NL Market**

*Scenario 2a. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 0.5% for Addictive Gaming*

Addiction Fund Contribution	0.5%	0.5%	0.5%	0.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	95.5%	97.5%	98.4%	99.0%
15%	86.9%	89.6%	91.5%	92.6%
20%	75.0%	77.9%	80.3%	81.9%
25%	68.0%	70.4%	72.5%	74.1%
29%	65.0%	66.8%	68.5%	69.7%

*Scenario 2b. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.0% for Addictive Gaming*

Addiction Fund Contribution	1.0%	1.0%	1.0%	1.0%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	95.3%	97.3%	98.3%	98.8%
15%	86.5%	89.2%	91.1%	92.3%
20%	74.4%	77.2%	79.6%	81.2%
25%	67.2%	69.6%	71.7%	73.2%
29%	64.2%	65.9%	67.5%	68.7%

*Scenario 2c. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.5% for Addictive Gaming*

Addiction Fund Contribution	1.5%	1.5%	1.5%	1.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	95.1%	97.2%	98.1%	98.7%
15%	86.1%	88.8%	90.7%	91.9%
20%	73.7%	76.5%	78.8%	80.5%
25%	66.5%	68.8%	70.8%	72.3%
29%	63.4%	65.0%	66.6%	67.7%

## APPROACH B – CONSERVATIVE CASE: DOT NL INTERACTIVE GAMBLING MARKET BASED ON ANALYSIS OF ALL EUROPEAN DOT COUNTRY MARKETS

### Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Dot NL Interactive Gross Gaming Revenues

*Scenario 1a. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 0.5% for Addictive Gaming (€m)*

Addiction Fund Contribution	0.5%	0.5%	0.5%	0.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	274.8	282.0	285.5	293.4
15%	230.8	236.1	238.1	243.1
20%	172.3	176.0	178.5	184.5
25%	148.4	148.1	147.7	151.8
29%	132.2	129.1	126.4	127.9

*Scenario 1b. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.0% for Addictive Gaming (€m)*

Addiction Fund Contribution	1.0%	1.0%	1.0%	1.0%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	271.1	277.6	280.6	288.2
15%	227.7	232.4	234.1	238.8
20%	169.9	173.2	175.4	181.2
25%	146.4	145.8	145.2	149.2
29%	130.5	127.2	124.4	125.7

*Scenario 1c. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.5% for Addictive Gaming (€m)*

Addiction Fund Contribution	1.5%	1.5%	1.5%	1.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	267.4	273.2	275.8	283.2
15%	224.6	228.8	230.1	234.6
20%	167.6	170.4	172.4	178.0
25%	144.5	143.5	142.8	146.6
29%	128.8	125.3	122.4	123.6



### Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Interactive Channeling into the Dot NL Market

*Scenario 2a. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 0.5% for Addictive Gaming*

Addiction Fund Contribution	0.5%	0.5%	0.5%	0.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	88.4%	93.9%	96.0%	97.0%
15%	74.9%	85.2%	88.5%	90.7%
20%	65.4%	74.0%	77.6%	80.0%
25%	50.0%	62.8%	67.5%	71.1%
29%	44.8%	57.1%	61.5%	65.0%

*Scenario 2b. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.0% for Addictive Gaming*

Addiction Fund Contribution	1.0%	1.0%	1.0%	1.0%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	88.0%	93.7%	95.8%	96.8%
15%	74.4%	84.7%	88.0%	90.3%
20%	64.5%	73.2%	76.8%	79.3%
25%	49.2%	61.9%	66.5%	70.1%
29%	44.0%	56.2%	60.5%	63.9%

*Scenario 2c. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.5% for Addictive Gaming*

Addiction Fund Contribution	1.5%	1.5%	1.5%	1.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	87.6%	93.5%	95.6%	96.6%
15%	73.8%	84.2%	87.6%	89.8%
20%	63.7%	72.4%	76.0%	78.5%
25%	48.4%	61.0%	65.6%	69.1%
29%	43.2%	55.2%	59.4%	62.8%

## APPROACH C – BLENDED CASE: DOT NL INTERACTIVE GAMBLING MARKET BASED ON ANALYSIS MEAN OF SECTIONS A AND B

### Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Dot NL Interactive Gross Gaming Revenues

*Scenario 1a. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 0.5% for Addictive Gaming (€m)*

Addiction Fund Contribution	0.5%	0.5%	0.5%	0.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	294.3	326.6	355.7	375.6
15%	248.0	273.8	296.7	311.1
20%	191.2	209.1	226.8	240.7
25%	161.0	172.9	185.3	196.0
29%	149.2	157.4	165.8	172.6

*Scenario 1b. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.0% for Addictive Gaming (€m)*

Addiction Fund Contribution	1.0%	1.0%	1.0%	1.0%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	290.2	321.5	349.7	369.2
15%	244.6	269.5	291.7	305.7
20%	188.2	205.5	222.7	236.2
25%	158.7	170.2	182.2	192.7
29%	147.1	155.0	163.0	169.7

*Scenario 1c. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.5% for Addictive Gaming (€m)*

Addiction Fund Contribution	1.5%	1.5%	1.5%	1.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	286.3	316.5	343.8	362.9
15%	241.2	265.4	286.8	300.5
20%	185.2	202.0	218.6	231.9
25%	156.6	167.6	179.2	189.4
29%	145.0	152.5	160.3	166.8

## Impact of Various Taxation / Levy Rates (Base Gross Gaming Revenues) on Interactive Channeling into the Dot NL Market

*Scenario 2a. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 0.5% for Addictive Gaming*

Addiction Fund Contribution	0.5%	0.5%	0.5%	0.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	91.9%	95.7%	97.2%	98.0%
15%	80.9%	87.4%	90.0%	91.6%
20%	70.2%	75.9%	78.9%	81.0%
25%	59.0%	66.6%	70.0%	72.6%
29%	54.9%	61.9%	65.0%	67.3%

*Scenario 2b. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.0% for Addictive Gaming*

Addiction Fund Contribution	1.0%	1.0%	1.0%	1.0%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	91.7%	95.5%	97.0%	97.8%
15%	80.4%	87.0%	89.6%	91.3%
20%	69.5%	75.2%	78.2%	80.2%
25%	58.2%	65.8%	69.1%	71.6%
29%	54.1%	61.0%	64.0%	66.3%

*Scenario 2c. Various Taxation Rates / 1.5% Levy for Regulation and an Additional 1.5% for Addictive Gaming*

Addiction Fund Contribution	1.5%	1.5%	1.5%	1.5%
Gross Win Tax Rate	2015e	2016e	2017e	2018e
10%	91.4%	95.3%	96.9%	97.7%
15%	79.9%	86.5%	89.1%	90.9%
20%	68.7%	74.5%	77.4%	79.5%
25%	57.4%	64.9%	68.2%	70.7%
29%	53.3%	60.1%	63.0%	65.2%

### Note Regarding the impact of interactive bingo being restricted to existing state licensed lotteries only

*If interactive bingo were to be limited to solely domestic lottery monopolies it would be anticipated that the impact would be to reduce the total gross gaming revenues generated across all scenarios by between 7% and 8% - however, in Denmark there is just one monopoly (Danske Spil) whereas in the Netherlands with multiple lottery operators there would be some degree of competition so it would be reasonable to expect that the actual impact would be about half this level. Given the limited competition in the Netherlands it would be expected that across all of the scenarios explored above Dot NL channeling would be lower by about 3% in absolute terms.*

## Compliance in Respect of the Payment of the Full Taxation and Levies that are Due

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As previously communicated to the Ministry H2 are not of the opinion that compliance in respect of payment of the full duties (based on our market forecasts for gross gaming revenue) will be an issue. We are of this opinion for the following reasons:

1. It is our knowledge that there has been no reports of such taxation / levy payment evasion in any of dot country markets to date –if there were to be it would be assumed that any offending operator would incur not just the amounts of taxation / levies due but additional fines which if not paid would lead to their license being revoked;
2. H2's analysis of the potential Dot NL market is based on the take up in other dot country markets and so even if this was thus far an undetected issue its impact would be reflected already within our forecasts;
3. It is H2's view that any potentially bad actor that intends not to pay all of the taxation and levies due would not go through the process and associated costs of gaining an onshore Dot NL license and would attempt to continue to try and service the market from out side of the Netherlands;
4. The vast majority of organisations that are expected to apply for a Dot NL license will be one or more of the following: listed on the public markets, a Dutch registered company or hold gambling licenses in other jurisdictions and so would not want to risk the impact being non-compliant could have on other aspects of their business.

Therefore H2 believes that our forecasts for the gross gaming revenue generated by the Dot NL market will translate into collected taxation and levy income. However, it should be noted that we would be of the belief that in line with other forms of taxation evasion it would be far more likely to occur as the rates of taxation / levies were increased to levels that would make the market less or even un-economical for operators.

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It should be noted that as an updated version of the original Report all of the summary statistics contained within this report have been updated in order to take account of H2 Gambling Capital's revised forecasts for the industry. Although every effort has been taken in order to ensure that all figures outlined within the report have been updated H2 Gambling Capital take no responsibility for any that might have been missed during the re-editing process.

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