

## DRAFT SECOND READING SPEECH

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### *Gaming Control Amendment (Wagering) Bill 2019*

*\*check Hansard for delivery\**

Madam Speaker, the 2019–20 State Budget announced the Government's intention to introduce a point of consumption tax up to 15 per cent from 1 January 2020 on betting operators offering wagering services to Tasmanian customers. The central part of this Bill amends the *Gaming Control Act 1993* to give effect to this commitment.

The Bill also introduces two amendments to meet the Government's commitment to implementing the National Consumer Protection Framework for online wagering in Australia, and a number of miscellaneous amendments to enhance totalizator operations, improve administrative efficiency, remove redundant or unnecessary provisions and correct oversights.

Madam Speaker, increasingly, wagering transactions are moving from the traditional land-based wagering establishments to the digital world via telephone and the internet, and this has led to a rapid growth in online wagering. The effect has been to create a disconnect between where the online betting operators are licensed and taxed and the jurisdictions where the bets were placed and the impact of gambling occurs. For Tasmania, the single licence holder of totalizator services, UBET TAS, is subject to a wagering levy covering licensing and tax arrangements, while online bookmakers pay no tax to Tasmania for bets made by Tasmanians. Nationally, this has been recognised as a matter requiring rebalancing.

The Government's objective in introducing a point of consumption tax on wagering in Tasmania is to align Tasmania with the national approach already taken by all Australian jurisdictions, except the Northern Territory, to overcome the disconnect and to raise additional revenue from betting operators not currently taxed for the benefit of the Tasmanian community and racing industry.

The design of Tasmania's point of consumption tax framework was informed by consultation with key stakeholders including the Tasmanian racing industry, major corporate bookmakers and peak industry bodies. Consultation with other jurisdictions was also undertaken to ensure Tasmania's reporting and compliance processes align, where possible, to minimise the impacts on betting operators operating nationally.

The Bill is largely based on legislation passed by Queensland, New South Wales and Victoria. Tasmania's framework provides for a tax rate of 15 per cent on net wagering revenue in excess of a tax-free threshold of \$150 000 on wagering revenue, payable by betting operators that provide services to Tasmanian residents regardless of where the licence is issued. The calculation of net wagering revenue will exclude the value of free bets from payments and winnings. As the Bill commences on the 1 January 2020, the interim tax-free threshold will be \$75 000 for the 2019–20 reporting period.

The 15 per cent tax rate is consistent with South Australia, Western Australia, the Australian Capital Territory and Queensland. The tax-free threshold aligns with the three smaller wagering jurisdictions and will ensure that the State's small on-course bookmakers are not captured.

A tax base similar to Queensland, which has excluded the value of free bets from net wagering revenue, was informed by careful research and analysis. The inclusion of free bets in the net wagering definition has the effect of increasing the tax rate. This is because the face value of free or bonus bets that have no monetary value are being counted as wagering revenue, rather than as marketing and promotions cost of business. For these reasons, the fairest approach was to not tax bets that are not real income, and conversely ensure free bets cannot be counted in the dividend payout to reduce the taxable wagering revenue.

Whilst 5 jurisdictions including Tasmania will now have a consistent rate applied at 15%, Victoria and New South Wales have rates of 8 and 10% respectively. Noting that harmonisation across the country was the original aim, treasury will continue to monitor and review developments in other jurisdictions.

The point of consumption tax is expected to raise additional revenue in the order of \$5 million in its first full year of operation from betting operators that will now be captured in Tasmania. The Government has undertaken to share the net benefits appropriately with the local racing industry.

Under this Bill, the point of consumption tax, including the reporting and collecting of tax, will be administered by the Commissioner of State Revenue and in accordance with the *Taxation Administration Act 1997*. This approach aligns with other jurisdictions and streamlines requirements for betting operators offering services to multiple jurisdictions. In practice, betting operators that meet Tasmania's tax-free threshold will need to register and lodge online self-assessments of their tax liability monthly in arrears, with any tax payment made within 21 days of the end of the monthly period.

Madam Speaker, Tasmania's historical licensing arrangement with UBET TAS for the provision of totalizator retail services, sports betting and race wagering has been considered in the framing of this tax reform.

Currently, UBET TAS is required to pay an annual indexed wagering levy covering a licence fee, retail exclusivity and multiple endorsement fees. The Government and UBET TAS have negotiated a restructured arrangement to accommodate the historical licensing agreement and the point of consumption tax. The arrangement ensures UBET TAS is not double taxed while ensuring that it pays a 15% tax on net wagering revenue and an appropriate payment for exclusivity rights out to 2027, as agreed by the former Government in 2012.

As the holder of the existing totalizator endorsement, the current wagering levy will be removed by the Bill and UBET TAS will provide an annual payment of approximately \$1.5 million (indexed annually) in addition to the point of consumption tax on its wagering services. The new annual payment reflects the regulatory costs of the totalizator operations, the value of the totalizator exclusivity arrangement and retail presence in Tasmania, and endorsements. The Government will have the power to amend the annual payment by regulation should the wagering environment change significantly.

Given the new tax will commence from 1 January 2020, the Bill provides a 50 per cent refund of the annual wagering levy, which was paid in advance in July 2019. It also provides for UBET TAS to pay the first annual payment of 50 per cent in January 2020 for six months of 2019–20. Both of these measures will avoid double taxing of UBET TAS.

Madam Speaker, while this Bill introduces a new taxation model on betting operators, it also gives effect to some of the protection measures of the National Consumer Protection Framework developed to reduce the harm of online wagering for Australians. The Tasmanian Government, along with other jurisdictions, endorsed the Framework in November 2018 and directed the independent gambling regulator, the Tasmanian Liquor and Gaming Commission, to implement the measures to ensure they complement Tasmania's existing harm minimisation framework.

Tasmania's harm minimisation framework is well established through a combination of legislation, a mandatory gaming industry code of conduct and various rules and technical standards administered by the Commission. Tasmania's framework is already widely recognised as national best practice and is broadly more stringent than the National Framework. Notwithstanding, two minor amendments to the Act are required to ensure national consistency.

The first amendment introduces requirements for wagering operators to offer deposit limits to customers. This is in addition to the existing legislative provision that allows dollar amount net loss limits to be set by customers. These measures provide customers with tools to help them monitor and manage their gambling by pre-committing deposit and net loss limits.

The second amendment removes provisions for trading accounts to be consistent with recent amendments to the Commonwealth's *Interactive Gambling Act 2001*, which prohibits the offering or provision of credit by a betting operator for wagering purposes, with the exception of on-course bookmakers that have been exempt. This measure aims to mitigate risks of customers gambling beyond their capacity to pay.

The Government recognises the increasing prevalence of online gambling and restates its commitment to strengthening wagering regulation through the amendments being introduced under this Bill. This commitment aligns with our proposed amendments under the Future Gaming Market policy reforms to increase funding to support harm minimisation and the development of a new suite of educational material designed to inform online gamblers.

Madam Speaker, the Bill also contains a number of miscellaneous amendments that aim to enhance totalizator operations.

From time to time legislation requires amendment to contemporise and to address emerging issues. The provision of minimum pool guarantees is one such issue. UBET TAS has sought amendment of the Act to allow the totalizator operator the ability to contribute its own funds to the pool to enable it to guarantee that a minimum amount will be available for the payment of dividends to customers. This amendment will allow the totalizator operator to conduct its business in a manner that is consistent with its operations in other jurisdictions.

The totalizator operator has also requested an amendment that allows it the discretion to pay a minimum dividend of \$1.04 to customers where the calculated dividend payout is \$1.00. Currently the rounding down of dividends to the nearest 5 cents means that for a winning bet at very short odds may result in a \$1.00 dividend being paid, which is essentially a refund of the customer's original stake. This amendment will allow the operator to use its discretion not to round down and instead pay a minimum dividend to the customer of \$1.04. This amendment will align with practices in other jurisdictions and will provide a benefit to customers.

The Bill allows for the means for calculating the minimum amount payable as a dividend to be prescribed in regulation. It also moves the current totalizator rounding provisions of dividends within the Act to regulations. Prescribing these dividend provisions in regulation will enable the totalizator operator to be more responsive to any changes in the wagering market and to align with standard practice nationally.

The Act currently does not allow for the regulation of new technological arrangements between licence holders and third party cloud storage providers, where for example, regulated gaming equipment and records might be stored on remote third party servers and accessed from the internet. UBET TAS has sought to replicate approval by the Victorian regulator of these types of arrangements.

The Bill provides the Commission with the capacity to authorise licence holders to use persons not currently licensed as, for example, a technician or listed on the Roll of Recognized Manufacturers, Suppliers and Testers of Gaming Equipment, to operate equipment used in connection with gaming or a gaming activity. The Commission will have the ability to impose conditions on its approval of any relevant contracts with third party providers to mitigate potential risks. The amendments future proof the Act to provide for emerging technological advancements of gaming systems and for the Commission to impose conditions on any approval.

Madam Speaker, the Bill also contains a number of minor amendments aimed at correcting oversights and enhancing administrative efficiency. This includes ensuring that the current ability for compliance inspectors to investigate gambling related complaints also includes investigating complaints relating to wagering activities.

The suite of amendments in the Bill, together with the new point of consumption taxation model, represent ongoing efforts to ensure Tasmania remains a leader in the regulation of gambling and is able to adapt to the evolving environment.

Madam Speaker, I commend the Bill to the House.