

## Submissions to the Point of Consumption Tax consultation

### Members of the public or professional punters

#### Submission – 1

The first point I would like to make is that the one "participant" that drives the sports/racing online betting industry is the punter. I think sometimes governments forget this.

With respect to the additional PoCT I think more detailed research needs to be provided on what the impact would be to online bookmakers and whether this would discourage them from providing a service. Sure, they will still get a base turnover amount on people that will bet on two flies crawling up the wall, but what would the effect be on the "professional punters". I have broken them up as follows and have set the turnover at 50% each, as I have no evidence to think otherwise:

Punter (not odds focused)                      50% turnover  
"Professional punters" (odds focused) 50% turnover

The issues are

- in regards the "professional punter" who bets large amounts and whether the reduced odds (due to online bookmakers passing on the tax) will sway him from betting online. They do not visit the track and I don't think this will change, so they will either stop betting or find an alternative source (offshore, etc) to bet.
- What is effect on Betfair? This is important as Betfair largely controls the sports/racing online betting environment and also on-course bookmakers. If Betfair was to pay a PoCT that would drastically reduce their operating profit I have no doubt they would leave Australia and leave a void in not only the online, but also on course betting.

I think there needs to be further transparency on how this will effect online bookmakers and rather than send a white paper for comments, speak to industry participants.

I am not a large punter, so this does not largely effect me, but I can see this tax having a largely negative impact on the sports/racing online bookmakers, which may result in a lower than estimated amount of revenue.

#### Submission – 2

Below is my response to the discussion paper in regards to the implementation of a Point of Consumption Tax on wagering in NSW. This is a complex issue, and in terms of regulation required for the wagering system as a whole in NSW and Australia, this tax discussion only makes up a small part of the bigger picture. I will try and piece in where appropriate how this topic links in with other potential gaps in the overall regulation design as I answer the questions put forward in the discussion paper.

#### **1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not?**

I believe that the PoCT on wagering in general is a good idea. The bookmakers that are making the most profits are mainly global conglomerates that are getting away with little to no tax payments and sending their historically high profits back to their international headquarters in other parts of the world (think Sportsbet). Taking Sportsbet as an example, their model as a bookmaker is to target problem gamblers and pump them with incentives to bet, whilst limiting or banning any punter with a foreseeable chance of making money against them. They fuel the problems in society that cost taxpayers money to cover, and don't pay their share. In that sense they should be held liable to pay their fair share of tax to cover the social expenses of problem gambling and the PoCT is a good way to do that.

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

There are ways to go about the above, however, and I believe the current approach of a state by state divided implementation is not the way to achieve this. If it is going to happen, rather, it should be done through the Federal system and apply to all jurisdictions in Australia, being enforced at the same time. In this way all design elements should be the same.

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

This question is easy to answer and is extremely important, as if it is implemented in another way it would irreparably damage the whole wagering system in Australia. The only fair way to implement the tax is on the operator's net wagering revenue. Being taxed on profits is fair, and wouldn't result in any changes to the operating status of businesses in Australia

(which they may complain, it is just a haircut to profits that happens across all industries). On the other hand, a tax implemented on wagering turnover would run many bookmakers out of business. Businesses that provide unique services, like Betfair, who operate on low profit margins on high turnovers to provide a gap in the market for their customers, would have no chance of being able to pay tax on turnover and would be forced to shutdown. It would also influence bookmakers to accept (even) less bets, and focus purely on high profit margins on low turnover, which is the opposite of how a good bookmaker should be run (i.e. low profit margins on high turnover). Essentially you would be left with a market that doesn't serve the majority of betting customers in Australia and the holes in the market would be larger than ever. After banning international companies from offering services here (which also was not the most forward looking or prudent move in a globally competitive and thriving landscape) Australian punters will have no where to go and the gambling industry as a whole will look extremely bleak.

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

Yes. What the rate should be is another question.

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

I see no reason not to do so, but this is something that I have less input on.

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

Geolocation for every bet would be seemingly difficult to achieve. As proposed previously, this issue would be solved if the tax was made by the Federal govt and applied to all jurisdictions.

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

Somewhere between 10-15% doesn't seem unreasonable.

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

There should be a tax-free threshold as this will encourage competition from smaller businesses to enter the fray, and ultimately challenge the landscape of the betting market with different products and so on, as competition helps any industry to evolve and improve. Without doing too much research into an appropriate level, the SA model of a \$150,000 tax-free threshold doesn't seem too unreasonable. In terms of oncourse bookmakers, I think this would have to weighed up with the product fees they are paying currently. But if these aren't too high then they should be liable to pay tax on their profits if they exceed these thresholds (it is my understanding that the majority wouldn't exceed these thresholds).

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

I touched on this issue briefly earlier. To reiterate, if a tax **on turnover** was implemented, this would completely derail the wagering system in Australia, thus resulting in many punters looking to take their business offshore. The latest big player to remove from the Australian market is Pinnacle, who are known as the market maker for most sports in the world. There would be a great deal of Australian punters betting with Pinnacle as they provide a service that is not offered in Australia - high odds, high limits, and they do not ban customers. If regulation is implemented to further take away what options punters have in Australia, then certainly they will look to shift to offshore operators.

The fix to keep Australian punters betting with Australian bookmakers would be to satisfy this market by enforcing Australian corporate bookmakers to take minimum bets on major markets for liquid sports markets, such as AFL, NRL and Rugby Union in Australia, and other worldwide sports with liquid markets, like what has been implemented in horse racing in the last few years. This would ensure that Australian punters bet with Australian bookmakers, and as such any profits on this betting would be then taxed by the Australian government.

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

N/A

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

N/A

**12. Is there a preference for coordinated PoCT collection by a single state or revenue office?**

As indicated previously, this should be done country wide by the Federal government.

### **Submission – 3**

My stakeholder position is that of a full-time sports investor/trader. That is - my sole income stream is from the profits I make investing in sports and racing. The largest percentage of profits of which come from the Betfair betting exchange platform of which I've attached a recent 3-month statement of my results. Not done to float my ego, but to highlight that I am an analyst, I work hard, I get results, and I really don't have many other passions in life.

Betfair is critical to me and a lot of others I know in the sports and racing wagering industry. Not just the single punter, but large bookmaker firms utilise the platform to minimise losses and price up markets accurately. I fear it will become an unsustainable business to operate if they are forced into paying any more tax to whichever racing and governing bodies its ordered to. They already operate on low margins as it is. From a selfish point of view this would mean the end of my time being a sports trader as a full time occupation. I've already lost what I estimate to be approximately 20-30% of my net yearly profit after Pinnaclesports.com withdrew its service to Australian clients just this week. I worked upward of 60 hours a week whilst learning my craft and developing my models. Now I can barely get a bet on with any Australian licenced bookmaker. I understand this is leading off topic slightly, but the pathetic nature of the way bookmakers operate in Australia is why the people full time in this role need Betfair.

I don't claim to fully understand the PoCT and the need for it. But it *does* seem fair that it is introduced in some way. It seems logical that 5% or so would be a better starting point for it, as 15% from the interviews and articles I've read sounds like it would do more harm than good for all industry stakeholders. Nothing wrong with starting smaller and raising it as it may need to is there?

If I were to address Question 9 of the paper in reference to off-shore wagering briefly:

1. I think with Pinnacle closing its doors this week, that is effectively the last of the genuine worthy overseas bookmakers that most would bet with. The government has now fully got its wish with the maximum amount of gambling revenue to remain in Australia.
2. Bitcoin and other cryptocurrencies will change that in the coming years and wagering WILL return to overseas bookmakers who can operate without restrictions
3. This means the serious punters need an incentive to bet locally. Right now, there is absolutely none. I could easily produce 10 betting slips of \$100 wagers and less being rejected by ALL of the commonly known bookmakers licenced in this country. The minimum bet rule for racing was welcomed by many, but in reality it wasn't even close to what we need. All markets, all sports, if put up by the bookmaker should be able to take a wager to lose \$2,000 at least. Maybe if they didn't spend \$99m annually on painfully over the top advertising (<http://www.afr.com/business/gambling/crownbet-spent-99m-on-ads-20171105-gzf8l1>) they would be able to accept my \$10 bets (refer attached)
4. Summary: You'll be happy to know, I doubt there is much overseas betting now Pinnacle has left. It was crucial. However, overseas wagering will return via cryptocurrency if the local market is simply not producing a viable product, which it currently is NOT.

The Government needs to instil measures such as minimum bet regulations for all sports, all times. It should also look at reintroducing in play betting which was ignorantly banned through the fear of problem gambling, whilst we all watch on as Grandma puts her pension through the donation boxes down at the RSL. She doesn't even stand a chance, even if she did all her analysis. All state governments know just how much revenue comes from pokies, we are not stupid. No other country has such an easy and monstrous revenue stream than we do with these machines. It's painfully obvious its such a good taxation system yet sports and racing wagering gets targeted as being the problem for gamblers, but we know the numbers show different. We see that every year when the net revenue results are released. But it's us hard working analysts that continue copping the short straws on any legislation designed to minimise the harms of problem gambling. On that note, I estimate when the in play laws came in that another 10-15% of my profit was instantly gone.

Random question: Why am I seeing horseracing prizemoney continue to shoot through the roof despite race crowd numbers dwindling, and a massive shift toward sports betting? The maths don't seem to add up on that one. There's plenty of money in the system somewhere, is it being distributed fairly?

I know I've diverged from the PoCT a little here, but it all has a flow on effect. The industry appears so unbalanced at the present with the need to seek out overseas products by punters. If we lose Betfair as well, punters won't return to taking the weaker odds and limits on offer from the corps, and likewise bookies themselves will reduce their risk and therefore turnover, with no exchange to act as a 'price point'. Don't kill off the exchange. It's an amazing model that can suit winning

punters, whilst Betfair can create revenue themselves. They just don't get \$99m to spend annually on advertising because of the fees they already have to pay.

#### **Submission – 4**

I see no problem with changing/increasing the Tax on Horse Racing, Greyhound Racing or Trotting. For that matter any gambling on sport in NSW.

The online gambling sites are making money in NSW and should be making their fair contribution to the cost of regulating those industries. They squeal like pigs if they got caught in a scam and be demanding NSW Police investigate.

I don't think there should be any increase in the taxation of Poker Machines or Keno however, the Clubs that rely so heavily on income from these sources and keep our sporting venues and clubs at the local level afloat, simply can't afford anymore. They are already at a distinct disadvantage to the hotels that contribute nothing to local sport and maintain no facilities, pocketing their profits!

#### **Submission – 5**

1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not? If NSW was to introduce a PoCT: ..... NO You will cripple the game
2. Which PoCT design elements should be harmonised across jurisdictions, and why?
3. Should a PoCT be levied on the operator's net wagering revenue (player loss) or on the operator's wagering turnover? Why? .....ON operations profit only after expenses
4. Should all forms of wagers (online and terrestrial) be captured by a PoCT at a common tax rate? .....NIL tax
5. Should a common PoCT rate apply to all wagering types (fixed odds, totalizator, betting exchange etc.)?..... Betting Exchange should be exempt it is not a bookmaker
6. Should a customer's location be defined through their usual residential address for the purpose of a PoCT, or should it be based on where the bet was made? How should this be verified and updated? .....Residence
7. What should the PoCT rate/s for NSW be? For which reasons? .....0% already taxed too high
8. Should there be a tax-free threshold? If so, at what level? Should oncourse bookmakers be exempt from a PoCT? Considering the potential impact of a PoCT on wagering practices and the wagering industry:
9. Estimates of the take-up of illegal offshore wagering are uncertain. Stakeholders are encouraged to provide any relevant information or evidence on the sensitivity of punters to changes in odds and shifting to offshore operators. ....I will go offshore or leave the industry as friends have also indicated they will as well.
10. What has been the experience of operators in complying with South Australia's PoCT administration procedures?
11. What are the practical issues and challenges for stakeholders in implementing a PoCT, and what is an appropriate implementation timeframe in NSW?
12. Is there a preference for coordinated PoCT collection by a single state o

#### **Submission – 6**

Having read through the paper on the upcoming POC tax in NSW I thought I should write a brief email answering the questions posed at the bottom of the paper.

I think the most important thing the govt needs to understand is just how important betfair is to the industry. Every bookie on track, every corp and every pro punter use it as a pricing guide. Without betfair there is disarray. Its tentacles reach so far throughout the industry it would be catastrophic if they left the marketplace.

1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not? If NSW was to introduce a PoCT: Yes. NSW deserve some money for hosting a great product. Money should not be feeding back to NT who has no product via the corporate bookies.

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

I don't think I have enough knowledge to comment here.

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

I think it should be levied on the net revenue. A turnover tax would kill betfair which is the beating heart of the marketplace. Without betfair the biggest players in the marketplace who turn over hundreds of millions a year would go elsewhere to sport or offshore and bookies throughout the state would have less confidence, bet bigger % and it would a massive reduction in turnover. This occurs when betfair goes down for maintenance even these days. A turnover tax would have untold implications for the detriment of the sport in NSW.

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

This is a very tricky question. I would have to say no. Due to the fact that the TAB have a retail operation they should have to pay more than the other corporates.

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

Yes.

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

It should be on where the bet was made. Not sure about verification. Smarter people than me can figure that out.

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

5%. It should be a gradual thing. And I believe 5% is a good starting point. Racing is in a great spot now and you don't want to rock the boat too much.

8. Should there be a tax-free threshold? If so, at what level? Should oncourse bookmakers be exempt from a PoCT? Considering the potential impact of a PoCT on wagering practices and the wagering industry:

I think on-course bookies should be exempt. The profession is dying and a further tax will make the race track a ghost town. It will only get passed onto the on-track customer who then sees no point in being on track with uncompetitive bookies so the game dies.

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

Anyone who knows anything about wagering in NSW knows its 4-5 operations that control the whole marketplace. These syndicates turn over hundreds of millions a year on betfair and with the on-track bookies and the corporates. They use economies of scale to earn small margin with big turnover and a large POC tax could send them to sports betting or offshore.

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

I think there has been significant backlash to the POC. I know the corps showed their frustration by deprioritising SA Racing on their sites. They were not putting up early markets and there were a lack of promotions on that jurisdiction to affect turnover on the state. The issue with the SA model is it is based on the UK model where its also 15% but in the UK there's no vat being paid. Whereas in Aus there is GST being paid so it's ridiculous they've brought this POC in at such a high level without consulting the rest of the industry and made a rookie error to the detriment of the sport.

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

Implementation for 2020 maybe seems about right

12. Is there a preference for coordinated PoCT collection by a single state or revenue office?

I do not know

### **Submission – 7**

My name is xxxxx I am a professional punter / racing trader, I make my living through the minimum bet laws and healthy market volumes on betfair. I turn over roughly 500-750 thousand a year and run on razor thin margins.

I do not believe NSW should not implement a POC - At present the market is competitive and vibrant this tax will reduce market participants and lower turnover across the industry. if a tax must be introduced the tax on turnover is especially

misguided. If betfair were to shut or raise commission much beyond what it is currently set I would cease to bet or look to bet offshore.

## **Submission – 8**

### **Summary of targeted questions**

1. *Should NSW introduce a PoCT on wagering? If so, why? If not, why not?*  
Yes: Both NSW & VIC have seen leaked revenue to NT and other jurisdictions that provide little to no product, demand (Punters) and supply (Bookmakers)

*If NSW was to introduce a PoCT:*

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

All. A Federal umbrella needs to override the State level, similar to that of GST. States' self-interest and Federal "Free trade" between States sees a distribution based on State Tax leniency and provides little in the way of industry participation or recompense to those actually putting on the show or creating demand for it.

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

Turnover tax is a draconian tax, that by its very definition restricts and impedes Growth. Turnover tax will create less and less revenue over time as Punters and Bookmakers are subjected to smaller profit margins from tougher industry regulations and another imposed tariffs. It would show far more foresight to impose a POC on Gross revenue.

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

No: All operators run their businesses under different rules and tax structures. For example, On-track Bookmakers offer a service that attracts people to a Racetrack and hence Race Clubs and Governments can derive income from them in additional ways (Gate takings, Food and Beverage, On track tote betting, owning and racing horses). The TAB also with its retail monopoly, pays State Tax in another form as it partners with Racing's controlling bodies.

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

No. Betting Exchanges are not Bookmakers. They take no liability risk and simply act as a brokering house that charges commission. Fixed and tote betting also have different margins attached to them with only Fixed odds attracting financial Risk.

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

"On track" is the location for "On track" business, and in all other cases, a residential address is the only viable option.

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

SA's 15% Gross revenue model is ridiculous, all this has done is see Bookmakers withdraw from taking SA bets with no desire to promote this product and punters wary of the increased margins associated on these markets turning over nowhere near the money previously bet.

5% sounds fair in a State where most of the punting dollars live. At the very least it would test the water and could be scrutinized after a set period. Anything above 7 or 8% would put incredible pressure on Net Profit and make most Bookmakers unprofitable. Anti-competition would follow given the fact only the largest Bookmakers could survive and this would be a lose lose situation long term for all participants.

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

Yes they should be exempt. On track Bookmakers are unable to source regular business Australia wide as their Corporate internet counterparts do, and add more to the fabric of the industry by attracting gamblers to the Track to spend their money in additional ways.

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

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

Illegal offshore operations would thrive as most previously profitable professional and semi-professional punters would suffer under extensive POC pressures and have no other option but to take their business to an environment where profit was at least possible.

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

Unknown.

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

Unknown.

12. *Is there a preference for coordinated PoCT collection by a single state or revenue office?*

Federal Level and singular point of collection

### **Submission – 9**

Q1.

It is understandable that NSW wishes to follow the lead of other states with the introduction of a PoCT however in my view the introduction in South Australia (and forthcoming WA and QLD implementation) has not sufficiently considered the full impact and they have taken an early adoption approach due to that States own financial issues without any consideration for a wholistic approach which could be to the detriment of the entire industry. There is an opportunity for at least the two leading states to work in a collaborative manner to properly address all stakeholders.

My view is that a PoCT should not be implemented. Whilst the on-line wagering landscape is expanding that growth is to a great extent solely the cannibalisation of the TAB parimeutal product. The introduction of the PoCT will be the third type of tax payable by racing industry operators after GST and race field fees which could only be seen as a detriment for new entry operators and will not increase competition amongst existing operators. We have already witnessed the divestment and exit of operators such as William Hill and Crown's interest in Betfair.

Having said that I accept we are already pass that decision point however there needs to be an alignment of interests that does not undermine any single stakeholder. I also understand that the NSW Government has a "right" to receive tax revenues from product within its State.

Q2.

A national approach would be ideal however the ability to achieve consensus on the various issues would be highly unlikely therefore certain elements need to be a stand alone decision. My view is that consumers will desire a simplistic approach that is easily understandable and applies to them as an individual and will not be overly concerned with what is being applied for instance in WA compared to NSW and vice versa. Although the geographical concern is much greater when considering the east coast as consumers are within easy reach of different markets.

Q3.

Any PoCT needs to be levied on an operator's net wagering revenue as turnover models are not reflective of all industry operators method of operation and would be discriminate against them unfairly and ultimately the end consumer.

Q4.

If competition within the industry is to be a realistic goal then an equal playing field should apply across all operators. They individually choose how they wish to operate. Therefore there should be a common tax rate applied irrespective if on-line or terrestrial. One also needs to remember that whilst the TAB paid a considerable amount for the terrestrial rights they also control approx. 33% of the market and are closely aligned to various levels of government and any concession would not be viewed favourably.

Q5.

Largely agree that there should be a common PoCT rate applied to all wagering types however the amount to be applied should not place any existing operators under undue financial pressure. This may result in a lower than anticipated PoCT being introduced.

Q6.

It would be impossible to implement anything other than the residential address for the purposes of a PoCT. For instance, how would the government propose to treat an individual that lives in QLD but flies to NSW each weekend for the

purposes of placing a wager at the racetrack or if that individual when at the racetrack used a mobile device to place an on-line bet using an account established in Victoria.

Q7.

I have no access to any modelling of various rates and how it impacts operators so am unable to specifically answer this question. My view is that the implementation of any PoCT should be at a very low level initially (maybe as low as 3%) to assess the impact on all stakeholders and then various step ups over a number of years (i.e. 3% per year) to a maximum cap and subject to an annual review.

Various operators have already indicated that 15% PoCT is a deal breaker and whilst this may or may not be the case I would think the Government should tread wearily initially to ensure that the industry as a whole does not implode. I think it is a naïve view that the industry can support a 15% PoCT without any impact as operators and punters will find a way to circumvent any measures proposed to be put in place.

Q8.

On the surface the tax free threshold implemented by SA was purely to ensure that the on course bookmaker was not captured. Therefore, in NSW that threshold should be much higher to ensure that none of the specific existing on-course operators businesses should be captured. The Consultation Paper itself highlights the benefits of on course bookmakers and that needs to be preserved.

Q9.

It is without question that the smart, professional and semi professional punters will find alternative ways to circumvent any impact this PoCT will have on their businesses. They will achieve this via offshore operators and/or conduct business between themselves or use via an unregulated exchange. Whilst the risk may be higher they would still be in a better financial position to take say a write-off of 10% of funds than bet into markets that are uncompetitive and/or no longer available to them locally. Currently on Sydney racecourse the market is so competitive that you can make a position below 100% which means you can not lose on a race. This compares to on-line markets which are at approx. 115% and which will only increase further with the introduction of another tax.

All players would 100% prefer to remain betting in a legalised, safe place such as Australia and was a reason that minimum bet limits were requested however this step has not gone far enough. It does not cover sports betting and some operators are still not playing fair with regards to unreasonable requests which extend far more than one opening a bank account and providing sufficient Know Your Customer documentation but the government to date has failed to take any steps to address these issues. The outcome is that punters have no alternative than to go offshore which in this day and age is of little difficulty.

Q11,12 and 12

I have no views or experience with these issues.

### **Submission – 10**

1. The Liberal party pride themselves on lower taxes. Racing already pays massive tax to the NSW economy, and has done so for many decades. This Government wants to spend \$2b on sports grounds for sports to use who pay NO tax, and tax the racing industry even more to pay for it. This seems grossly unfair to racing and completely against Liberal policies. Racing employs an estimated 250000 people in NSW. More taxes = Less competition = Less Jobs. Hard to believe any Government would consider this tax at all.

2. There should be a national approach to all policies. Different policies for different States is completely inept and creates more red tape for business to negotiate (i.e. OHS policies). Already the Victoria Government is considering lowering the tax. South Australia have already implemented the tax. What a nightmare for business to negotiate having different taxes for different States.

3. Revenue. The other model would destroy businesses, reduce competitiveness, kill off jobs and makes no business sense.

4. In an industry that already pays massive taxes, why tax it more? People will bet off-shore where they get more “bang for their buck”. Again it reduces competitiveness and drives people out of the industry. Which will lower investment and destroy jobs.



5. Again. Why tax something that is already highly taxed? NO business case has been made to introduce the tax. Most sports pay zero tax. Why keep taxing racing? A massive employer, attracts investment in NSW and makes it less competitive.

6. Isn't this a State based tax?? (SA 15% Vic 8%) Simple answer. Just more red tape and expense that harms business and competitiveness. Do bookies have to check people's addresses? How long do I have to live in another State before I'm considered a "local"? This is a really poorly thought of question/legislation.

7. IF Government want competition, IF the Government want employment, IF the Government want to reduce red tape, IF the Government want investment in NSW, IF the Liberal Government are true to their mantra, they would even consider such a tax.

8. Taxes and red tape, allowing overseas bookmakers, and other Government decisions have ruined the industry for on course bookmakers. Now you want to tax them more? People go to the races to bet with the on course bookies. Its part of the racing scene. Taxing them more will kill them off, hence, less people going to the track. Ergo, less jobs, less investment and a slow death to an industry which already pays huge taxes.

9. COMPETITION. It makes the local bookmakers and tote less profitable, you make them less competitive. Of course people are going to bet overseas. They will be more competitive as they don't pay taxes like the one you want to introduce. Taxes have never made business more competitive. It just kills them off.

10. Most people don't bet in South Australia due to on course bookmakers paying the PoCT and offering poorer value for money than other States. The industry there is falling behind as they lack competition and investment. Should be a good model for NSW to look at and learn from. Taxes kill jobs and investment. Lower prize money, smaller crowds, less employment have all flowed from this poorly thought out tax. South Australia is the only place that PoCT has been introduced in the world. And racing is poorer for it.

11. Massive red tape issues that are associated with any poorly thought of tax or Legislation. Bad for investment, bad for jobs and sad that a Liberal Party Government would even consider it.

12. Again, no case has been made for either of these collection points. It appears to be more Government interference in an overtaxed industry thats bad for all 250000 full and part time employees.  
An on course bookmaker could employ a dozen people per day. More taxes makes less profit and, in turn, cost cutting/job losses.

My simple summary is : More taxes = less competition = less profits = less investment = less jobs.

## **Submission – 11**

### **Q1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not?**

A PoCT, while not without merit, is sub-ideal. The current race fields levy – while currently imposed by the industry rather than government – offers a better model for the NSW tax-payer. Imposing a levy on residents Australia-wide on that which is created in the state is a reasonable method of charging for the product. A PoCT charges solely NSW residents. The origins of the PoCT (where the British Government was trying to stop bookmakers from channelling funds via tax havens – usually Gibraltar) no longer apply in Australia. While many bookmakers still legally reside in the NT it is no longer the tax haven it once was since the race field levies were introduced. Switching from a race levy style charge to a PoCT would unquestionably reduce the tax base with only NSW residents paying.

### **Q2. If NSW was to introduce a PoCT, which PoCT design elements should be harmonised across jurisdictions, and why?**

There are all ready large disparities between the states on wagering laws so harmonisation can be viewed as a low priority. As for terrestrial vs online wagering – Totalisator deals are all ready in place for decades in some states so there may be legislative difficulties making changes there.

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

Nett wagering revenue would appear the far better option and more in keeping with the SA legislation. As noted a turnover tax would cripple the betting exchange. While organisations' business models aren't necessarily the concern of government, the exchange is an important piece of the competition puzzle within the Australian industry and their loss would be sorely felt by consumers. There seems little scope for the exchange to change their business model as it operates

internationally nor does there seem to be much chance of an Australian replacement given the liquidity requirements for an exchange to operate.

Furthermore a Nett wagering revenue model is more in keeping with the SA model (and concomitantly has greater harmonisation) as their model does not apply to bookmaker 'Bet-backs'.

Additionally the Nett wagering revenue model encourages competition. Another possibility that could be that hasn't been considered is a model more closely aligned to the MRRT. Tax payments were automatically lower for new entrants and varied with profitability.

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

While there is a certain neatness to charging the same rate it hasn't been the case historically and standing Totalisator agreements may preclude such a change.

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

Existing totalisator agreement may preclude such a thing however there seems little reason why Fixed odds operators should differ from the exchange. One topic which has not been broached is private operation of Totalisator mirrors ( e.g 'Top Tote' products ). If Totalisator operators are taxed differently to Fixed odds products then the tax treatment of these products should change in line. Ditto synthetic lotteries (e.g. Lottoland). There is no reason why such operators shouldn't be taxed at a rate more in keeping with Lottery providers than as standard bookmakers.

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

With account based wagers (online / telephone) the simplicity of using residential address would seem overwhelming compared to the technical correctness of trying to ascertain the precise geography of where the wager was made. There seems little to suggest that current verification methods on this front are lacking. Terrestrial retail betting (e.g. TAB Terminal / on-course bookmakers) conversely 'Point of Wager' would seem the simple method. There seems little advantage in complicating matters.

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

Very hard to say what the rate should be given there is little in the way of precedent. The UK is offered as a comparison but given the 15% PoCT is their sole tax contribution (no race fields levies, GST etc.) it seems an unfair comparison. It seems too early to tell the effect of the tax in SA, and due to South Australia's relatively small population / economy it may not be a terribly strong comparison anyway. It should be noted that the SA legislation removes other charges and ignores bet-backs. Should the race field levy be removed then an argument could be made for a 15% levy. There is however jurisdictional issues there with the industry controlling the levy. It's hardly unprecedented though for the industry to work with government to sort out funding models. Victoria's proposed 8% tax sounds more realistic.

As stated in an earlier response – a model similar to the old MRRT could be applied. As tax payment varied with profitability it solves the problem of setting too high a tax level – it automatically stabilises with changes in the industry.

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

Pricing is largely controlled by competition and a tax-free threshold (or MRRT style arrangement) encourages new competitors. Whether on-course bookmakers should be included is largely dependent on what the level the tax-free threshold is set. The legal case enabling the race fields levy suggested that exempting on-course bookmakers may be illegal anyway.

It has to be said that \$150000 seems miserly considering it is set before any other tax or cost. Racing NSW has betting records from all on-course bookmakers and would seem to be in the best position to ascertain a fair threshold.

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

The 2015 O'Farrell review of Illegal Offshore Wagering estimated the figure to be in excess of \$400 million. This however only considers Illegal offshore wagering. Certainly my former employer (& I doubt they are Robinson Crusoe) shifted hundreds of millions of dollars of wagering (not to mention quite a few jobs) legally to the Isle of Man in order to minimise tax.

Professional betters operate into negative sum pools and as such profit margins on turnover are very small (relying on high turnover). This makes them very sensitive to changes in price – it is not a matter of reduced profitability, it is a matter of no profitability at all. Professional betters may be small in number but represent a disproportionate percentage of turnover. This turnover shifting offshore not only affects the budget bottom line but also (as stated in the O’Farrell report) offers succour to foreign criminal groups.

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

N/A

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

N/A

**12. Is there a preference for coordinated PoCT collection by a single state or revenue office?**

It would seem self evident but given that all regimes are likely, at least for the foreseeable future, going to be state based and doing their own thing it seems something of a pipe dream.

**Submission – 12**

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

*Yes, so as long as it doesn’t affect racing industry funding, marketplace value for the punter, or stymie competition between wagering operators.*

*Racing is thriving in NSW and that is because of your pro-racing governance, the pleasing and progressive tax parity arrangement you came to with the 3 codes, and the high (and justified) product fees the codes charge. A high and onerous POC tax however will make the market untenable for wagering operators, they simply cannot afford to pay much more than they currently do via product fees and GST - and this is reinforced by evaluating their financial statements. By introducing a POC you also make it harder for the 3 codes to charge more in product fees should the market allow for it. The three codes need all the financial help they can get - they are huge economic drivers, let’s stimulate not stymie them.*

If NSW was to introduce a PoCT:

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

*Firstly, the model adopted unilaterally and with no industry consultation by South Australia should be entirely disregarded. I noted by reading your POC Tax paper that NSW does in fact already have a POC tax but it is only paid by TabCorp. due to their deeply lucrative retail license with you, and that you charge them a 11% POC profit tax on fixed odds betting, and a 19% POC profit tax on tote betting. This therefore highlights that the 15% POC profit based tax introduced by SA is manifestly too high. Why should bookies be charged more than TABCorp. for fixed odds when they don’t have access to the retail market? So it’s clear that the SA model has no credibility or make financial sense.*

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

*This is the most important aspect of this whole debate. A 2% of turnover POC tax model would be a taxation weapon of mass destruction. It would kill Betfair instantly (they would be paying over 100% of their revenue on racing and over 200% of their revenue from sport in product fees and taxes) so they shut up shop which would have a terrible impact on the market and turnover.*

*A turnover model also makes it near impossible for new bookmakers entering the market. They deal with turnover based product fees which mean even if they are losing as they start up and grow their businesses they still have to pay product fees, but at least with a profit based POC tax they would only pay it if they are in fact making money on their books.*

*Starting a bookmaking business in the current environment is near impossible, as a punter I worry about diminishing competition and want to see everything possibly done to help new bookies enter the market.*

*Also, a 2% POC turnover tax would end up being equating to about 17-20% of the larger more established bookies net wagering revenue, so it is untenable at every level.*

*For these reasons a profit based POC tax is the only viable one.*

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

*Yes.*

5. Should a common PoCT rate apply to all wagering types (fixed odds, totalizator, betting exchange etc.)?  
*No. They should all be considered separately. I will elaborate in Q7.*

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

7. What should the PoCT rate/s for NSW be? For which reasons?  
*Fixed odds racing and sport should be set at 5% on profit. This would lead to virtually no increase in market percentage as I believe bookies can absorb this. Anything more than 5% and bookies will pass it on to the punter - and we all know that this is not supposed to be a tax on punters. SportsBet CEO Cormac Barry is on the record saying that bookies will pass a 15% POC profit tax on to punters. TabCorp. should not be exempt from this - they would be up for approximately \$15 million annually and they can afford it. They would still pay their existing 11% POC tax as well. They would however be compensated by a more protected tote market which I outline below.*

*Totalizator bets should be charged at 19% on profit which is the same as what TabCorp pay and TabCorp. would be exempt from this. Allowing bookies to bet tote derivatives is not in the best interests of the industry. Punters (including me) have been the beneficiary of "best tote" betting but tote turnover is declining rapidly and it needs real attention and that starts with as much money as possible being pushed towards the tote to increase its liquidity. Of course the reason the tote is declining is because it offers such poor value in the current marketplace, so TabCorp. and racing jurisdictions need to collaborate and in my opinion get the tote down to a competitive takeout rate of 112%. Betting exchanges should be set at 5% on profit as well. BetFair is the most innovative betting tool in a generation. It should be nurtured and encouraged like all other aspects of business innovation are in NSW.*

8. Should there be a tax-free threshold? If so, at what level? Should oncourse bookmakers be exempt from a PoCT?  
Considering the potential impact of a PoCT on wagering practices and the wagering industry:  
*Every wagering operator should be exempt on the first \$5 million of their net wagering revenue from fixed odds wagers. This would allow and incentivise small boutique online bookmakers to be competitive and relevant in the marketplace and would stoke the competition between bookies that punters desperately want to remain.*

*On course bookies should be entirely exempt from any POC tax. They need all the help they can get. The only point of difference their businesses have from online bookies is personal service and offering better odds. By them not having to pay a POC tax they can offer more attractive odds.*

9. Estimates of the take-up of illegal offshore wagering are uncertain. Stakeholders are encouraged to provide any relevant information or evidence on the sensitivity of punters to changes in odds and shifting to offshore operators.  
*I would worry more about the reinvigoration of the SP bookie marketplace than illegal offshore wagering. With the ban on credit betting, unprecedented levels of taxation, and stringent advertising controls, online bookmaking has become a very tough business. If you introduce a high POC tax it will lead to people taking the risk of SP bookmaking where they are unencumbered by regulation and taxes and all that turnover will be lost to the industry.*

10. What has been the experience of operators in complying with South Australia's PoCT administration procedures?  
*I wouldn't know.*

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

12. Is there a preference for coordinated PoCT collection by a single state or revenue office?  
*It makes sense for it to be collected by one revenue office and then distributed to the the states to make it as seamless and non laborious as possible for bookies.*

## **Submission - 13**

### **1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not?**

Outside of anybody who isn't directly impacted by this tax, it is obvious that the tax is not wanted.

But the political and economic reality is that it will be implemented. I believe that the people and entities that it impacts are content that the tax will be implemented, the argument will just be about its design and potential impact/s.

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

Ideally, the rate and structure will remain constant among all the state governments, with my belief that certain bet types should have a higher tax rate, and others being eliminated. Unfortunately, the precedent set by the Weatherill South Australia government is one that would be of serious harm to competition and the industry, particularly if it was implemented in the high population states VIC & NSW. With a new government now in place in SA, a change to this taxation to allow for better harmonisation amongst the states would be welcome. Because of this, I feel that there should be consistency amongst the states that are yet to finalise their policies, particularly for VIC & NSW.

If there were inconsistencies, some concerns would include:

- The possibility of astute participants having false or misleading addresses or IP addresses to place themselves in lower taxed states.
- Bookmakers being more or less strong with their 'customer profiling' of winning punters.
- Increased operational expenses for bookmakers (particularly in legal, risk & compliance).
- Differing betting products or prices in each state.

If the percentage figure of taxation cannot be harmonised, several elements can be consistent.

Including:

- The turnover figure being high enough that it will exclude on-course bookmakers (for NSW this figure will have to be higher than SA's \$150,000).
- Totalisator can have a tax off-set.
- Lay-off bets are excluded, or has a lower % of taxation.
- Tote derivatives and other non-joint-venture totalisator pools are taxed higher than the fixed odds betting %.

Understanding that a state election is upon us later in the year in VIC, collaboration by the NSW government with both sides of politics would be embraced by all.

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

The taxation, for both consistency and sustainability of the industry, should be based on the net wagering revenue. In horse racing, this will only encourage bookmakers to attempt to sustain or increase revenue, and because of providers in NSW having race field fees being based on turnover, they will be encouraged to increase their risk, which is a major function of a bookmaker.

The major concern that will be expressed by all punters is that if it is based on turnover, Betfair will leave the market. This will be a massive loss to the industry, as it is used as a betting source or reference to the 'market intelligence' on racing and sport by all participants. Although understanding that this would be unlikely to be implemented; if it was, the backlash would be immense. And it would be almost impossible to see another betting exchange starting up in replacement of it.

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

Yes.

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

I personally feel that the NSW government with this taxation has an enormous opportunity to grow the current funding model for the racing industry, specifically its most prominent funding stream the totalisator. I agree that fixed odds and exchange should be on an even keel (which would cover sports betting).

But believe that the government finally has an opportunity to tax tote derivative betting by corporate bookmakers more highly, as an attempt to eliminate betting of them by corporate bookmakers. They are a betting avenue that only non-winning punters get access to, and cause a significant disincentive for recreational punters to wager on the Tabcorp tote. If tote derivatives, and other totalisator products that exist or may exist in the future, are taxed at a higher rate than all other betting products. It will:

- A good opportunity to diminish the turnover and impact of a betting product the industry suffers from.
- Will drive more \$ to existing tote, the major funder of the racing industry.
- Eliminate bookmakers to consider creating their own totalisator products, or collaborative ones such as The Global Tote.

Another policy consideration should be to allow RNSW to potentially trademark the totalisator dividends & prices to the existing JV partner for the duration of the deal (currently Tabcorp) would eliminate tote derivatives altogether.

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

Because a NSW resident is currently on holidays in QLD betting, I believe that it is unreasonable to suggest that the PoCT revenue should not be received by the NSW government. I believe it should be based on the residential address, with the current IP tracking of bookmakers to continue with monitoring if where the bet has been placed. If the account shows that bets have been placed outside of NSW for a significant period of time, then it should be investigated.

Unfortunately, with VPNs and other strategies widely used, it will be a point which will never be perfected. But by having the fixed odds and betting exchange taxed at a lower or same level as the other states, you will not have the problem about having to heavily monitor this, unlike if you had a turnover taxation model. If a turnover taxation model was implemented, it would become common practice for Betfair customers to suggest they are betting from another state so their business on that betting avenue can be continued.

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

It is very difficult to say without having the Treasuries' projections based on the bookmakers most recently released balance sheets. But it needs to be at a level where it is low enough for the ability of corporate bookmakers to still thrive, but high enough to it closer equalise taxation with Tabcorp. Based on the 15% figure that the SA government landed on, somewhere between 5-10% for all fixed odds and exchange betting would be sufficient. The totalisator should be allowed to have a tax offset that they do not pay anymore taxation than they do currently. And tote derivative and other totalisator betting to be taxed double of the fixed odds/exchange figure.

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

Yes. The number would have to be consulted with the Australia Bookmakers Association and NSW Bookmakers' Co-operative Ltd to make sure it is a figure that allows all on-track bookmakers to not be liable for the tax. Ideas for tax breaks from this PoCT for start-up Australian owned and operated corporate bookmakers should be strongly considered also, as competition from these outlets would be welcomed by punters.

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

The Interactive Gaming Act (IGA) amendments passed last year have eliminated much of the ability and temptation for a significant percentage of price sensitive and astute punters to bet offshore. With the amendments now in force, prominent offshore bookmakers are now not receiving bets from Australian customers, or deposits from Australian bank accounts. The only option for these punters is to give their money to an agent (or 'middle-man') who will open an account on their behalf and all deposits/withdrawals are completed through them. It will be a very small percentage of all punters who would be prepared to do this. The reality is, astute winning punters are betting offshore because they have been forced to by corporate bookmakers who will not receive their bets (mainly sport betting). If a minimum bet rule on sports betting for NSW customers (e.g. to lose \$1000 12hrs before the event) was implemented, it will:

- Increases revenue from astute punters who are currently betting abroad. So, they will bet onshore again = more product fees + tax + more POC revenue.
- Bring it in line with current RNSW minimum bets laws.
- Bookies will be angry privately, and will threaten to make worse odds in the short-term, but with consolidation in the marketplace they can't be seen to be too negative. And publicly it would be an embarrassment for a bookmaker to argue against it.

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

Not applicable.

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

Not applicable.

**12. Is there a preference for coordinated PoCT collection by a single state or revenue office?**

Not of real interest. But consistency is always pleasing amongst the state governments (Office of State Revenue).

**Submission – 14**

I'm responding to your invitation to address the issues surrounding the proposal to introduce a point of consumption tax in NSW. I'm a Victorian based punter but this issue has significant flow on effects for wagering right across Australia.

I was alerted to your invitation by a tweet from Richard Irvine (@riracing) in which he posted his very comprehensive response email to the Treasurer, Domenic Perrottet.

Having read Richard's contribution I see no point in adding my own point by point response because I agree with him wholeheartedly and couldn't express myself near as well as he.

However I do wish to add an expression of my great concern about the threat posed to the continued existence of Betfair's exchange in Australia if the proposed tax is applied on turnover rather than profits.

A good deal of damage has already occurred through the introduction of race fields fees based on turnover rather than profits which has resulted in NSW racing being now subject to the highest exchange commission rates in the world.

It concerns me that both government (with all due respect) and industry leaders are not fully aware of the enormity of Betfair's contribution to Australia's wagering markets.

Proceeding with such a tax based on turnover will very significantly affect overall wagering turnover (and public interest) and will fail to provide your (or other States') governments with the revenue outcomes you are seeking.

It is just so very important that you go out of your way to consult with people such as Richard and other participants active in wagering markets to get a full appreciation of the damage which will be done if such a tax is introduced on turnover at the levels being considered.

### **Submission – 15**

I write to you with my views on the POCT consultation from my view point as a long standing " small punter" of over 40 years. I will preface my response by first saying that i am not an educated person so dont have the ability to address the targeted questions point by point, but that i feel i can offer some valuable input because i have lived thru the changes to the wagering landscape over my lifetime of attending racetracks and thru to todays age of betting via phones and tablets.

I came to read the paper thru the work that Richard Irvine has done in promoting discussion of the issue thru various racing forums and in my case thru RacingRant. I think that because of potential enormity of the impact of the proposed changes that a great opportunity for improvement exists. The main opportunity that i see is that of reinvigorating the racetracks via the betting ring.

If the POCT was not applied to on course bookmakers in NSW it would only encourage the flow of money back to the on course betting ring. The glory days of the oncourse bookies appear to be well in the past but this proposed change opens the door to make changes that could really benefit racing, wagering and race clubs. The flow on effect could be fantastic if the rate of the tax and the introduction of it were handled correctly.

I know that on course bookies had a very good time of it and lived very well up until probably the late 90s or early 2000s but from what i see now it is a real struggle for many of them. Governments around Australia spend lots of time telling us about how they want to encourage small business and sole traders but the bookies seem to have been forgotten in this case.

The figure at which the POCT is set is vital and i dont know enough about economics to add anything of any substance to the argument other than to say that it needs to be a figure that means the corporates pay their fair share but that it doesnt become such an imposition that it affects the market % for the average punter and in turn stifles betting turnover. Many of the forums i have listened to and read have suggested that 15% may be too high and that this would really affect the stay at home punter. I think that Government needs to consult with many of the stakeholders when determining the rate and take into account the views of the people who understand the impact that the proposed changes would make.

The other huge opportunity that should be seized upon is the chance to offer the " On Course" tote punters a premium on their dividend by devising a way to change the tote dividends to a "rounding up" figure as opposed to current "rounding down" .

As an example if on course tote bets were paid at a 5% premium on winnings in conjunction with oncourse bookmakers being able to offer a really competitive price to compete with all the offers that the corporate bookies are able to offer just because of the size and scale of their operations then we could be well on the way back to re invigorating racing as a sport that is well attended like it used to be many years ago.

I will explain the proposal re the Tote Dividends as best i can. If a winning bet is placed with the on course tote it would return better dividend than the same bet placed via the web or thru an off course outlet such as a Pub Tab. The money to fund the higher dividend to the on course punter is not "extra money" it is just the money taken in most cases from the rounding down of tote dividends. I am not that wise re the percentages from rounding but i have heard it said that even

though the Tote takeout is say 18 or 19% on win and place it can really be over 20% by the time the dividends are rounded down.

The incentive of better tote dividends and better bookmakers odds being on course could be a huge factor in encouraging punters back to the track. The current trend amongst raceclubs seems to be that there is more money to be made from selling alcohol to young party goers rather than trying to increase their revenues by stimulating wagering turnover but this proposed POCT could be just the tonic to turn things around and get the clubs focussed on generating revenue through wagering which was the whole point of racing in years gone by.

I know I might be dreaming but imagine if all the race clubs around the state could offer the punters better odds through the on course tote and a betting ring that was likely to out compete the corporates in terms of price then any punter big or small would be itching to get back to the track. The Race Clubs would start to grow again and the Government would start seeing increased revenues from the increase in wagering, the on course bookies would have increased revenue which leads to increased turnover tax and we might even see an increase in bookie numbers and the related jobs that go with it.

I also wish to add that the case I make is just my views as a passionate punter. I live in Tasmania and am forced to bet with the corporates because I don't have access to the racetrack anymore without getting on a plane and flying to Melbourne. I don't think the corporates have contributed enough but if governments let them get away with it then it seems to be the corporate culture to take as much as you can and giving back as little as you can.

If NSW and Victoria offer the best racing product in terms of quality and field size and integrity then they rightfully should be entitled to the largest share of revenue because it is their product that generates the revenue.

A POCT is a reasonable proposal but the rate and the implementation of it is just as important as the tax itself. NSW Government has a great opportunity with this proposal to not just sort out the revenue issues but to use the issue to address some of the other parts of Racing that have suffered over the last 15 years through short sightedness on behalf of both Federal and State Governments.

Let's hope that the best outcome is achieved for all the local participants such as punters, bookies, race club staff and those whose hard work keeps the industry going. I have only seen racing through the eyes of dwindling attendances and shrinking betting rings over the last few decades and maybe this issue can be the starting point to re-invigorating the sport.

## **Submission - 16**

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

I believe the answer is no. As it stands the wagering landscape is already at a point of delicate balance and any further taxes risk this. The Australian wagering landscape is the most harshly competitive in the world and operators are fighting tooth and nail for market share. We are not talking a highly profitable industry, and one which is already by some margin one of the most highly taxed (when measured in tax paid per dollar of revenue).

A number of key indicators show just how precarious the current situation is:

- The recent number of consolidations and bookmaker closures over the past 5 years
- A simple look at the financial statements of the current operators, and (anecdotally) this statement encapsulates the current situation well
- 'When the astute global business headed by likes of James Packer (Crownbet) and William Hill make business decisions to write off investments in the Australian wagering market you know it is not a profitable place to be'

As it stands this competition is currently creating a perfect storm whereby the promotion of wagering is actively forced upon the WSP's in order to gain or retain market share. As such turnover on products is currently at or near maximum capacity. Racing and sporting bodies are reaping the benefits of this. However, with any reduction in said competition the WSP spend in this area will be put under immense pressure. It is then the state governments who will be forced to support these bodies should this occur.

The issue of the Northern Territory attracting the vast majority of online WSP's is an unfortunate one. A fault of the lack of foresight many years ago. The answer lies in states being able to attract new, and re-claim operator's operations back within their jurisdictions. If the Victorian, Queensland and NSW governments were able to do this then there would be a far fairer taxation of the wagering dollar according to the distribution of the customer in a natural manner.



Furthermore, a PoC tax makes little sense in how indiscriminate it is. Say, I live in Victoria and bet with a NT based operator primarily on NSW racing there is little entitlement for Victoria to receive any revenue based on my personal activity. The operator pays their due tax based upon their location, NSW racing receives their cut based upon my activity in line with their racefields agreements but what has Victoria (my domiciled location) possibly done to deserve any of my wagering dollar?

As the above example shows, the tax is often in itself inherently unfair. The correct answer is that with an even and fair spread of WSP's across states the correct taxes naturally accrue. The only answer is to fix this issue, any artificial cash grabs will have adverse consequences.

Furthermore, there are other areas of the racing industry which unlike WPS are currently highly profitable. Would it not make sense to introduce taxes upon the breeding and bloodstock industry, whilst measures to entice new or existing wagering operators to take up business in NSW, thus redressing the issue of balance in taxation.

Despite my beliefs, I feel the die has already been cast. If a PoC tax is to be enforced then it must be done so in the most delicate of balances, else the risk of slaughtering the goose that lays the golden eggs is a real risk.

2. If NSW was to introduce a PoCT, which PoCT design elements should be harmonised across jurisdictions, and why?

The detail of this is beyond the scope of my experience and feedback however I do strongly believe that should this be introduced the delicate current position dictates that fairness for individual operators and a need to be sensitive to their business models should absolutely take precedence over simplified models. There isn't much room for error.

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

Any tax must be levied on revenue and not turnover. As you would be aware this is an industry of low profitability. Any WSP has only two levers to fight this- either raise prices or reduce marketing spend, or (not unrealistically) leave the market altogether. Any of these will lead to a long term loss to those who wish to capture taxation revenue or otherwise by weakening the competitive market we currently see. It also virtually bars the introduction of new competition.

As such to tax on turnover would be a disaster for wagering.

Furthermore, operators such as the Betfair Exchange would be taxed out of operation, or forced into raising their fees to levels which become unprofitable. The Betfair model is not one replicated in the operation of any other Australian WSP – any losses of the Betfair product or fees increases would lead to customers either exiting the market or looking to overseas operators (and thus receiving zero). There is no other choice for people such as myself who bet for profit, a group small in number but forming a significant portion of turnover.

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

What impact would this have on the premium paid by Tabcorp for their exclusive retail licence? If this premium is disrupted then the argument for their retail exclusivity is strongly weakened.

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

I would personally exclude both totaliser and betting exchange products. The totaliser is a key funding mechanism for the racing industry, and betting exchanges are very low margin. As previously stated, betting exchanges largely operate in vacuums, their activity is unlikely to be substituted elsewhere (barring overseas exchanges) should their business operation be threatened.

I would think any WSP product derived from the totaliser prices certainly should be taxed at a greater rate given this is a direct substitute for the extra totaliser revenue that would have accrued to the home state (and by extension the state government) should the punter dollar have been wagered there.

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

I can't see how any other accurate appraisal can be made but for the domiciled address of the customer.

Also, what impact would this have on international customers betting through Australian operators on Australian products, ex-pats etc?

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

I don't have access to modelling but given the current high taxation, low profitability and highly competitive landscape it would need to be at an extremely low level. Simply to test the effects this is a must.

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

Yes. It would need to be such that new entrants and on-course operators are given good leeway. I would certainly think that \$150k is far too low? I would think that NSW on-course bookmakers eclipse that by some margin.

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

Any reduction in the competitiveness of pricing or operators such as the Betfair exchange would certainly lead to this.

My own example is a case in point. I bet for profit. No other reason and if through pricing or the removal of the products I wager on takes place I only have two options:

1. Stop betting.
2. Bet where I am still profitable (offshore)

As I stated, people like myself are likely few in numbers but a significant portion of turnover on totaliser, fixed odds and exchange products.

Whilst I don't personally bet through offshore Asia-based products I have seen what their offerings are, their liquidity and capabilities. Furthermore, this is 2018, through the likes of brokers, cryptocurrencies and the likes the barriers to wagering offshore are fast being reduced. The threat is real should Australian wagering products become undesirable or cease to exist.

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

No experience here.

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

The biggest challenge is to avoid negatively affecting the current delicate balance in terms of operators and products. James Packer is leaving the Australian wagering industry, so is William Hill, if I was that was inclined and had the capital why would I possibly want to or be able to start a new WSP? In the state of NSW or elsewhere?

In short, their two main challenges are reducing the profitability of operators to the point of their operation ceasing, or their marketing budget and competitiveness reducing (bad for sports, racing and the punter). These will have long term effects likely to outweigh any benefits provided by the receipt of any tax dollars.

12. Is there a preference for coordinated PoCT collection by a single state or revenue office?

In my opinion, all wagering taxes should be collected by the stat

### **Submission - 17**

1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not? If NSW was to introduce a PoCT:

Yes if other taxation is streamlined and only if on Net results.

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

No matter what jurisdiction or operator the POCT must be

- A. viable for sustainable survival and
- B. encourage greater competition
- C. A flat 10% model + current Race Field Fees would be fair. The Tab with there monopoly and confidential fee structure and lower parity structured fees have a distinct advantage However they are cannibalising the industry's growth moving forward with a recipe of quantity over quality

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

You cant tax on turnover, no other business in the world is taxed like that, Punting dollars are not a natural resource and should never be treated that way. Can and must only be on Net.

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

This should be done in consideration to other external factors and parties. Im all for on ground participants having Greater concessions as they provide a service to the public at a far larger expense than online operators, whether that's at the racetrack, footy field, golf course etc

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

Firstly there are 3 different types of bookmaking services.

1. Tab- they offer a parimutal service where there is no chance for a loss, they also hold a monopoly over various aspects of industry. The current model severely favors their operations. That cant be good for competition or Govt revenue
2. Bookmakers are split into two types, Oncourse and Corporate, whilst they can and do offer similar services they also very different into how they are governed and the Net profits produced
3. Exchange service like Betfair, should be offered incentives not brickwalls in as far as POCT. It clearly provides the superior product with regards to pricing, however the imposition of Race fields tax has meant a raise indirectly to consumer taxes. Add a Poct and the customer pays even more.

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

Ive long believed that this model is back the front. It should be irrelevant where one resides but more importantly on what location the bet was placed in/for. Hence why I believe in Federal resolution to this, with the states getting full access to the distribution of collected funds on a per bet basis. This model also would be a substantial windfall for NSW

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

Studies have clearly shown the highest sustainable tax rate that the wagering industry can bare is \*9% on net. Lets ignore the Tab model for the moment. Id like to see the maximum takeout reduced to 9% for them as well, This strategy has over reaching affects and Would dramatically increase the current declining revenues of the Tab tote business, Plus provide a 25%+ increase in turnover instantly which would provide higher returns to all participants, the govt, wagering company's and punter. Its basic math. Without bookmakers or an exchange, wagering revenues wont migrate back to a Tote it will migrate offshore. Im thinking of leaving if this comes to fruition and set up base, throughout Asia and Hawaii.

The old saying "Less is More" is so apt.

8. Should there be a tax-free threshold? If so, at what level? Should oncourse bookmakers be exempt from a PoCT? Considering the potential impact of a PoCT on wagering practices and the wagering industry:

Yes, taxfree thresholds are required, look at a sliding scale similar to income tax.

No, oncourse bookmaker should pay a POCT but have a higher exempt threshold

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

Competition. FFS takeaway competition and ofcourse a customer is going to move elsewhere to get abetter deal, if that means unregulated overseas bookmakers, so be it. A current market on the tote is approx. 120%, Bookmakers around 112% and Betfair around 107%. Adding further taxes means the disparity of markets shifts from a competitive mind set to a virtual stand off or resignation from offering services in Australia. Equals no revenue to Govt or to fund industry

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

N/a

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

Well I'd like to see this as a Federal issue, with a governing body making national rules which apply to all states. For that reason, it would be an injustice to simply add a PoCT for sake of keeping up with a state like South Australia who can't even manage a reliable power supply. Sure cut your nose off to spite your face.

12. Is there a preference for coordinated PoCT collection by a single state or revenue office?

Eventually yes, under federal taxation laws.

### Submission -18

1. Possibly but it can't be too high otherwise some operators cannot survive.
2. Do not follow SA, theirs is ridiculously high.
3. Can't have a turnover tax. Will force the closure of certain bookmakers and Betfair. No industry without Betfair. Therefore a profit based POC tax is the only sensible option.
4. Yes
5. No.
6. Residential
7. 5% on PROFIT
8. \$5m for fixed odds wagers. No POC for on course bookmakers.
9. Help out on course bookies
10. Don't know
11. Don't know
12. Makes sense for one body to collect

### Submission – 19

- 1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not? If NSW was to introduce a PoCT:**  
Only if absolutely necessary as a last resort. Anything that discourages punters from investing will only cause harm to health of wagering and racing.
- 2. Which PoCT design elements should be harmonised across jurisdictions, and why?**  
Widespread consultation is required before something as significant and potentially damaging as the PoCT is introduced. States should not be unilaterally introducing such policies.
- 3. Should a PoCT be levied on the operator's net wagering revenue (player loss) or on the operator's wagering turnover? Why?**  
A turnover tax can in no way be introduced. A turnover tax would spell the end of Betfair and cause untold damage to the market. You only need to see what happens to the (poorer) odds offered by other bookmakers when Betfair is offline. I suspect even other corporate bookmakers realise how important Betfair is, as they rely so much on Betfair as a price guide.
- 4. Should all forms of wagers (online and terrestrial) be captured by a PoCT at a common tax rate?**  
Yes.
- 5. Should a common PoCT rate apply to all wagering types (fixed odds, totalizator, betting exchange etc.)? Betting exchanges are completely different entities in the way that they operate. Winning customers are charged a small commission of their profit, meaning that Betfair itself only makes a small profit. As stated earlier, the industry relies greatly on Betfair and the introduction of a turnover tax that would put it out of business would cause irrevocable harm. Betfair should be required to pay a % of their profit.**
- 6. Should a customer's location be defined through their usual residential address for the purpose of a PoCT, or should it be based on where the bet was made? How should this be verified and updated?**  
Yes. All bookmaker accounts are address-verified so the work here is already done.
- 7. What should the PoCT rate/s for NSW be? For which reasons?**  
Anything more than 5% would cause significant damage to the wagering industry, so absolutely no more than that. As it stands I already wager significantly less on NSW racing due to the high product fees that NSW require from Betfair and corporate bookmakers. Anything that made these markets any less competitive would virtually spell the end of my betting on NSW racing.

**8. Should there be a tax-free threshold? If so, at what level? Should oncourse bookmakers be exempt from a PoCT? Considering the potential impact of a PoCT on wagering practices and the wagering industry:**

There should be some sort of threshold to protect and encourage smaller bookmakers. The consolidation of the wagering industry only harms the value that punters are able to obtain thereby reducing turnover.

**9. Estimates of the take-up of illegal offshore wagering are uncertain. Stakeholders are encouraged to provide any relevant information or evidence on the sensitivity of punters to changes in odds and shifting to offshore operators.** Punters bet with overseas-based operators because of the value in odds and greater betting limits offered by these firms. The recent legislation banning of Australian punters from using these firms and only made things more difficult for Australian punters. I am yet to hear of a single reason why this ban was brought in and how this benefits anyone at all. I think it is also very important to differentiate between highly reputable global firms such as Pinnacle and SBOBet and some of the genuinely illegal firms that have been known to operate.

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

No idea.

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

Given the potential consequence of a PoCT, I would think most punters would like its implementation to be delayed for as long as humanly possible!

**13. Is there a preference for coordinated PoCT collection by a single state or revenue office?**

14. One single nationwide body would seem best.

**Submission – 20**

Dear Sir/Madam,

I think wagering taxes should be updated. This will allow more 'online' betting companies to base in NSW which will boost the economy.

**Submission - 21**

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

No, I believe the industry is taxed heavily enough. If a PoCT tax is introduced in NSW it will cause the marketplace to shrink in the form of consolidation for some and lack of viability for others. This in turn will create higher percentage, less competitive betting markets which will slowly erode turnover. Very few new players would consider entering such a highly taxed and stringent market.

If NSW was to introduce a PoCT:

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

The 15% tax that South Australia introduced is crazy. Very few operators could afford to pay such a high rate across the board. If introduced a 5% tax would be fair.

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

Net wagering revenue. Bookmakers are already taxed on turnover even though there is no guarantee they are going to make a profit. Another tax on turnover would have an extremely negative impact on the market.

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

Yes

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

Fixed odds and betting exchanges should be on a lower rate than totalizator.

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

Residential address. 100 point ID

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

If introduced I believe it should be no higher than 5% for fixed odds and betting exchanges. Higher market percentages are already the norm in today's marketplace. A further tax increase will do more damage. Due to the stagnant, high percentage markets punters will lose interest and turnover will drop. The recreational punter will no longer be able to re-invest his money at the rate done in the past. Anything higher than 5% will be passed on to the punter. Totalizator betting should be charged at 20%. This form of betting is a guaranteed income stream without major risk.

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

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

Yes, it should be set quite high. Around 3-5 million would be fair. Smaller bookmakers need to be encouraged to continue to trade in a very tough business. New bookmakers also need to be confident enough to consider starting up.

9. Estimates of the take-up of illegal offshore wagering are uncertain. Stakeholders are encouraged to provide any relevant information or evidence on the sensitivity of punters to changes in odds and shifting to offshore operators. Increased rates will cause market percentage to rise which in turn will cause punters to seek an alternative marketplace providing better value. Offshore betting exchanges will flourish.

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

N/A

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

N/A

12. Is there a preference for coordinated PoCT collection by a single state or revenue office?

N/A

## **Submission – 22**

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

ONLY if it assists in the growth of the horse racing industry as opposed to 'takes away' from the current funding model. Perhaps a better option is to work with bookmakers across the country as business partners to ensure that the tax doesn't not kill them or the industry.

South Australia is one of the weakest racing jurisdictions in the country so to 'follow the lead' of their state govt would be an embarrassment for NSW. When the TAB was privatised the (racing) funding model severely changed with the TAB now putting their shareholders first – plus the corporate bookmakers were brought in the wrong way (NT shortcut).

What racing needs is a 'reset' to ensure that everyone pays fairly and lumping a PoC Tax without understanding how it affects each stake holder would be silly.

If NSW was to introduce a PoCT:

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

Industry consultation is key which is exactly what did not happen in South Australia. Understanding the relationship between Racing NSW and TAB is a key element – a preposterous 100 year arrangement was agreed upon which in the modern age of business makes zero sense so be careful when chatting to RNSW as they will be very PRO TAB which may not be what is best for you or the industry.

I say this because the corporate bookmaker's now play just as an important role to grow the industry and offer product plus they have been shut out of the retail market. The TAB have been poor at promoting racing wagering product. We need a different set of rules for each Wagering Service Provider so they are all contributing fairly.

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

It can't be based on turnover because so many punters are low margin players these days. A lot of big / important players operate on a profit on turnover of say (around 2% - 5%). What we want to do is encourage these players to stay in Australian horse racing and bet.

If a PoC is brought in and the bookies lose their margin they will drive punters away by increasing odds, restricting bets (further) and generally making the product weaker. What you want to do is come up with a TAX that encourages everyone to work together and to thrive. A quick TAX grab could actually take money away from you in the long term if the industry should die. Modern bookmaking is sadly a marginal game and you need to get in there and understand it.

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

Yes.

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

No. Each product has a separate margin built into it and attractiveness. For example the betting exchange plays a hugely important role in driving competition. For example – right now when I look at all the bookies in Australia (11.49am Thursday 29/3) most bookmakers (including the TAB) are betting around 135% on their board eg 35% margin against the punter. Betfair the betting exchange will drive them down to around 117% closer to jump time.

Secondly – corporate bookmakers and the TAB restrict the bet size of a lot of punters (they don't want you to win from them) so Betfair is the place punters can go with no set limits. Once a punter has got as much on as he is allowed to the rest of his money (if he still wants to bet) goes to Betfair – that money would otherwise be lost to the industry. We need to protect betfair so a POC tax on them needs to be carefully considered.

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

Yes. Tapping into the bookmakers identify process would assist.

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

I have spoken to bookmakers and I believe 5% on profit is something they are comfortable with. Otherwise you could go directly to some of the major bookmakers and have them change from a Northern Territory License to a NSW Betting License should your terms be better than what they currently are.

TOTE betting is interesting. The TAB has to pay 19% profit I believe yet the corporate bookies are allowed to use a product called "best tote" and only pay a fraction of this. Obviously there is a smaller margin in best tote so 19% would be too high but it's a massive chasm the industry has allowed to creep in as the totes originally were there to fund the industry.

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

Yes – small bookmakers providing a niche service should be looked after. Say a threshold of \$4 million or less.

Same for on course bookies. The industry has allowed mum and dad (recreational) punters to stay at home and bet leaving on-course punters to take on pro punters which is unfair. They provide a great service to patrons on course and should be exempt. In fact they should have some advantage over online bookmakers to ensure the art of bookmaking stays alive and adds to on course experience.

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

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

From what I understand its quite hard to set up an overseas (illegal offshore) account plus various security concerns. You are only talking about a few handful of people who could take their business offshore.

The major concern would be for the bets still to be placed but with friends, mates etc or the old SP bookmaker might become popular again.

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

Not sure but anything that has happened in South Australia should be ignored.

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

Not sure.

12. Is there a preference for coordinated PoCT collection by a single state or revenue office?

Up to you. One body makes sense to me.

### **Submission – 23**

This tax would likely hurt the Racing industry which is a big employer.

It will take a lot of money out of the wagering pool which flows back to the racing industry. Punters, bookmakers and most importantly the betfair exchange would have a hard time staying in the industry. So less supply and demand will equate a smaller pool of money to be taxed. Less money for the industry

As an alternative to destroying racing can I suggest taxing Poker Machine profits. They cause so much harm in the community.

### **Submission – 24**

#### ***1. Should NSW introduce a PoCT on wagering? If so, why? If not, why not?***

In my view NSW racing is a currently an attractive product for wagering, including for those residing outside NSW, such as myself; it is a vibrant marketplace where wagering operator competition sees value for the punter through choice.

Funding structures for NSW racing has also resulted in an attractive commercial product, independent of wagering.

While I fully understand the desire for a PoCT from a NSW Treasury perspective and agree with it in principle, I believe that if it were to be introduced to a level that had any significant disruption to the current marketplace and structures, it would be detrimental to NSW racing and ultimately the state of NSW. Wagering operators currently pay product fees and GST; an onerous PoCT would result in many operators' business model to become untenable; those that remain would be obliged to pass on the tax to the wagering customer. This can be evidenced through a detailed review of wagering operator financial statements.

The flow-on effects from the changed wagering landscape would see a less vibrant marketplace and ultimately see wagering customers seek alternate avenues to spend their wagering dollar; there will be cases of the wagering dollar being lost altogether. A significant PoCT introduced in NSW would likely have a disproportionately high impact on the NSW racing market relative to other market choices (wagering and non-wagering); this includes alternate jurisdictions. From a personal perspective, I would likely allocate less turnover to NSW racing and re-allocate to more accommodating jurisdictions and marketplaces.

This would also potentially impact funding to NSW racing negatively through a decrease in product fees; this results in a less commercially attractive product that is currently seen as a market leader both domestically and internationally.

A PoCT should be introduced that strikes the balance between providing adequate funding to the state of NSW, while ensuring that NSW racing remains an attractive product from both a wagering and commercial perspective.

***If NSW was to introduce a PoCT:***

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



Ultimately, PoCT design elements should be harmonised to allow all jurisdictions to flourish; the racing landscape in Australia is such that jurisdictions are somewhat co-dependent; the relative health of each individual jurisdiction and the harmonious relationship with other jurisdictions will only impact positively on all involved.

Elements should be introduced with careful consideration of all potential effects to stakeholders. This is contrast to the model adopted by South Australia, which was introduced with little to no consultation with relevant parties and will likely see racing in that jurisdiction impacted negatively through dynamics outlined above in 'Question (1)'; this will also be to the detriment of the state of South Australia.

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

A PoCT levied on the operator's wagering turnover would be incredibly detrimental to NSW racing and the ultimately the state of NSW. Specifically, this would result in the business model of the only exchange (Betfair) in Australia to become untenable, as evidenced through extrapolating data given in financial statements.

Betfair is one of the most important elements of the wagering landscape; it provides significant liquidity and intelligence to all wagering participants; it connects all wagering participants and any disruption to current operations would see significant negative flow-on effects similar to the dynamics described in response to 'Question (1)'.

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

Yes, I believe there is no valid reason why there should not be a consistent PoCT across for both forms of wagers.

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

The PoCT should apply separately to all wagering types; they should be applied at levels that see all wagering types flourish. This should be done with consideration all potential effects and in detailed consultation with stakeholders.

A key point being that the dynamics and health of exchanges (Betfair) offer the greatest relative benefit to all wagering participants and is the tool that sees most positive flow-on effects to the industry in general; this includes attracting new participants to the racing; any PoCT implementation should take special note of ensuring the health of this wagering type.

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

I don't see this as an especially important point; residential address, verified through ID checks seems to make the most sense.

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

In the context of the current landscape, I believe the PoCT rate for fixed odds should be between 3-5% on net wagering revenue; when analysing financial statements this is the level where minimal, if any, of the tax would be passed on to the wagering customer and would cause little disruption to the marketplace; A PoCT any higher than this would see negative flow-on effects as described in 'Question (1)'.

This rate should also be applied to exchanges (Betfair) for reasons outlined in 'Question (1)' and 'Question (5)'.

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

There should be a tax-free threshold in place; it would make sense given financials to set this at the first \$5-10 million of net wagering revenue for fixed odds wagers; this would see lower barriers of entry for new wagering operators and a more accommodating structure for smaller operators; the landscape would see enhanced competition relative to no threshold, which would only be healthy for the marketplace and industry as a whole.

Oncourse bookmakers should be exempt from the PoCT. The advance of online wagering has seen the oncourse bookmaker model become almost untenable in its current form. I believe the oncourse bookmaker has an important role to play in the overall health of the racing industry; the enjoyment of the oncourse experience being the most important aspect. Conditions need to more accommodating than they are currently; a PoCT would only make conditions worse.

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

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

As a punter and having spent significant time in the company of fellow punters, the sensitivity to changes in odds is extremely high. The current landscape strikes a balance such that punters are incentivised to continue wagering with licensed onshore operators given market odds; the potential negative consequences of wagering with an offshore operator or SP bookmaker outweigh the potentially improved odds.

Although difficult to quantify, evidence suggests the point at which this is not the case is not far off. 1-2% difference in profit is significant to punters and given the competitiveness of the current marketplace can result in a vastly different personal situation. It does not take much for the positive consequences of better odds from offshore and SP bookmakers to outweigh the negative. Speaking to many fellow punters validates this point of view.

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

This question is not relevant to my situation.

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

This question is not relevant to my situation either.

**12. Is there a preference for coordinated PoCT collection by a single state or revenue office?**

I haven't given this much thought and question is not really relevant to my situation.