Note on remote gambling revenue and tax (remote gaming duty and general betting duty on remote betting) provided by Jenny Williams

Over the past decade online revenue (broadly gross gambling yield or profit ie gross income from players less prizes paid out) has grown by just over CAGR 21%. Overall gambling revenue has grown at 6.8% CAGR, slightly faster than household income which has grown by around 3% or roughly at the rate of inflation.

The growth in remote is therefore partly driven by channel shift away from land based to remote (and within remote towards mobile and to in play betting). More specifically with the overall growth rate of around 4.7% pa for betting in total, remote betting has been growing at 15-20% pa and now accounts for 55% of the total - this trend is seen in other consumer areas eg retail where remote is growing at 20%pa and accounts for 16% of retail spend (ONS).

Online casino gaming (excluding poker) and bingo accounts for around 56% of total remote revenue with growth over the past decade of CAGR 20% – poker now accounts for around 2% (nearly £100m), rather less than a couple of years ago when poker was more popular than now.

It is unlikely given the maturity of the UK online betting market that growth will continue at quite the same rate as the scope for channel shift is far less than it was. However Q1 results this year suggest strong remote growth may continue albeit it may be nearer 10 than 20% pa.

Tax revenue from remote gaming duty for 2015 calendar year was around £550m and nearly £660 in 2016. It is forecast to be around £750m for 2017 when the additional tax on free bets and bonuses kicks in on top of continued revenue growth. This is split between £290m from remote betting and £460m from remote gaming.

In addition licensed gambling operators' licence fees (application and annual fees) cover all of the Gambling Commission costs of regulation – approximately £19m (excl the costs of regulating the National Lottery). There is provision for a statutory levy for contributions for research, prevention and treatment in relation to gambling harm minimisation but to date the Government has preferred to rely on a voluntary scheme which now raises about £9m

The **attached** tables provided by Regulus, an authoritative British gambling industry consultancy, analyse the British gambling market revenue and tax by product and channel.

Notes

1: Sources Regulus Partners, Office of National Statistics and Gambling Commission published industry statistics

2: Remote gaming duty or general betting duty as applicable is payable at 15% on gross gaming yield (GGY) from players in Great Britain –which is stakes less prizes or commission /rake taken by operators out of players stakes or entry ticket prices on peer to peer games such as poker and bingo. From last quarter 2017 bonuses and other free play rewards provided by gaming operators will be treated as 'revenue' for tax purposes when used to play and taxed at 15% as are free bets provided by betting operators at present.

3: CAGR is composite annual growth rate (the measure commonly used to smooth out short term volatility)

GB sector vs tax

		£m GGY									
	GC Industy stats, RP estimates	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**CAGR**
	Betting	1839.8	1512.3	1481.6	1424.8	1472.3	1452.2	1425.5	1417.8	1433.9	-3.1%
LBO	Machines	1028.2	1155.0	1276.2	1420.7	1525.4	1563.8	1656.7	1731.7	1791.8	7.2%
	Total LBO	**2868.0**	**2667.2**	**2757.8**	**2845.4**	**2997.7**	**3016.0**	**3082.2**	**3149.5**	**3225.6**	**1.5%**
	Table	584.0	550.3	562.6	609.7	675.9	787.9	841.9	696.0	777.4	3.6%
Casino	Electronic	101.0	99.3	105.1	117.8	129.0	134.8	140.3	154.0	164.1	6.3%
	Machines	102.0	112.8	118.2	126.5	134.4	151.0	165.3	188.6	200.5	8.8%
	Total Casino	**787.0**	**762.4**	**785.9**	**854.0**	**939.3**	**1073.7**	**1147.4**	**1038.6**	**1142.0**	**4.8%**
	Bingo	490.0	435.8	405.5	411.9	410.4	386.1	370.1	373.4	372.6	-3.4%
Bingo	Machines	215.0	210.4	220.5	255.0	285.5	294.2	301.4	310.7	311.3	4.7%
	Total Bingo	**705.0**	**646.2**	**626.0**	**666.9**	**695.8**	**680.3**	**671.5**	**684.1**	**683.9**	**-0.4%**
Arcade	Machines	485.0	462.1	408.0	383.8	364.3	374.0	384.0	403.5	411.8	-2.0%
	Total Arcade	**485.0**	**462.1**	**408.0**	**383.8**	**364.3**	**374.0**	**384.0**	**403.5**	**411.8**	**-2.0%**
	Betting - telephone	119.8	90.8	93.9	72.9	67.0	61.8	60.8	54.7	44.4	-11.7%
Remote	Betting - online	351.7	404.4	517.7	647.1	831.5	956.2	1129.2	1380.3	1735.6	22.1%
	Gaming	516.1	661.6	848.2	1060.3	1293.1	1557.9	1832.8	2132.4	2488.7	21.7%
	Total Remote	**867.7**	**1066.1**	**1365.9**	**1707.4**	**2124.5**	**2514.1**	**2962.1**	**3512.7**	**4224.3**	**21.9%**
Grand	**Total**	**5712.7**	**5603.9**	**5943.5**	**6457.5**	**7121.6**	**7658.0**	**8247.1**	**8788.4**	**9687.5**	**6.8%**
Product	***Betting***	*2191.5*	*1916.7*	*1999.2*	*2071.8*	*2303.7*	*2408.4*	*2554.7*	*2798.1*	*3169.5*	*4.7%*
	Gaming	*3521.2*	*3687.2*	*3944.3*	*4385.6*	*4817.8*	*5249.6*	*5692.4*	*5990.3*	*6518.1*	*8.0%*
	Landbased	*4845.0*	*4537.9*	*4577.6*	*4750.1*	*4997.1*	*5144.0*	*5285.1*	*5275.7*	*5463.3*	*1.5%*
Channel	***Remote***	*867.7*	*1066.1*	*1365.9*	*1707.4*	*2124.5*	*2514.1*	*2962.1*	*3512.7*	*4224.3*	*21.9%*
	Proportion remote	*15%*	*19%*	*23%*	*26%*	*30%*	*33%*	*36%*	*40%*	*44%*	

Theoretical duty (HMRC data, RP estimates)

	GBD	276.0	226.8	222.2	213.7	220.8	217.8	213.8	212.7	215.1	-3.1%
LBO	AMLD / VAT; MGD	195.3	207.9	227.4	250.6	266.4	312.8	331.3	411.3	447.9	10.9%
	Total	**471.3**	**434.7**	**449.7**	**464.3**	**487.3**	**530.6**	**545.2**	**623.9**	**663.0**	**4.4%**
	Blended rate	16.4%	16.3%	16.3%	16.3%	16.3%	17.6%	17.7%	19.8%	20.6%	

GB sector vs tax

Casino	Gaming Duty	171.3	155.9	160.2	181.9	233.4	286.0	314.3	229.5	282.5	6.5%
	AMLD / VAT; MGD	17.3	19.2	20.1	21.5	22.8	30.2	33.1	37.7	40.1	11.0%
	Total	**188.6**	**175.1**	**180.3**	**203.4**	**256.3**	**316.2**	**347.3**	**267.2**	**322.5**	**6.9%**
	Blended rate	24.0%	23.0%	22.9%	23.8%	27.3%	29.5%	30.3%	25.7%	28.2%	
Bingo	Bingo Duty	102.9	88.3	83.1	82.4	82.1	77.0	55.0	37.3	38.2	-11.6%
	AMLD / VAT; MGD	25.8	25.1	26.0	33.6	43.2	55.7	57.0	59.1	54.4	9.8%
	Total	**128.7**	**113.4**	**109.2**	**116.0**	**125.3**	**132.7**	**112.0**	**96.4**	**92.7**	**-4.0%**
	Blended rate	18.3%	17.5%	17.4%	17.4%	18.0%	19.5%	16.7%	14.1%	13.6%	
Arcade	AMLD / VAT; MGD	55.8	52.7	46.3	48.1	50.5	61.2	64.0	68.0	69.8	2.8%
	Total	**55.8**	**52.7**	**46.3**	**48.1**	**50.5**	**61.2**	**64.0**	**68.0**	**69.8**	**2.8%**
	Blended rate	11.5%	11.4%	11.4%	12.5%	13.9%	16.4%	16.7%	16.9%	17.0%	
Remote (POC only)	GBD								229.7	285.2	24.1%
	RDG								319.9	373.3	16.7%
	Total								**549.6**	**658.5**	**19.8%**
	Blended rate								15.6%	15.6%	

Notes

1 GGY gross gambling yeild, stakes and commission/rake taken from players' stakes or participation fees for peer to peer games such as poker or bingo less prizes paid out

2 LBO licensed betting office

3 Sources: Office of National Statistics; Gambling Commission industry statistics; Regulus Partners

4 Blended tax rate: remote gambling is taxed at 15% on GGY (gross gambling yeild) but the blended rate is higher because free bets provided by the operator are also taxed at 15% as will bonuses provided on bingo and casino games from later 2017

GB betting by product & channel

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR	2005 mix	2016 mix
	Horseracing	999	968	989	979	787	721	683	691	684	651	609	600	-4.5%	58%	42%
	Football	172	270	203	294	173	244	244	278	255	272	318	333	6.2%	10%	23%
LBOs	**Greyhounds**	379	380	374	358	286	266	247	238	236	225	212	206	-5.4%	22%	14%
	Other betting	65	68	164	94	157	141	138	151	162	161	164	183	9.8%	4%	13%
	Virtual	107	111	114	114	109	110	113	114	116	117	115	112	0.5%	6%	8%
	Total	**1722**	**1797**	**1844**	**1840**	**1512**	**1482**	**1425**	**1472**	**1452**	**1425**	**1418**	**1434**	**-1.7%**		
	Horseracing	122	134	122	96	73	75	58	54	49	49	44	35	-10.7%	80.0%	78.9%
Telephone	**Football**	18	20	18	14	11	11	9	8	7	7	6	5	-10.5%	12.0%	12.2%
	Other betting	12	13	12	10	7	8	6	5	5	5	4	4	-9.7%	8.0%	9.0%
	Total	**153**	**168**	**152**	**120**	**91**	**94**	**73**	**67**	**62**	**61**	**55**	**44**	**-10.6%**		
	Horseracing	151	157	162	167	174	188	230	287	320	358	393	400	9.3%	60.2%	26.3%
	Football	50	70	88	109	137	191	258	367	440	528	592	722	27.5%	20.0%	47.5%
Remote	**Tennis**	8	10	12	16	20	30	47	66	90	114	137	157	31.1%	3.2%	10.3%
	Greyhounds	14	15	16	18	19	20	23	26	30	32	34	36	8.9%	5.6%	2.4%
	Other betting	28	36	30	42	35	69	48	85	122	137	161	193	19.3%	11.1%	12.7%
	Total	**251**	**288**	**308**	**352**	**385**	**499**	**606**	**831**	**1003**	**1169**	**1317**	**1521**	**17.8%**		
	LBOs	999	968	989	979	787	721	683	691	684	651	609	600	-4.5%	78.5%	58.0%
Horseracing	**Telehone**	122	134	122	96	73	75	58	54	49	49	44	35	-10.7%	9.6%	3.4%
	Remote	151	157	162	167	174	188	230	287	320	358	393	400	9.3%	11.9%	38.6%
	Total	**1272**	**1260**	**1273**	**1242**	**1034**	**984**	**971**	**1032**	**1053**	**1058**	**1047**	**1035**	**-1.9%**		

GB betting by product & channel

Football	**LBOs**	172	270	203	294	173	244	244	278	255	272	318	333	6.2%	71.6%	31.4%
	Telehone	18	20	18	14	11	11	9	8	7	7	6	5	-10.5%	7.6%	0.5%
	Remote	50	70	88	109	137	191	258	367	440	528	592	722	27.5%	20.8%	68.1%
	Total	**240**	**360**	**309**	**418**	**320**	**447**	**511**	**653**	**703**	**807**	**916**	**1060**	**14.4%**		
Total	**LBOs**	1722	1797	1844	1840	1512	1482	1425	1472	1452	1425	1418	1434	-1.7%	81.0%	44.6%
	Telehone	153	168	152	120	91	94	73	67	62	61	55	44	-10.6%	7.2%	1.4%
	Remote	251	288	308	352	385	499	606	831	1003	1169	1380	1736	19.2%	11.8%	54.0%
	Total	**2125**	**2253**	**2305**	**2312**	**1988**	**2074**	**2104**	**2371**	**2517**	**2655**	**2853**	**3214**	**3.8%**	100.0%	100.0%
	Football in-play	8	13	20	33	54	98	159	238	299	367	419	521	47.0%		
	% remote football	15%	18%	23%	30%	40%	51%	62%	65%	68%	69%	71%	72%			
	% total market	0.4%	0.6%	0.9%	1.4%	2.7%	4.7%	7.6%	10.0%	11.9%	13.8%	14.7%	16.2%			
	Market minus in-play	2118	2240	2285	2278	1934	1976	1945	2133	2218	2289	2434	2693	2.2%		