

Victorian InterChurch Gambling Taskforce

Supplementary Submission to Inquiry into the prevalence of Interactive and online gambling in Australia and gambling advertising

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The Victorian InterChurch Gambling Taskforce welcomes this opportunity to make a supplementary submission to the Joint Select Committee on Gambling Reform inquiry into the prevalence of Interactive and online gambling in Australia and gambling advertising.

The supplementary submission will focus on advertising by online wagering providers and additional information on the location of online gambling providers in secrecy jurisdictions that facilitate tax avoidance and undermine probity safeguards.

The Taskforce notes the *The Australian* on 14 July indicated the reporter was able to open an account with offshore betting exchange Betdaq, with minimal proof of identity online. The reporter was able to bet on race meetings in Victoria, NSW and Queensland as well as on the AFL and NRL.¹ The next day Betdaq ceased operating on Australian racing and most Australian sports.²

On 16 July *The Australian* reported they were able to set up an account with Bet365, which wagers without the appropriate licences on AFL and NRL fixtures as well as other Australian sport. Bet365 also illegally offers online gambling to Australian citizens and has been doing so since at least 2001.³

Advertising by Online Wagering Providers at Sporting Events

The Taskforce has been concerned for sometime about the growth in advertising related to betting on sport. Watching sport is a popular Australian pastime and we acknowledge that people will occasionally want to have a bet on a game. However the ubiquitous advertising has seen a push for betting on sport to become 'the norm' rather than an 'occasional' activity. The sport of horse racing has obviously always been synonymous with betting, but there is no doubt that popular sports such as AFL, rugby and cricket have been 'hijacked' by betting agencies.

The Taskforce recommends that advertising for gambling should be more strictly regulated in line with cigarette or alcohol advertising as potentially harmful products. Some of the latest advertising campaigns are explicitly promoting the notion that ordinary (non betting) fans are not really involved in the game if they are not putting their money on the line. This sort of encouragement sends a terrible message to young impressionable adolescents questioning their commitment to a team.

¹ Patrick Smith, "Rogue agency exposes bet loophole", *The Australian*, 14 July 2011.

² Patrick Smith, "All bets are off as online agency stops operating on Australian racing", *The Australian*, 15 July 2011.

³ Patrick Smith, "Lack of resources costs \$1m in fines", *The Australian*, 16 July 2011.

The Taskforce has publicly expressed the view that all gambling advertising should be banned before 9:30pm.

Of particular concern for the taskforce is:

- Odds being flashed up on scoreboards at games
- Odds being quoted and promoted by commentators during and after games on television and radio.
- Odds being telecast on Friday news bulletins
- Odds being promoted to help with 'tipping' on online sport tipping sites and sporting variety programs.
- AFL clubs promoting their 'own brand' betting agencies.

The Taskforce notes that the AFL has signed a deal for all games to be telecast live. The Committee may want to investigate the impact that live sport telecasts will have on betting trends.

Tax Avoidance and the Offshore World of Online Gambling

The Taskforce remains concerned online gambling providers are increasing setting themselves up in secrecy jurisdictions, where they are able to engage in tax avoidance and are able to escape even basic probity checks.

For example, Betfair in the UK was reported to be seeking to engage in tax avoidance by moving to operate under a Gibraltar licence. This would allow it to avoid paying the 15% UK tax on gross betting profits.⁴ Gibraltar ranks joint 46th on the Financial Secrecy Index. The move would allow Betfair to avoid having to pay an estimated £18.5 million a year in tax to the UK. However, the staff of Betfair would remain in the UK.

UK bookmakers Ladbrokes and William Hill have located some of their online operations in Gibraltar.⁵

Full Tilt Poker, the world's second-largest poker site, employs about 600 people in the secrecy jurisdiction of Ireland, ranked 6th on the Financial Secrecy Index, and is regulated in Alderney in the Channel Islands. It was one of only a handful of sites that continued to accept gamblers from the US after the introduction of the US legislation in 2006 making it illegal for payment processors to transfer funds from US residents to offshore gambling sites.⁶ Full Tilt, Pokerstars and Absolute Poker have been accused of using hundreds of bogus online retail websites and corrupt banks to deceive US authorities into believing payments taken from US residents were for goods and services other than poker. In the indictment, filed in April, the FBI and the US Department of Justice are seeking the recovery of at least US\$7.5 billion and have moved to freeze dozens of bank accounts in the secrecy jurisdictions of Switzerland, Cyprus, Andorra and Luxembourg. Alderney has suspended Full Tilt Poker.

Betdaq also operates out of the secrecy jurisdiction of Ireland.

The Tatt's Group has four subsidiaries in Malta connected to their online gambling business, CZ Holdings Limited, Cyberslotz Services Malta Limited, CZ Back Office Limited and CZ Trading Limited. Malta ranks 21st on the Financial Secrecy Index.

Actions by other Governments

The growing evidence from other jurisdictions that have attempted to allow for regulated online gambling is they struggle to stop tax evasion and tax avoidance related to online gambling and are under constant pressure to further liberalise online gambling. As online gambling is liberalised more money is lost in gambling, with greater levels of problem gambling and more tax revenue lost offshore.

⁴ Alex Hawkes, 'Betfair to use Gibraltar gambling licence', Guaridan.co.uk, 8 March 2011.

⁵ Alex Hawkes, 'Betfair to use Gibraltar gambling licence', Guaridan.co.uk, 8 March 2011.

⁶ Simon Bowers, 'Web gambling faces reform after UK players are frozen out', Guardian.co.uk, 10 July 2011.

Since making our submission in June, media reports indicate that the UK are making changes to their regulation of online casinos. The new laws will force companies that access the UK online market to apply for a UK license through the UK Gambling Commission.⁷ The new system is reported to have similarities to online casino licensing laws in Italy and France, countries that require domestic licenses and do not allow companies to operate in their markets with off-shore licensing. This action is reported to partly be in response to the lower taxes paid by off-shore online casinos operating out of secrecy jurisdictions. John Penrose, Minister for Tourism and Heritage has been quoted as stating that off-shore online gambling providers have an advantage over UK providers as they pay less in regulation costs.

Germany is also attempting to tighten up regulation of online gambling providers and meeting with strong industry resistance.⁸ Germany is seeking to require online gambling providers to have to pay a 16.67% tax on all stakes and to limit the number of licenses for providers. Germany had suffered an adverse ruling by the EU Court of Justice in September 2010, against Germany only allowing state-owned companies to offer sports betting. However, on 1 June 2011 Germany's top administrative court ruled that Germany's restrictions on online gambling were constitutional and in line with EU law.

The Greek Government has moved to try and address losses in tax evasion through online gambling.⁹ Online gambling in Greece is estimated to generate five billion euros of revenue. The lost tax revenue through online gambling has been estimated to be up to two billion euros.¹⁰ Greece is also attempting to resist the European Commission by not liberalising its online gambling policy. The Greek Parliament is reported to have passed legislation to protect Greek companies and give a strong advantage to the Greek state owned gambling monopoly.¹¹ The law aims to legalise online gambling and seeks to impose a 30% tax rate on gross profits by online gambling companies. Betfair is reported to have filed a complaint against the new Greek law with the European Commission.

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⁷ Tina Paterson, 'United Kingdom Looks to Change Online Gambling Laws', <http://www.casino.com/news/online-casino-news/>, 21 July 2011 and Deborah McGurran, 'Suffolk MP prompts crackdown on offshore betting on horse racing', BBC News, <http://www.bbc.co.uk/news/uk-england-14188125?print=true>, 18 July 2011.

⁸ Aoife White, 'Germany's Draft Gambling Rules Need to Be Changed, EU Says', Bloomberg, <http://www.bloomberg.com/news/>, 18 July 2011.

⁹ 'Greece names anti-terror cop to run tax evasion crackdown', The Sydney Morning Herald, 3 May 2011.

¹⁰ Patricia C. Senior, 'Online Gamblers Targeted for Tax Evasion', <http://www.casinoscamsreport.com/>, 3 August 2011.

¹¹ 'Greek Parliament Approves New Online Gambling Legislation', <http://www.onlinecasinoadvice.com/news/>, 5 August 2011.