THE COALITION OF MAJOR PROFESSIONAL AND PARTICIPATION SPORTS INCORPORATED

POINT OF CONSUMPTION TAX

SUBMISSION TO THE NSW DEPARTMENT OF TREASURY

29 MARCH 2018
INTRODUCTION

COMPPS consists of the following organisations (the Sports):

- Australian Football League (AFL);
- Cricket Australia (CA);
- Football Federation Australia (FFA);
- Netball Australia (NA);
- National Rugby League (NRL);
- Rugby Australia (RA); and
- Tennis Australia (TA).

The Sports play a huge role in developing, promoting and presenting sport in Australia from the grass roots through to the international level. They are not-for-profit bodies and are responsible for the long-term development and sustainability of their sports.

Each of these organisations is the governing body and custodian of a major professional sport in Australia. They are mass participation sports - between them, they have more than 9 million participants and 16,000 clubs.

COMPPS members provide a wide range of public benefits through a self-funding business model. A large portion of the revenue of COMPPS members is devoted to enhancing, promoting and developing sport for all Australians both at national and ‘grassroots’ level.

BACKGROUND – POINT OF CONSUMPTION TAX

The COMPPS members welcome the opportunity to make a submission to this review.

In 2016, the Sports opposed the South Australian Government’s decision to introduce a Point of Consumption Tax.
On 26 October 2016, the CEOs of the Sports wrote to the Honourable Michael Baird MP, then Premier of New South Wales, as follows:

"26 October 2016

Hon. Michael Baird, MP
Premier
Government of New South Wales
GPO Box 5341
Sydney NSW 2001

via email and post manly@parliament.nsw.gov.au

Dear Premier

Re: Place of Consumption Tax

We are the Chief Executives of the seven major professional sports in Australia. Between our sports we have 8.95 million participants and 16,000 clubs.

We write to express our strong opposition to the Place of Consumption Tax (POC Tax) that is currently before the SA Parliament. We urge your government to oppose any suggestion of the introduction of a similar tax in New South Wales.

Premier, please be in no doubt that our primary area of concern in relation to sports-betting is the integrity of our sports.

Betting on sport is a reality, it is legal and it is popular. The sports were not consulted when sports-betting was first introduced by the States and Territories but we now accept it as part of the society in which we operate. We believe that we have succeeded in creating a strong integrity framework around our sports by co-operating with police forces, regulators and wagering operators.

We have consistently opposed measures that increase the volume of betting which takes place with illegal, offshore operators. We are working with the Federal Government to implement the recommendations of the recent O'Farrell Report into Illegal Offshore Wagering. We seek to have as much betting as possible conducted with wagering operators that are licensed with Australian regulators and with whom we have integrity agreements that enable us to work together to minimise the risk of corrupt practice. When bets are placed offshore, we have an integrity “blind-spot” as we have no way of tracking the bet.

We believe that if the SA POC Tax is introduced, licensed Australian wagering operators will pass the impost on to customers through lower odds. This is likely to increase the appeal of the illegal offshore wagering market that has lower overheads and will not be caught by the proposed POC Tax.

It follows that the SA’s POC Tax will exacerbate the integrity “blind-spot” with further wagering activity taking place offshore.

COMPPS Submission – Point of Consumption Tax – 29 March 2018
We are determined to protect and improve the integrity of Australian sport. The proposed POC Tax is a step in the wrong direction and works against the commitment that governments, sports and other stakeholders have to protecting the integrity of sport and disrupting illegal offshore wagering.

Each of our sports is constituted as a not-for-profit entity, meaning that any money received from wagering activity conducted on our sports is invested back into our sports, including funds that support important measures to protect and improve the integrity of our sports. No money flows to outside shareholders or is provided as a profit to any entity. Naturally we are opposed to measures that could reduce revenue for our sports and thereby have a negative impact on our ability to continue the current levels of investment back into the growth of our sports.

Premier, we respectfully ask you to oppose any suggestion that a tax similar to the SA POC tax be introduced in New South Wales.

Yours sincerely

Gillon McLachlan  
Chief Executive Officer  
Australian Football League

Bill Pulver  
Chief Executive Officer  
Australian Rugby Union

James Sutherland  
Chief Executive Officer  
Cricket Australia

David Gallop  
Chief Executive Officer  
Football Federation Australia

Kate Palmer  
Chief Executive Officer  
Netball Australia

Todd Greenberg  
Chief Executive Officer  
National Rugby League

Craig Tiley  
Chief Executive Officer  
Tennis Australia

The Sports continue to oppose the Point of Consumption Tax in SA and in other States and Territories.
RESPONSES TO TARGETED QUESTIONS

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

   No. We refer to the contents of our letter to the then NSW Premier on 26 October 2016.

If NSW was to introduce a PoCT

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

   To the extent possible, the rate of tax and the base on which it is calculated should be harmonised.

   COMPPS supports the introduction of a national approach to regulation and taxation of sports betting and has argued for this for several years. The current system is inefficient, outmoded and it is time for change.

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

   Net wagering revenue.

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.)?

   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?

   Yes. Residential address. Verification and updating are matters for operators to put in place. They adopt measures to do this in other aspects of their businesses. Also, purely from a practical perspective, it is often difficult to detect the source of bets placed online due to the increased use of VPN products by gamblers.
7. **What should the POCT rate/s for NSW be? For what reasons?**

It should be set at a rate that does not cause or contribute to further leakage to illegal/unregulated offshore operators or a reduction in the level of product fees that sports receive from operators. If the POCT rate is too high it could negatively impact on the amount of product fees paid by wagering operators to national sporting organisations. The NSW legislation that regulates sports betting requires product fees collected by the sports to be re-invested in measures to improve the integrity of sports, therefore a perverse outcome of a taxation rate that is too high could be a reduction in the funding available to allocate to fund integrity and anti-corruption matters.

We understand that Victoria will shortly announce a rate of 8%. Most of the betting on the Sports takes place in NSW and Victoria, being the two most populated States. It is important that there is parity between these two major states.

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

This question is of little relevance to the Sports and is more properly addressed to the operators.

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.**

Generally, sports do not have access to hard evidence of the volume of offshore wagering as they do not have integrity agreements with offshore operators. We note, however, that Australia is becoming an increasingly uncompetitive market for online wagering when compared with overseas jurisdictions, which increases the appeal of the illegal offshore wagering market. The introduction of state based Point of Consumption Taxes will make this worse. The Sports are concerned that some wagering operators will close their Australian operations and locate offshore. As well as diminishing the taxation revenue from governments, it will decrease the funding that sports receive through integrity and product fee agreements with wagering operators, and exacerbate an integrity blind-spot referred to in our correspondence to the Premier of NSW. This funding is used by the sports to fund their integrity departments and grassroots programs.

A 2017 study (Gainsbury, S., Russell, A., Hing, N., & Blaszczynski, A. (2017). Consumer engagement with and perceptions of offshore online gambling sites. *New Media and Society. Online first.* http://journals.sagepub.com/doi/10.1177/1461444817738783), which was commissioned by Gambling Research Australia in partnership with the Australian, State and Territory governments found that more than 25% of online gamblers in Australia used offshore sites and those using offshore sites were more involved gamblers overall than domestic gamblers, and had greater problem gambling severity.
Specifically the study found “Offshore gamblers were significantly more likely to be moderate-risk (29.9% vs 24.0%) or problem gamblers (25.6% vs 10.1%) compared to domestic gamblers.” The study concluded, “Regulators need to act to reduce the availability of and use of offshore gambling sites. This is important to minimize unfair competition for licensed providers, retain taxation from gambling, enforce regulation, and protect consumers.” Given the results of this most recent survey highlight both the size of the offshore wagering problem and associated risks for those betting offshore, we are concerned that any measures which further exacerbate the issue of offshore gambling will not only be detrimental to sports, but could also contribute to potential harms associated with problem gambling.

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

Not relevant to the Sports.

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

Not relevant to the sports.

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

COMPPS supports the introduction of a national approach to regulation and taxation of sports betting and has argued for this for several years. The current system is inefficient, outmoded and it is time for change.

In conclusion, we thank you for the opportunity to make this submission. The Sports are opposed to the introduction of the PoCT by the Government of NSW. If, however, a PoCT is to be introduced, we recommend the government to adopt a rate that is in line with the rate that we understand will be adopted in Victoria. Furthermore, we urge the Government to work with sports to ensure that no individual sport is financially worse off as a result of the introduction of a POCT and ensuing reduction in product fees, as the consequence of a reduction in product fees would be a reduction in funding available to invest in measures to improve the integrity of sport.

Mr Malcolm Speed AO
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