

## NSW Point of Consumption Tax

From 1 January 2019, the NSW Government will introduce a 10 per cent tax on all wagers placed by NSW residents, regardless of the location of the wagering operator, closing a current loophole in wagering laws.

The current NSW wagering tax on racing and sports betting is largely levied at the physical point of sale but does not capture most online wagering, a part of the industry that has experienced significant growth in recent years.

Many online wagering companies are physically located and licenced outside of NSW and have not been required to pay the existing wagering tax paid by NSW betting operators.

Changes in the way the wagering industry is structured, including the growth of online wagering, have led some jurisdictions to change the way they tax wagering. New South Wales will join South Australia, Western Australia, Queensland, Victoria and the ACT that have either introduced or committed to implementing PoC taxes.

Under the new system, the 10 per cent point of consumption (PoC) tax will be levied on all Australian-based wagering operators. A PoC tax ensures operators pay taxes on gambling activity where the associated harms occur.

### Tax rate and tax-free threshold

A common PoC tax rate of 10 per cent will apply to all types of wagering products including fixed odds, totalizator (pari-mutuel), bets facilitated by a betting exchange or other commission-based agents and any other approved betting activities.

A tax-free threshold of \$1 million will apply for all operators paying the PoC tax. Note that for the 2018-19 financial year the tax-free threshold will be \$500,000 as the PoC tax will only apply to net wagering revenue earned after 1 January 2019.

Existing taxing arrangements for wagering conducted under NSW totalisator licences (e.g. Tabcorp), including racing tax parity payments, will remain in place. In recognition of these arrangements, the NSW Government will provide a credit for the PoC tax to Tabcorp and will continue to work with Tabcorp on operational details in the lead up to the implementation date of 1 January 2019.

### Determining the tax liability

The NSW PoC tax will be payable by all Australian-based wagering operators on the net wagering revenue derived from wagers, or on facilitated wagering activity, of residents of NSW.

Net wagering revenue is generally defined as the sum of all bets, fees or commissions less winnings paid out to all NSW resident customers.

Operators that both directly take wagers and also facilitate wagering activity (i.e. a betting exchange) will combine their revenue from each source to determine their total net wagering revenue.

### **NSW Racing Industry funding**

The NSW Government recognises the economic, cultural and sporting importance of the NSW racing industry and will ensure the industry is not negatively impacted as a result of the PoC tax. As part of introducing the PoC tax, it is not proposed to change the existing funding under the tax parity arrangements.

In addition, the racing industry will receive funding equal to 2 per cent of all wagering operators' taxable net wagering revenue in New South Wales, similar to the Victorian model. This additional revenue will be shared across all three racing codes - thoroughbreds, harness and greyhounds.

### **Administration and Implementation**

The Government is committed to working together with all stakeholders in the lead up to the commencement of the PoC tax on 1 January 2019. More details regarding the administration – including collection of the tax and any compliance activities - will be released in the coming months.

### **Post implementation review**

NSW Treasury will undertake a review of all aspects of the PoC tax after 18 months of operation. The review will take into account:

- the PoC tax rate and threshold
- existing wagering tax arrangements
- racing industry funding arrangements
- impacts on the industry and
- any other policy or administrative issues associated with the PoC tax.