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NSW REVIEW OF POINT OF CONSUMPTION TAX

SUBMISISON OF COALITION OF MAJOR PROFESSIONAL AND PARTICIPATION SPORTS (COMPPS)

The Coalition of Major Professional and Participation Sports (COMPPS) and its members appreciate the opportunity to make a submission to the Review of the Point of Consumption Tax.

1 INTRODUCTION

COMPPS consists of the following member organisations:

- (a) Australian Football League;
- (b) Cricket Australia;
- (c) Football Federation Australia;
- (d) National Rugby League;
- (e) Netball Australia;
- (f) Rugby Australia; and
- (g) Tennis Australia.

Each of these sports is the governing body and custodian of a major professional and participation sport in Australia. COMPPS members play an important role in developing, promoting and presenting sport in Australia from the grass roots through to the international level.

All COMPPS members are not-for-profit bodies and are responsible for the long-term development and sustainability of their sports. Between them, they have over 9 million participants through 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 community level.

One of COMPPS' roles is to facilitate a response to public inquiries on behalf of its member sports.



COMPPS has previously submitted on the damage to be experienced by its members and the flow-on detriment to the sporting communities they serve by the introduction of Point of Consumption Taxes on wagering on sporting events. Whilst continuing to maintain this position, this submission is focused on one aspect of the application of the POCT.

2 POINT OF CONSUMPTION TAX REVIEW

COMPPS does not propose to respond to each of the specific questions outlined in the consultation paper. Instead it focuses on a key aspect of the POCT framework that is of particular importance to COMPPS, namely the inconsistency of treatment by the Government of the NSW Racing industry and the Sporting sector.

The consultation paper reports the growing significance of sports-betting:

Sports betting has experienced significant growth over recent years. Across Australia, sports betting made up over 30 per cent of total racing and sports betting turnover in 2017-18 — more than double the comparable figure from 2007-08

Governments naturally benefit from this new and growing market. The Report of the Review of Australia's Sports Integrity Arrangements conducted for the Commonwealth Government by Justice James Wood and Messrs David Howman and Ray Murrphy (the Wood Review) also reported on the growth of sports wagering, turnover and government revenue. This included the following points:

- Of total gambling turnover, wagering has the highest growth of any sector;
- Much of this growth in the wagering sector is attributable to the increasing popularity of sports wagering
- Turnover attributable to sports wagering (as a subset of overall wagering) is growing fast, increasing by 35% from 2014-15 to 2015-16
- Levies on gambling represent an important element of state and territory (government) revenue. Gambling tax collected across Australia in 2015-16 was estimated at \$6.0 billion of which about \$36 million was attributable to sports wagering. [NB: prior to introduction of state and territory POCT]¹.

Against this background, the POCT arrangements under which the three racing industry bodies receive payment back from POCT revenue but the sport governing bodies do not creates an inequitable platform. In terms of equity, the paper points to the “front end” in noting that “*Wagering on sports is subject to the same NSW tax rates as wagering on racing, under the BT Act and the PoC tax regime.*” However it fails to confront the inequity at the “back end”.

¹ Report of the Review of Australia's Sports Integrity Arrangements – the “Wood Review” released 1 August 2018 – Appendix A pp190-191.

The paper outlines the industry specific arrangements that apply to Racing (being additional funding to the racing industry equal to 2 per cent of taxable NSW NWR from all Australian-licensed wagering operators, including TAB). It makes no reference to Sport in this context and provides no basis for Sport's exclusion from such arrangements. This is notwithstanding that, as the paper notes, betting on sports is increasingly forming a major contribution to NWR and is growing at a greater rate than other wagering. Therefore as the proportion of revenue derived from the POCT on sports betting continues to grow, the level of inequity will also grow.

In response to the question "*Are the hypothecated funding arrangements appropriate?*" COMPPS submits that they are inappropriate as regards this distinction in treatment between two key industry sectors. COMPPS submits this should be rectified by balancing the interests of both industries fairly and equitably by applying the same taxation arrangements to both. This would involve introduction of the same level of payment back into the Sports governing bodies from the POCT revenue as is enjoyed by the Racing peak bodies.

COMPPS respects the intention behind the establishment of the payment to the NSW Racing industry. However COMPPS does not understand or accept that there is a basis for distinction between the Racing industry and the Sporting sector. The consultation paper indicates that equity and integrity are key considerations in this area noting that "*the new tax arrangements...increase the equity and integrity of wagering tax arrangements by ensuring Australian wagering operators are subject to consistent tax arrangements for equivalent bets made by NSW residents*". The paper then questions how has the PoC tax performed against the suggested outcome. In this light, COMPPS submits that it should be equally an objective and an outcome of taxation arrangements that they have internal equity and integrity in their design and structure. The current design and structure, by taxing both Racing and Sport, pooling this revenue and then providing for a payment back to only one of the taxed industries does not achieve such equity or integrity.

This anomaly is particularly concerning when taking into account the not-for-profit nature of the COMPPS members and the extent of investment they each make in their respective grassroots communities and the indirect social, economic and public benefits derived from sport as a whole.

In the area of Sports wagering, the COMPPS members have been leaders in working with government and wagering operators and investing in measures to protect and enhance the integrity of their Sports. The revenue from wagering on their sporting events is a critical element in the Sports' ability to continue to invest in integrity management resources, personnel and technology.

Summary

Betting on sports represents a relatively new and growing market and increasing revenue source for government.

In this context COMPPS submits there should be equitable treatment between the Racing Industry and Sporting Industry. It seeks introduction of a payment from

POCT revenue akin to that applying to the NSW racing industry. This would evidence a government commitment to equity and integrity in its taxation arrangements as well to the continued strengthening of integrity management programs in sports governing bodies and the grassroots communities they serve.

Yours sincerely

A handwritten signature in black ink that reads "Jo Setright". The signature is written in a cursive, slightly slanted style.

Jo Setright
Executive Director