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Subject:

Harness Racing NSW (**HRNSW**) submission to NSW Government Review of Point of Consumption Tax (**PoC tax**).

The NSW Government must be commended in the first instance for recognising that the NSW racing industry should be financially assisted so that on the national stage it is competitive with other States. More so however that the NSW racing industry is able to offer NSW residents a premier product and NSW stakeholders equitable opportunities.

The NSW Government has delivered this outcome through the Tax Parity arrangements and the level of Point of Consumption revenues which is sincerely appreciated. The NSW racing industry now delivers the premier product nationally across all three codes of racing and this position should not be lost.

HRNSW Position:

The introduction of a Point of Consumption Tax by the New South Wales government in January 2019 has enabled the State to align with other jurisdictions to capture wagering revenue generated by bets placed by New South Wales residents.

It is the opinion of **HRNSW** that the **PoC tax** is fairly charged to all wagering operators at a rate of 10% of gross wagering revenue on amounts above the annual threshold of \$1M.

Of this amount, 20% or the equivalent of 2% of all gross wagering revenue, is distributed to the three codes of the NSW Racing Industry. It is the position of **HRNSW** that the grant, as indicated by the Treasury remittance advice, to the NSW racing industry is or will be deficient going forward unless addressed.

The introduction of the **PoC tax** has compromised the pricing power of the NSW racing industry in respect of Race Field fees charged to wagering operators for bets placed on NSW race meetings and its capacity to increase those fees in the future.

HRNSW took the amenable position towards corporate wagering operators, as a consequence of the introduction by the Government of the **PoC tax**, that it should not increase the fees charged to those operators as it was considered that this would be an imposition which may not be able to be sustained and therefore detrimental to the ecosystem that is the racing industry and wagering operators.

Prior to the introduction of the **PoC tax**, the NSW Government did not receive any revenue in respect of bets placed by NSW residents with interstate wagering operators and therefore there is a need for an uplift to the 'sharing arrangement' between Government and the NSW racing industry especially taking into consideration the changes proposed to become effective from July 2021 in Victoria.

It cannot be denied and must be recognised that the Victorian racing industry is the most prevalent and adversarial competitor to the NSW racing industry.

The Victorian government has advised Controlling Bodies of the three codes of racing in that State that it will be increasing the **PoC tax** from 8% (currently charged by the Victorian government) to 10% of net wagering revenue. This increase will thus bring the Victorian rate in line with that of the New South Wales government.

This aspect will again give the Victorian racing industry a distinct advantage over the NSW industry by having access to additional revenues to present.

The Victorian Government however has advised the Controlling Bodies that the percentage of the **PoC tax** payable to the Victorian racing industry will increase to 35% up from 20% of the revenue collected. Further the Victorian Government has pledged the entire increase to the Victorian racing industry.

This aspect will give the Victorian racing industry a more significant advantage over the NSW racing industry. It has the potential to relegate the NSW racing industry to a worse position than that which existed prior to the introduction of the Tax Parity arrangements.

Harness Racing NSW V Harness Racing Victoria:

It is critically important that the NSW harness racing industry remains competitive with the Victorian racing industry in terms of funding received.

From the perspective of **HRNSW** during COVID-19 the Victorian Government granted the Victorian Harness racing industry \$24million for immediate and future sustainability.

This direct competitor to the NSW harness racing industry was massively advantaged through this massive Victorian Government assistance package.

Harness Racing NSW's financial resources were significantly impacted during the drought **HRNSW** assisted participants who, although legitimately could be described as primary producers, were deemed not to be eligible for State or Federal Drought Assistance Schemes. An amount of \$1,524,766 was delivered to breeding farms and nurseries as well as trainers who were impacted by the ever rising cost of produce. The Victorian racing industry was not affected throughout this lengthy ordeal.

Harness Racing NSW complied with a Federal Court determination in favour of the Australian Taxation Office to remit historic Superannuation Guarantee payments to drivers of \$1,493,711 from its own financial resources whereas our counterparts in Victoria continue to challenge this decision.

Harness Racing NSW through **PoC tax** grants has enabled the code to establish a sustainable Rehoming Company for Standardbreds, not only those retired from racing. This Company provides for horses which did not make it to the race track and others which have been retired from breeding. The adoption of genuine and effective equine welfare strategies are a protection of the horse racing industry and the Government.

The importance of parity with the Victorian racing industry:

Racing in this State is held across a larger territory than in Victoria. The total number of tracks and the size of the racing schedule in New South Wales far exceeds that of Victoria. It goes to the heart of **HRNSW's** position that revenue is paramount to sustainability and competitiveness.

A significant disparity in funding from the **PoC tax** between the States will leave NSW with greater difficulty in ensuring its much larger racing industry remains competitive and able to generate taxes for the NSW Government, while continuing to operate as a large direct and ancillary employer which has a corresponding multiplier effect on regional economies, produce suppliers and those connected with the racing industry.

A significant disparity will impact on the ability of the NSW racing industry to develop its racing programme. Over recent years *Racing NSW* has been able to strongly challenge the previously pre-eminent position of Victoria in thoroughbred racing. The innovative "The Everest," "The Golden Eagle" and "The Championships" rival Victoria for relevance on the world stage. *Harness Racing NSW* has initiated Group One regional racing events as well as the growth of the iconic Miracle Mile. *Greyhound Racing NSW* has taken that code to a higher level with the promotion of the Million Dollar Chase. This has enabled the NSW Government not only to significantly increase revenues it generates from the NSW racing industry but to position NSW as the premier State for racing.

The importance of parity in Government funding with principal interstate racing competitors in particular Victoria, is clearly required for the overall standing and health of the NSW racing industry.

Unfortunately, this competitiveness will be lessened unless action is taken to ensure that the NSW racing industry receives similar receipts from the respective Government based **PoC tax**.

Increasing the funding from the **PoC tax** will maintain the relativity of the NSW racing industry with that of Victoria and will enable the NSW racing programme and other necessary initiatives to continue to be developed to consolidate and confirm NSW as the pre-eminent racing jurisdiction in the nation.

Seeking NSW Government Support:

The NSW Racing Industry is therefore seeking to ensure that it remains highly competitive with that of Victoria as its main interstate competitor. This competitiveness is closely linked to the respective funding of each State's racing industry from Government.

Given the impact of **PoC tax** on the NSW racing industry's inability to appropriately increase Race Fields fees, Harness Racing NSW therefore seeks the support of the NSW Government by increasing the proportion of **PoC tax** paid to the NSW racing industry from 20% to 35% of tax receipts. Harness Racing NSW submits further that the split between the three codes of racing is retained at the current levels.

Finally, thank you for the opportunity to contribute to this review and if you require any further input please contact me at your convenience.

Yours sincerely



John Dumesny
Chief Executive