Asian Racing Federation

Variable Betting Duty & the Impact on Turnover, Illegal Betting & Taxation Revenues

By Martin Purbrick

Asian Racing Federation
Council on Anti-Illegal Betting & Related Financial Crime

CONTENTS

Glossary of Terms

Betting Duty	A tax levied by governments on the provider of betting services. The duty paid depends on the type of bet and where it is made, and varies between jurisdictions. In this report "Betting Duty" is used as an umbrella term to describe such taxes on betting and gambling.
Betting Exchange	A betting platform that does not take bets itself, but matches backers (those who believe an event will happen) with layers (those who believe it won't) and takes a commission on every trade. It is comparable to a stock exchange, with bid/ask equivalent to back/lay.
Fixed Odds	Betting odds that are fixed at the time the betting transaction is accepted. Odds can change depending on news or subsequent betting demand, but the customer will be paid at the price the odds were when he made his bet.
Gross Gaming Revenue (GGR)	The difference between the amount of money players wager minus the amount that they win, used as a metric by betting operators to show gross turnover less the amount paid out to customers as winnings.
Illegal Betting	Any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.[1]
Point of Consumption	The approach to levying Betting Duty based on the location of the consumer rather than the location of the betting operator.
Problem Gambling	A repeated pattern of gambling behaviour where someone: • feels they have lost control • continues to gamble despite negative consequences and • sees gambling as more important to them than any other interest or activity.[2]

Takeout Rate	The commission “taken out” by the operator of a totalisator betting pool to cover expenses such as taxes, betting duties and operating expenses.
Theoretical Margin	The margin built into fixed odds betting prices by betting operators to allow for profit and operating costs (including taxes).
Totalisator Betting	Also known as ‘Tote betting’ or ‘pari-mutuel betting’. A type of betting where all the amounts bet are combined in a pool, the bookmaker takes a cut, then the odds are calculated based on the proportions wagered on each outcome. Totalisator odds are different to fixed odds in that they are not set until the race begins, no more bets are accepted and the total amount in the pool is finalised.

1 Council of Europe, Convention on the Manipulation of Sports Competitions, Article 3, 5a., 18 September 2014 (https://rm.coe.int/16801cdd7e)

2 Royal College of Psychiatrists, Gambling Disorder (https://www.rcpsych.ac.uk/mental-health/problems-disorders/gambling-disorder)

Executive Summary

- Higher Betting Duty leads to pressure for a higher takeout rate (for totalisator operators) and a higher theoretical margin (for fixed odds bookmakers) that results in higher prices passed on to customers, leading more of them to migrate to illegal betting markets where prices (odds) are better value because operators and customers do not pay any tax, and a consequent decrease in legal betting as well as decreased taxation.

- The highest rate of Betting Duty noted is in Hong Kong, at 75% of GGR.

- The lowest rate of Betting Duty noted is in South Africa, at 6% of GGR.

- The median rate of Betting Duty noted is in France, at 37.7% of GGR.

- The highest Betting Duty rate in Hong Kong exists with an estimated illegal market of USD 257 per head of population, with lessening illegal markets per head of population with correspondingly lower Betting Duty rates of USD 61 in Singapore (25% Betting Duty), USD 59 per head in South Africa (6.5%), USD30 in Australia (10% to 20%), and USD 11.44 in the USA (6.75% to 51%).

- Betting Duty rates have an impact on the turnover in betting markets, causing customers to potentially move from legal (licensed) to illegal (unlicensed) betting channels.

- Higher Betting Duty rates lead to an increased theoretical margin to betting odds (which betting operators build in to ensure a profit margin), consequent increases to the takeout rate of the operator, increased prices for the customer, and inevitably drive customers to illegal betting markets where odds are better value because of no take out rate.

- Illegal betting operators pay no Betting Duty or any other taxes and hence have no theoretical margin relating to taxation costs. There is hence a permanent price differential between the legal and illegal betting markets, with illegal markets consequently offering better odds (prices) to consumers. Betting customers, like the consumers of most products, are price sensitive and all things being equal prefer a cheaper betting product.

- Higher Betting Duty rates also have increasingly less impact on consumer protection (when intended to discourage betting and gambling in society) as raising rates has the impact of migrating customers from the more expensive legal to the less expensive illegal betting market.

- Government policy makers and gambling regulators should seek a commercially reasonable and stable Betting Duty rate that provides a balance between channelling gambling demand to the legal betting sector and allowing licensed betting operators to effectively compete with the illegal market.

Introduction

This report provides an analysis of variable Betting Duty (tax) rates on racing and sports betting operators to assess the impact on legal markets of higher rates and the related impact on betting turnover in the illegal betting markets.

'Betting Duty' is a tax levied by governments on the provider of betting services, and is used as an umbrella term in this report to describe such taxes on betting and gambling. There are other 'gambling duties' levied by governments on various gambling products, such as lottery duty, bingo duty, machine games duty, remote gaming duty (for Internet gambling and betting), as well as for certain sports (e.g. 'pool betting duty' usually applies to horse racing totalisator betting). The focus of this report is on tax on betting on horse racing and other sports.

The most common approach to betting (and other gambling) duties is as a tax on the net profits derived by the operator. This is usually calculated as 'Gross Gaming Revenue' (GGR), which is the difference between the amount of money players wager minus the amount that they win.

There has been a trend in countries where gambling and betting is well-regulated for an approach to taxation based on the point of consumption rather than the place of supply. This approach has been taken to effectively capture betting duty from operators based offshore from the regulating jurisdiction and force them to pay duty based on the point at which the bet is placed (i.e. the point of consumption). The clearest examples, detailed later in this report, are in Australia and the UK, where governments have taken the approach of clearly defining Betting Duty to be paid by offshore betting operators accepting bets from domestic consumers.

The point of consumption approach can work effectively when there is a developed legal licensed betting market, but if there is a strong illegal betting market, with offshore operators outside of the regulatory system, the tax collected will be diminished. 'Illegal betting' is clearly linked to the point of consumption by the consumer, and is best defined by the Council of Europe Macolin Convention on the Manipulation of Sports Competitions as follows:

> *"illegal sports betting" means any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.*[3]

Betting Duty is used as a tool to reduce the social harm from betting and gambling, but in the Internet age is inefficient for this purpose. Betting Duty was conceived in the early 20th century to tax betting on horse racing and other sports, along with other forms of gambling, to ensure a suitable price point for betting that was a deterrent to people to gamble. The deterrent effect of Betting Duty on gambling has far less impact after the advent of the Internet as betting on racing and other sports (as well as a plethora of other forms of gambling) is readily available online provided by unlicensed illegal betting operators based remotely outside of regulated jurisdictions. Illegal betting via the Internet has rendered Betting Duty as an effective means of limiting consumer problem gambling redundant.

Illegal betting continues to grow around the world and has significant negative social impacts, including driving corruption in racing and other sports, a channel and platform for money laundering and other financial crime, and also leading to higher rates of problem gambling than legal betting.

There are clear indications that rates of problem gambling are higher for customers betting in illegal than in legal markets: "Research shows that use of offshore (Unlicensed and Unregulated, and Licensed but Under-Regulated) gambling is associated with greater experience of harms and gambling problems than domestically Licensed and Regulated websites."[4] Hence action to increase Betting Duty with the intended impact on betting demand intended to reduce social harm should be carefully balanced with the impact of driving consumers to the illegal market.

Betting Duty rates vary based on the social circumstances of each country, as well as the need for governments to raise revenue from betting as a taxable activity. There is an inherent contradiction in the value of Betting Duty as a means of deterring excessive levels of gambling in society and also as part of the suite of government taxation revenue streams. Governments have come to rely upon Betting Duty as a core part of taxation revenue, which contradicts the government objective to reduce social harm from gambling.

Betting Duty impacts consumer behaviour as a free market is not possible when duties vary. This is increasingly problematic as betting develops as a global business through the Internet. In this regard, Betting Duty can be considered as a distortive influence on an economy:

> *A tax on a specific product is distortive. A commodity tax generally makes its product more costly to consumers and producers (the specific incidence depends on market elasticities), and although it may not cause all consumers to change their consumption, it will cause the marginal consumers to change their consumption pattern. This distorts the economic decisions that would be made in an efficient and tax free economy, and therefore lowers the economy from its maximum possible output.*[5]

The economic impact of excessive Betting Duty in the Internet age is to drive consumers to the illegal betting market. This has an excessively distortive impact on an economy as the legal and regulated betting and gambling products become less attractive to consumers because of the higher price differential with the illegal market.

There is an inevitable impact on prices in the legal regulated betting market when Betting Duty is increased. This is because Betting Duty has to be absorbed by the betting operator as a direct business cost and passed on to customers in some way, such as changing the odds (prices) of bets or the amount of incentives (e.g. rebates, free bets) given to customers.

Betting operators do this by building in a theoretical margin to betting odds, hence the higher the betting duty, usually the higher the theoretical margin that the operator is required to build in. This margin is a higher takeout rate which in turn makes betting odds less attractive to customers. An increase in betting duty has to be passed on to consumers through higher prices. This is achieved in fixed odds betting by bookmakers calculating an 'overround' to build in a margin, and in totalisator betting by the operator taking out a percentage to cover operating costs. The higher the overround in fixed odds betting and the takeout rate in totalisator betting, the less is returned to customers, reducing the amount of money they can reinvest, resulting in reduced wagering turnover.

The higher the takeout rate, the less in winnings is returned to customers, which makes legal operators less competitive with the illegal betting market. Hence tax matters as a potential driver of the illegal betting markets, and a commercially reasonable balance is necessary so that the legal market can compete. Effective legal betting markets are important to combat the financial crime that comes from illegal markets, as well as the other areas of criminal activity that are funded by illegal betting (which the ARF Council has commented on in prior reports).

Illegal betting operators clearly pay no Betting Duty or any other taxes, and hence do not have to build in a theoretical margin to their betting their odds to cover these costs, resulting in better prices (odds) offered in the illegal betting market compared to legal markets.

There is hence a necessity for gambling regulators and government policy makers to recognise that illegal betting markets are easily accessible to all consumers via the Internet and that Betting Duty has an impact on driving customers away from legal licensed operators to bet with illegal unlicensed operators. This situation has the effect of increasing rates of problem gambling, which are higher for customers betting in illegal than in legal markets, and also reducing potential government taxation revenue as legal market betting volume is reduced.

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3 Council of Europe, Convention on the Manipulation of Sports Competitions, Article 3, 5a., 18 September 2014 (https://rm.coe.int/16801cdd7e)

4 Professor Sally Gainsbury, How the Use of Under-Regulated and Unregulated Betting Websites is Related to Gambling Problems, in the State of Illegal Betting Report, Asian Racing Federation Council on Anti-Illegal Betting & Related Financial Crime, May 2022, P.49 (https://www.asianracing.org/publications/the-state-of-illegal-betting)

5 Khalil S. Philander, A Normative Analysis of Gambling Tax Policy, University of Las Vegas Gaming Research & Review Journal, Vol. 17 Issue 2 (https://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=1280&context=grrj)

Betting Duty in Comparison

A comprehensive list of Betting Duty rates in some of the largest betting markets in the world is shown at Annex A of this report. There remain considerable variations in Betting Duty rates around the world, leading to potential migration of consumers to alternative jurisdictions where lower Betting Duty rates result in better price offerings from operators.

There are a number of observations regarding Betting Duty rates from the global review, as follows:

- The highest rate of Betting Duty noted is in Hong Kong, at 75% of GGR.
- The lowest rate of Betting Duty noted is in South Africa, at 6% of GGR.
- The median rate of Betting Duty noted is in France, at 37.7% of GGR (MR = 40.5).
- The most common rates of Betting Duty noted are 10% (12 jurisdictions), 15% (9 jurisdictions), and 20% (5 jurisdictions).
- There are a greater number of jurisdictions with a Betting Duty rate below the median (36) than jurisdictions with a Betting Duty rate above the median (19).

It is not surprising that Betting Duty varies so considerably between jurisdictions as the approach to regulating and taxing betting and gambling is related to the social, economic, cultural and religious circumstances in each country. Betting and gambling are regarded as vices in many countries, often for cultural and religious reasons. For instance, in Indonesia,[6] Malaysia,[7] and Thailand[8] there are deep-rooted religious sensitivities to betting and gambling that have led to almost no legal products being available to consumers, but online illegal betting is hugely popular. In addition, in some jurisdictions such as Hong Kong and Singapore betting on horse racing and other sports is only legally allowed by licensed providers that channel their surplus back to society as taxation as well as charity rather than as profits for shareholders.

Hence assessing the impact of Betting Duty is not possible from simply looking at the tax rates, and the impact on legal as well as illegal betting market turnover is necessary. This study compares these data points in Australia, Hong Kong, New Zealand, Singapore (four jurisdictions where the illegal betting market has been assessed by the ARF Council), the UK, and USA. These were chosen because they are leading well-regulated markets with very strong culture and history of racing, freely accessible data in English and well-developed legal and financial crime regulatory structures.

6 The Indonesia, *Indonesia Takes Down Half a Million Gambling Accounts,* 2 August 2022 (https://www.theindonesia.id/unique/2022/08/02/140000/indonesia-takes-down-half-a-million-gambling-accounts)

7 Balan Rathakrishnan and Sanju George, Gambling in Malaysia: An Overview, in BJPsych Int., May 2021;18(2):32-34. (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8274414/)

8 Thailand Business News, Thailand's Online Gambling Industry Size in 2022, 11 July 2022 (https://www.thailand-business-news.com/markets/91404-thailands-online-gambling-industry-size-in-2022)

Assessing the size of the illegal betting market requires prolonged study for comparison of data. The ARF Council has conducted studies of illegal betting markets in Australia, Hong Kong and Singapore with data over several years for comparison, and the other jurisdictions are reported with data from a single point in time. Table 1 (below) shows a range of Betting Duty rates between the highest in Hong Kong (75%) to the lowest in South Africa (6%).

Country / Jurisdiction	**Betting Duty* / Takeout Rate**	**Illegal Market Size (per annum)**[9]	**Illegal Market by head of population**
Hong Kong	72.5% to 75% (racing) / 17.5% to 25% 50% (football)	USD 1.91 billion (margin)	USD 257
Singapore	25% / 18% to 25%	USD 336 million (margin)	USD 61
South Africa	6.5% (racing) 6.0% (sports) / 17.25% to 25%	USD 160 million (margin)	USD 59
Australia	10% to 20% / 14.25% to 25%	USD 780 million (margin)	USD 30
USA	6.75% to 51% / 15% to 25%	USD 3.8 billion[10] (margin)	USD 11.44
UK	15% / 19.25% to 30%	USD 3.49 billion[11] ("bets placed")	[Not calculated as no margin figure available]

Table 1 – Comparison of Betting Duty, legal betting, and illegal betting in sample markets

**All betting duty rates are the % of GGR (Gross Gaming Revenue, which is the difference between the amount of money players wager minus the amount that they win).*

The size of the illegal betting market in each jurisdiction is not a direct comparison as some estimates are of bets placed (i.e. turnover) and some are of betting operator margin (i.e. GGR). For instance, the estimated size of the illegal betting market as a margin (or profit) in Hong Kong is USD1.91 billion (HKD15 billion), which would possibly equate to 10 to 20 times that amount in turnover. However, turnover includes not only the first bet placed by a customer but also winnings that are also then bet, which is referred to as "churn" in betting markets. Estimating the margin amount (i.e. the profit of the betting operator) is hence a more accurate means of assessing the scale of the illegal betting market.

9 ARF Anti-Illegal Betting Task Force, Illegal Betting in an Asian Context, March 2018 (https://www.asianracing.org/aib/resources)

10 American Gaming Association, Sizing the Illegal and Unregulated Gaming Markets in the U.S., 30 November 2022 (https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/)

11 PWC UK, Review of unlicensed online gambling in the UK, 3 February 2021 (https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK_vFinal.pdf)

A key factor in the ability of legal licensed betting operators' ability to compete with the illegal market is the impact of Betting Duty on the "takeout rate". The "takeout rate" is the totalisator betting operator's commission to cover taxes, expenses, and profits which is deducted from the pool to leave the net amount that is the pay-out for winning customers. Takeout rates vary at between 15% to 25% depending upon the amount of Betting Duty and profits tax that the operator has to pay as well as the other operating costs.

Whilst varying takeout rates may not seem to correlate with the estimated size of the illegal betting markets, the impact of the takeout rate on each operator depends upon the extent of the respective Betting Duty and also operating costs in every jurisdiction. Takeout rates have to be within a narrow range to prevent customers from switching between jurisdictions to bet and also from betting with illegal betting operators.

However, increasingly higher Betting Duty rates make it difficult for a legal betting operator to stay within this acceptable range of takeout rates and be able to balance the financial obligations of customer dividends and operating costs. Betting Duty at increasingly higher rates will inevitably lead to a tipping point after which operating betting on a totalisator will not be financially feasible or sustainable. Higher Betting Duty inevitably results in a higher takeout rate, less attractive dividend pay outs to customers, and migration of customers to the illegal betting markets.

Australia

Betting Duty in Australia is applied by state governments, not federal, and differs from state to state. For betting operators this is imposed as a 'Point of Consumption' tax on all bets made by customers located in the state, ranging from the lowest at 10% of GGR in Victoria to the highest of 20% of GGR in Queensland, with New South Wales, South Australia, Western Australia, and Tasmania levying 15% of GGR. However, the Victoria state government has decided to increase its rate of betting tax to 15% from 1st July 2024 to bring the rate into line with most other states.[12] Importantly, most of the revenue from the increase in tax will be channelled back into horse racing to ensure that the sport has long term funding certainty, with some also to be invested in hospitals and charities.[13]

The approach of a point of consumption tax by states closed the loophole caused by the growth of Internet based betting that led to few online betting operators paying any tax contribution as they were based outside of the state. Since the introduction of the point of consumption tax in New South Wales in 2019, the online betting market grew from 43.6% of the total market to 73.7% in 2021.[14]

In addition, retail betting operators, corporate bookmakers and on-course (racecourse) bookmakers are also required to pay race field fees/product fees to racing controlling bodies and sports controlling bodies, respectively, in relation to bets taken on their product. These fees are generally a percentage of turnover, or the greater of a percentage of turnover and gross margin and depend upon the relevant product.

Betting (and gambling) tax levels in states in Australia have varied historically, but have provided an important revenue stream for governments. In the 1970s, betting was the major source of government gambling revenue, by the early 1980s lotteries had become the main gambling tax source, and by the 1990s gaming machines and casinos displaced lotteries/lotto as the predominant revenue source.[15] By 2018-19, tax on gambling made up a significant share of state tax revenue as follows:[16]

- Australian Capital Territory, 3.1%
- New South Wales, 7.3%
- Northern Territories, 10.7%
- Queensland, 7.3%
- South Australia, 6.6%

12 Victoria Government, State Revenue Office, Wagering and Betting Tax (https://www.sro.vic.gov.au/wagering-and-betting-tax#:~:text=The%20wagering%20and%20betting%20tax%20applies%20at%20a%20rate%20of,threshold%20will%20remain%20at%20%241%2C000%2C000.)

13 The Age, Online bookies hit with tax rise in Victoria, 2 May 2023 (https://www.theage.com.au/politics/victoria/online-bookies-hit-with-tax-rise-in-victoria-20230502-p5d50n.html)

14 New South Wales Government, NSW Treasury, Review of the Point of Consumption Tax, June 2022 (https://www.treasury.nsw.gov.au/sites/default/files/2022-07/20220714_review-of-the-point-of-consumption-tax.pdf)

15 Australian Institute for Gambling Research, Australian Gambling Comparative History and Analysis, October 1999 (https://www.vgccc.vic.gov.au/sites/default/files/Australian_gambling_comparative_history_and_analysis_project_report_1999.pdf)

16 Australasian Gaming Council, A Guide to Australia's Gambling Industries, Chapter Five, Gambling Taxation in Australia, 2018/19 (https://austgamingcouncil.org.au/sites/default/files/2021-10/AGC%20Guide_5_AU%20Taxation%202018-19.pdf

- Tasmania, 5.7%
- Victoria, 6.9%
- Western Australia, 2.3%

The illegal betting market margin (profits) in Australia was estimated in 2018 to be USD 780 million per annum, but growing faster than the legal market (4.3% compound annual growth rate compared to 3.2%).[17]

The illegal betting market in Australia has historically been offshore (i.e. Internet based). For instance, in 2018 it was estimated that over 56,000 Australians visited the horse racing offshore illegal betting exchange Citibet and its affiliate websites.

Australia is a key country for illegal betting operators not only for the customers who can be migrated from the legal market but also because of the importance of horse racing in the country as a strong betting product that can be sold to customers around the world. Illegal betting exchange Citibet was estimated in 2018 to have annual turnover on Australian horse racing of AUD 600 million (USD 400 million), illustrating the popularity of the Australian horse racing product around the world and the value for online illegal betting operators. Australia, Hong Kong, Japan, New Zealand and South Africa have been cited as the racing jurisdictions whose racing product is most commonly available to bet on with illegal betting operators.[18]

The issue of consumers migrating from legal markets to illegal betting and the resultant impact on problem gambling has also been noted in Australia. In a study in 2017, the Gambling Treatment and Research Clinic at the University of Sydney found that consumers using illegal offshore websites were significantly likely to engage in almost every form of gambling, gambled more frequently and for longer periods of time, thus putting themselves at risk of developing gambling disorder. Illegal offshore gamblers were also significantly more likely to be moderate-risk or problem gamblers than legal bettors (55.5% to 34.1%). Consumers in the legal market were more likely to be non-problem gamblers (40.3% legal to 21.5% illegal), compared to consumers in the illegal market.[19]

Although there are slight differences in state levels of point of consumption tax, there is a consistent national approach to combatting competition from illegal betting. From 2017, the Interactive Gambling Act made it illegal for groups outside Australia to provide gambling (or betting) services over the Internet to customers in Australia.

The Australian Communications and Media Authority (ACMA) investigates breaches of gambling rules and either refers to such breaches to the police for prosecution or takes civil action if appropriate. ACMA also directs Internet Service Providers (ISPs) to block the websites of offshore unlicensed betting operators offering bets to customers in Australia.

17 ARF Anti-Illegal Betting Task Force, Illegal Betting in an Asian Context, March 2018 (https://www.asianracing.org/aib/resources)

18 ARF Council, State of Illegal Betting, Section One, An Analysis of Betting websites, May 2022, P. 29 (https://www.asianracing.org/publications/the-state-of-illegal-betting)

19 Professor Sally Gainsbury, How Behavioural Science Can Steer Bettors Away From Illegal Betting Websites, in the ARF Council Bulletin, October 2021 (https://www.asianracing.org/aib/bulletins)

Hong Kong

Betting Duty in Hong Kong currently varies based on the betting product[20], as follows:

- Horse racing – From 72.5% to 75%
- Football – 50% on the net stake receipts (i.e. GGR)
- Lotteries – 30% on the amount paid, contributed or subscribed

Before 2006, betting duty on horse racing in Hong Kong was on turnover with the duty rate on standard bets at 12% of turnover and the duty rate on exotic bets at 20% of turnover. After 2006 betting duty was charged on gross margin, which is defined as turnover minus takeout minus rebates (i.e. GGR). The duty rate on gross margin on horse racing betting is now tiered, starting at 72.5% of gross margin, rising to 75% of gross margin as income rises. In return for changes to the betting duty structure, the Hong Kong Government required the Hong Kong Jockey Club (HKJC) to undertake a taxation guarantee of HKD 8 billion per annum for three years. The actual government income from Betting Duty on horse racing after 2006 was in fact higher, as follows:

	2003-4	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
Horse racing	9,259	8,467	7,950	7,703	8,415	8,089	8,292

Table 2 – Government revenue from Betting Duty on horse racing (HKD millions)[21]

The change to betting duty calculated on gross margin led to the HKJC being able to reduce the takeout rate due to the lower taxation cost. This in turn enabled the HKJC to introduce a rebate on losing bets for customers, which was a key means of attracting customers and increased betting volume from the illegal betting market to the legal market.

The outcome of the change to betting duty on gross margin was a net increase in taxation revenue for the government as well as a real impact on suppressing the illegal betting market. This case illustrates the price elasticity of the betting market, and of customers, and how the legal market can be structured to effectively reduce the illegal market and its negative social impact.

In Hong Kong, the overall gambling participation rate of the local population has stayed on a continued downtrend over the past two decades, falling from a high of 80% in 2005 to 62% in 2016, and further to a record-low of just 40% in 2021. Mark Six Lottery remains the most popular gambling activity in 2021 (with a participation rate of 28%), followed by social gambling like mahjong and poker (19%), horserace betting (11%) and football betting (6%).[22]

20 Hong Kong Inland Revenue Department, Betting Duty (https://www.ird.gov.hk/eng/tax/bdu.htm)

21 Hong Kong Government, question by the Hon Adrian Ho and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 15), 15 February 2023 (https://www.info.gov.hk/gia/general/202302/15/P2023021500272.htm)

22 Legislative Council Secretariat, Research Office, Gambling and Betting Duty in Hong Kong, March 2023 (https://app7.legco.gov.hk/rpdb/en/uploads/2023/ISSH/ISSH03_2023_20230322_en.pdf)

In the 2021/22 financial year legal betting turnover on horse racing was HKD 140.4 billion (USD 18 billion), resulting in gross margin of HKD 19.4 billion (USD 2.48 billion) and consequent betting duty of HKD 14.1 billion (72.7%) paid to the government.[23] This compares to betting duty on horse racing of HKD 8.352 billion (USD 1.07 billion) in 2004/05, hence an increase to annual government revenue of almost HKD 6 billion (USD 700 million) in 18 years.

Betting on football in Hong Kong was introduced in 2003, with the HKJC licensed to accept bets on all professional football leagues but no matches involving Hong Kong teams. Compared to the betting sports available from illegal betting operators and in wider betting markets this was a very narrow product range, but it did allow a starting point for competition with the illegal market on sports betting. This however remains limited to the single betting product of football, whilst the illegal betting market offers a wide range of global sports for betting.

In the 2021/22 financial year betting turnover on football was HKD 143.8 billion (USD 18.4 billion), resulting in HKD 19.7 billion (USD 2.53 billion) gross margin and betting duty of HKD 9.8 billion paid to the government (50%). This compares to betting duty on football of HKD 2.03 billion in 2004/05, hence an increase to annual government revenue of around HKD 7.5 billion (USD 960 million) in 18 years. There has been a correlation between implementing lower betting duty levels and increasing overall betting duty contributions in Hong Kong since 2006 for horse racing and 2003 with the introduction of legal betting on football.

From 2023, the Hong Kong Government will levy a special football betting duty of HKD 2.4 billion (USD 300 million) annually on the HKJC for a five-year period.[24] This additional Betting Duty is equivalent to 24% of the duty paid by the HKJC on football betting revenue in 2021-22.[25] This equates to an additional 24% of Betting Duty that at some point has to be passed on to consumers by the betting operator which, as noted earlier in this study, increases the theoretical margin to betting odds, consequently increases the takeout rate of the operator, increases the price to the customer, and inevitably drives customers to illegal betting markets where odds are better value because of no takeout rate.

The HKJC is the largest tax payer in Hong Kong, with HKD33.6 billion (USD 4.3 billion) paid in 2021/22.[26] In addition, the HKJC as a not for profit organisation donates most of its surplus to charities, with its Charities Trust donating an average of HK$4.5 billion a year to the community.[27]

A major factor in this migration of customers to the illegal betting market in Hong Kong as tax increases is the thin operating margins on key bet types such as 'in-play' (i.e. bets taken during the race or run of play). Increasing betting duty to unreasonably high levels makes it harder for the operator to offer such bet types because of the high takeout rate and the excessive risk that can easily lead to losses.

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23 Hong Kong Jockey Club, Building stronger communities together; Jockey Club returns record HKD 33.6 billion to the community in 2021/22, 8 September 2022 (https://corporate.hkjc.com/corporate/corporate-news/english/2022-09/news_2022090802130.aspx)

24 Hong Kong Government, The 2023-24 Budget: Budget Speech (https://www.budget.gov.hk/2023/eng/budget34.html)

25 Legislative Council Secretariat, Research Office, Gambling and Betting Duty in Hong Kong, March 2023 (https://app7.legco.gov.hk/rpdb/en/uploads/2023/ISSH/ISSH03_2023_20230322_en.pdf)

26 HKJC, Annual Report (https://charities.hkjc.com/charities/english/charities-trust/index.aspx#:~:text=Annual%20Donation,292%20charity%20and%20community%20projects.)

27 HKJC, The Charities Trust (https://charities.hkjc.com/charities/english/charities-trust/index.aspx#:~:text=Annual%20Donation,292%20charity%20and%20community%20projects.)

Illegal betting in Hong Kong has been a prolonged problem. The size of the illegal betting market in Hong Kong is estimated to be around HKD15 billion (USD 1.91 billion), which is the profit margin of illegal betting operators.

The turnover of the illegal betting market is estimated to be far higher. In 2021/22 the turnover of the legal betting market in Hong Kong (i.e. the amount bet by customers) was HKD 290 billion (USD 36.9 billion) and the profit margin on horse racing and sports betting was HKD39.1 billion (USD 4.98 billion). On the basis of the legal market ratio between betting turnover and margin, the illegal market turnover could be well over HKD 110 billion (USD 14 billion).

The trend of a growing illegal betting market has continued. During the Covid-19 pandemic, illegal betting on horse racing and other sports in Hong Kong is estimated to have increased between 10% to 20%, equivalent to illegal betting profits (margin) of HKD 2 to 3 billion to the current level of HKD 15 billion.[28] In 2020, there were significant increases in traffic to illegal betting websites from Hong Kong IP addresses (i.e. local consumers), with a 35% increase to sports betting websites and a 14.5% increase to illegal betting exchange Citibet.[29]

The prolonged scale of the illegal betting market in Hong Kong has led to a continued issue with problem gambling. It has been estimated that far more consumers are engaged in excessive betting in the illegal market than in the legal market. In 2018 it was estimated that 56% of consumers betting with illegal operators were classed as excessive bettors, far higher than in legal markets.[30] Credit betting and loan sharking are reported as common in illegal betting markets in Hong Kong and unmanageable debt is one of the key predictors of suicide risk in the city.[31]

28 ARF Council, A Report of Illegal Betting Growth During the COVID-19 Pandemic, May 2021 (https://www.asianracing.org/aib/resources)

29 *Ibid*.

30 ARF Anti-Illegal Betting Task Force, Illegal Betting in an Asian Context, March 2018 (https://www.asianracing.org/aib/resources)

31 *Ibid*.

Macau

Given the proximity of the two cities, analysis of Hong Kong is not complete without detailing the legal and illegal betting situation in Macau. There is some similarity between the Hong Kong-Macau situation and the New York-New Jersey situation in regard to how betting tax and resultant pricing can impact customers migrating across boundaries to an alternative jurisdiction.

Hong Kong and Macau are separated by around 65 kilometres across the Pearl River Estuary, which is a one hour ferry ride for Hong Kong residents. Macau has been a continually popular destination for Hong Kong residents to travel to for gambling in casinos, but there is also an active horse racing and football betting market in the city that attracts customers. The betting markets are different as Hong Kong has a population of 7.4 million and Macau only 686,000.

The tax rate on sports betting in Macau is 25% of GGR, and the tax rate on horse racing betting is up to 10% of the amount wagered. Sports betting operators in Macau must pay a minimum annual "rent" of MOP 6 million (USD 742,000) on gross revenue up to MOP 30 million (USD 3.7 million), progressive rates from 20% to 25% levied on subsequent gross revenue up to MOP 100 million, and 25% on GGR over 100 million (USD 12.3 million).[32]

These tax rates are significantly lower than Betting Duty in Hong Kong, and present the risk of customer migration from Hong Kong to Macau. Analysis for this report by a comparison of games on Hong Kong and Macau betting operator websites found that sports betting prices (odds) offered in Macau are around 2.25% more attractive (i.e. lower prices) than in Hong Kong, indicating that the Betting Duty rate of only 25% in Macau has an impact on prices.

Since 2021 the sole licensed sports betting operator in Macau has lost its exclusive license and although there are as yet no other companies licensed by the government it is likely that the international casino operators would generate more betting revenue because of their ability to cross-sell casino gambling and sports betting to customers.

In November 2021 and in January 2022, the Macau Special Administrative Region (SAR) Judiciary Police arrested people involved in operating two separate casino VIP customer "junkets" for engaging in illegal gambling activities, running a criminal syndicate, and money laundering. The criminal groups are alleged to have used their VIP junket business in Macau casinos to recruit Mainland Chinese residents to engage in illegal online gambling on overseas platforms and illegal side-betting, with the proceeds of the syndicate then laundered and transferred through the junket accounts of the casinos using underground banks. The criminal cases illustrate that the Macau casino junkets have continued to be used by organised crime groups and also been a key part of the growth of online illegal betting and gambling in Asia.[33]

32 Macau Government, Gaming Inspection and Coordination Bureau, Excerpt from the deed signed between the Macao region and the Macau Lottery Co., Ltd. (https://www.dicj.gov.mo/web/cn/contract/LI_LD/contratoLILD004.html)

33 ARF Council, Quarterly Bulletin, May 2022 (https://assets-global.website-files.com/5fbe2bde2b2ef4841cd6639c/6290288fb547fe156d63c274_ARF%20Quarterly%20Bulletin_May%202022_.pdf)

Singapore

Betting Duty in Singapore currently varies based on the betting product[34], as follows:

- Horse racing parimutuel – 25% x (Amount of bets received - Winnings paid out - GST[35])
- Football fixed odds – 25% x (Amount of bets received - Winnings paid out - GST)
- TOTO / lottery - 30% x (Amount of bets received - GST)

The majority of betting activity on horse racing and other sports is subject to a 25% Betting Duty payable on the gross betting profit generated from the bets received less the goods and services tax (GST) payable on such bets. Goods and Services Tax or GST is a broad-based consumption tax levied on the import of goods (collected by Singapore Customs), as well as nearly all supplies of goods and services in Singapore. There is a single legal licensed operator in Singapore authorised to operate betting on racing and other sports, which is Singapore Pools.

In 1968, the government established 'Singapore Pools', a wholly owned subsidiary of the Tote Board, as Singapore's only legal lottery operator to counter illegal betting and to channel proceeds of sales to benefit the community. Until 1999, legal gambling in Singapore was limited to lotteries operated by Singapore Pools, horse-racing conducted by the Singapore Turf Club, and certain types of gambling in private clubs (e.g. jackpot machines). All other forms of gambling were illegal. The betting market was widened in 1999 when Singapore Pools introduced legalised football betting on local league matches.

The illegal betting market in Singapore has been estimated to amount to SGD 461 million (USD 336 million) in 2015 (margin), equating to more than one third of the legal market, growing twice as fast as legal betting (8.6% compound annual growth rate compared to 3.5%), and costing the government the equivalent of USD 548 million in lost tax revenue.[36]

Horse racing has been assessed to be a particularly strong part of the illegal betting market in Singapore. Illegal betting exchange Citibet was estimated in 2016 to have turned over SGD 800 million a year. Singapore horse racing has also been an attractive betting product for illegal betting markets outside Singapore, with the average turnover per Singapore race on Citibet estimated as more than USD 600,000.

34 Singapore Government, Inland Revenue Authority, Betting and Sweepstake Duties (https://www.iras.gov.sg/taxes/other-taxes/betting-and-sweepstake-duties)

35 GST is Goods and Services Tax, currently levied at 8%

36 ARF Anti-Illegal Betting Task Force, Illegal Betting in an Asian Context, March 2018 (https://www.asianracing.org/aib/resources)

37 *Ibid*.

The Singapore authorities have strengthened their approach to combatting the illegal market. The Remote Gambling Act in 2014 made it an offence for offshore betting operators to take bets from Singaporean customers, and also an offence for Singaporeans to bet with them. Under the Remote Gambling Act, the Ministry of Home Affairs can block access to websites and payment transactions related to unlawful online betting activity, and issue access blocking orders to Internet Service Providers (ISPs) which require them to take reasonable steps to disable access to online betting websites identified by MHA. Any ISP failing to block any website specified in an access blocking order commits an offence. In addition, the Organised Crime Act of 2015 applies to organised crime groups that obtain financial or material benefit from gambling operations and related activities that take place in Singapore and consequently enhanced penalties.[38]

The Singapore Government also introduced a comprehensive blocking regime targeting websites that offer or promote illegal remote gambling, as well as electronic payments to operators. From enactment of legislation to block overseas betting websites in 2015 up to March 2018, the Ministry of Home Affairs reported that more than 800 websites, 200 bank accounts and SGD 7 million worth of transactions have been blocked.[39]

There has been a slow decline of problem and pathological gambling rates since 2005[40], indicating that the control and education measures seem to have been effective in reducing the negative impact of illegal betting on society. The flat rate of Betting Duty on horse racing and other sports of 25% has also been a major part of allowing the legal licensed betting sector to compete with illegal markets as the takeout rate based on this level of taxation has not unduly hindered the operator.

38 Rajah & Tann, Client Update, August 2015 (https://eoasis.rajahtann.com/eoasis/lu/pdf/2015-08-Organised-Crime-Act-2015.pdf)

39 Singapore Government, Joint Efforts Against Illegal Remote Gambling and Problem Gambling During World Cup 2018, 14 June 2018 (https://www.mha.gov.sg/mediaroom/press-releases/joint-efforts-against-illegal-remote-gambling-and-problem-gambling-during-world-cup-2018/)

40 Munidasa Winslow, Christopher Cheok, Mythily Subramaniam, Gambling in Singapore: an overview of history, research, treatment and policy, 6 May 2015 (https://onlinelibrary.wiley.com/doi/10.1111/add.12931)

United Kingdom (UK)

Betting Duty in the UK is charged as a percentage of profits. Profits may be calculated as stakes received (from UK people where appropriate) less winnings paid out (to UK people where appropriate), which is effectively GGR.[41] The current duty payable on betting in the UK is as follows:

- Fixed odds and totalisator bets – 15%
- Financial spread bets – 3%
- All other spread bets – 10%

In the UK in 1981 pool betting (totalisator betting) was subject to duty of 42.5% and off-course bets on horse racing at 8%. From 31 March 2002, the basis on which Pool Betting Duty is charged was changed, with duty now calculated as 15 per cent of the sum of the value of the stakes plus expenses and profit less winnings paid out. There is no liability to duty of pool betting benefits passed to the society for charitable purposes.[42]

From 2001, the government abolished tax on betting customers and implemented a tax of 15% of the gross profits of betting operators. The new tax system replaced the prior system of government collecting betting duty of 6.75% from betting operators which was passed on to customers as a 9% tax.[43]

In 2012, the UK Government announced a move to a tax regime aimed at ensuring that betting operators anywhere in the world pay gambling duties on gross profits generated from customers based in the UK. The UK Government claimed that this approach was in line with the actions of several other European countries, and was intended to prevent betting operators avoiding paying UK gambling duties by basing their operations abroad. The projected impact of the change to point of consumption on gambling duty revenue for the UK Government was minus £15 million in 2012-13, minus £20 million in 2013-14, plus £55 million in 2014-15, plus £240 million in 2015-16, and plus £270 million in 2016-17.[44] The long term impact on Betting Duty income for the UK Government was clearly higher.

In 2023 the duty rate for fixed odds and totalisator bets is 15% of GGR, compared to 1981 when it was 8% for general betting and 42.5% for pool (totalisator) betting. There has been a decrease in betting duty on totalisator (largely horse racing) of 27.5% during this period. Betting duty on Remote Gaming (e.g. online operators outside the UK) has been charged at 21% from 2019.

41 UK Government, General Betting Duty, Pool Betting Duty and Remote Gaming Duty (https://www.gov.uk/guidance/general-betting-duty-pool-betting-duty-and-remote-gaming-duty)

42 UK Government, Historical UK Betting and Gaming duty rates (https://www.gov.uk/government/statistics/uk-betting-and-gaming-statistics/historical-uk-betting-and-gaming-duty-rates)

43 UK Government, Historical UK Betting and Gaming Duty Rates, 28 October 2022 (https://www.gov.uk/government/statistics/uk-betting-and-gaming-statistics/historical-uk-betting-and-gaming-duty-rates)

44 UK Government, *2012 Budget* (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/247119/1853.pdf)

By 2022-23, the estimated government revenue from gambling duty was projected to be £3.3 billion.[45] In 2001, the total receipts from gambling duties were £1.509 billion.[46] There has been an increase in overall government betting duty revenue that corresponds with decreased and liberalised duties on betting products.

The UK illegal (unlicensed) gambling market size has been assessed to be around £2.8 billion in bets with around 260,000 consumers. The size of the online gaming and betting market in the UK has been estimated by PwC as 2.3% of the legal market in 2020,[47] and by the European Commission as 2% of the legal market in 2017.[48] These estimates are considered to be conservative as the latest is based on survey data, in which respondents are unlikely to be candid about their access to illegal online betting. In addition, the access to unlicensed online betting is reportedly increasing in the UK – Internet traffic to unlicensed operators increased by 85% from October 2018 to November 2020.[49] The estimated number of UK customers using unlicensed operators has reportedly increased from 2.2% to 4.5% from 2018 to 2020.[50] The indications from recent reporting are that the illegal betting market in the UK is growing, but not to the same extent as illegal betting markets in Asia where Betting Duty rates are generally far higher.

45 UK Office for Budget Responsibility, Betting and Gaming Duties (https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/betting-gaming-duties/)

46 UK National Audit Office, HM Customs and Excise Gambling Duties, 14 January 2005 (https://www.nao.org.uk/wp-content/uploads/2005/01/0405188.pdf)

47 PwC, Review of unlicensed online gaming in the UK, December 2020 (https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK_vFinal.pdf)

48 *Ibid*.

49 *Ibid*.

50 *Ibid*.

USA

Betting Duty in the USA varies by state, as gambling and betting business is licensed and regulated at state level after changes to legislation in 2018 which gave individual states the ability to legalise sports betting. In May 2018, the U.S. Supreme Court ruled that the Professional and Amateur Sports Protection Act (PASPA), prohibited states from legalizing gambling on professional and college sports, was unconstitutional. PASPA was enacted by the US Congress in 1992 to prevent the expansion of sports wagering beyond Nevada in an effort to restrict the spread of related criminality. This effectively left Nevada with a monopoly on sports wagering until 2018, but enabled the growth of a huge illegal betting market elsewhere in the US. The 2018 Supreme Court ruling meant that states have the right to regulate sports betting within their own borders. This state-by-state approach has led to diverse regulatory approaches as well as Betting Duty levels, which can be instructive as it illustrates clearly different impacts on demand.

The full list of Betting Duty levels in US states is shown at the Annexure. The lowest Betting Duty rate in the US is 6.5% in Iowa. The highest Betting Duty rate in the US is 51% in New Hampshire, New York, and Rhode Island. There are substantial variations in Betting Duty levels between US states, which is likely to lead to cannibalisation of customers between states as betting operators use lower Betting Duty levels in some states to attract customers from states with higher rates.

The most obvious risk of this competition for customers between states due to major differentiation in Betting Duty levels is New York and New Jersey. Betting Duty in New York is 51% of GGR for mobile betting, whilst Betting Duty rates in New Jersey state are 8.5% of GGR for casino sports pool operations, 13% of GGR for casino online sports pool operations, 8.5% of GGR for racetrack sports pool operations, and 13% of GGR for racetrack online sports pool operations.

Despite high levels of betting revenue and duty in New York state since the commencement of legal sports betting, customers are likely to migrate to better priced betting in New Jersey due to the lower Betting Duty rate. In 2019, prior to legalisation of sports betting in New York state, there were estimates that 10% of betting customers of two major New Jersey licensed betting operators were customers residing in neighbouring New York state who travelled to New Jersey to wager.[51] There has been a surge in online betting in New Jersey since the 2018 change in law, but there have been continued reports of New York residents traveling to New Jersey to bet, with Flutter Entertainment Plc's FanDuel stating in 2020 that about 22% of its mobile betting customers are New York residents (mobile sports betting was launched in New York in January 2022).[52]

The illegal sports betting market in the US was estimated in 2022 to amount to USD 3.8 billion (margin), with a total of USD 63.8 billion bet (turnover).[53]

51 Betting USA, NJ Betting Sites Claim 10% Of Their Customers From New York, 7 January 2019 (https://www.bettingusa.com/nj-betting-sites-10-percent-customers-new-york/)

52 Time, New Jersey's Train Stations Are Turning Into Gambling Hubs for New Yorkers, 6 January 2023

(https://time.com/5759895/new-jersey-sports-betting/)

53 American Gaming Association, Sizing the Illegal and Unregulated Gaming Markets in the U.S., 30 November 2022 (https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/)

Conclusions

There are significantly different Betting Duty rates in countries around the world, and even within individual areas in certain countries. The lowest rate of Betting Duty noted is in South Africa, at 6% of GGR. The median rate of Betting Duty noted is in France, at 37.7% of GGR (MR = 40.5). The highest rate of Betting Duty noted is in Hong Kong, at 75% of GGR.

These huge variations in Betting Duty inevitably lead to distortions in the betting market in many countries as consumers go to betting options where prices are better on the racing and sports competition products that they seek to wager on. The outcome of this market distortion is continued huge growth in illegal betting.

The significantly different Betting Duty rates in countries around the world are often due to different social, cultural, religious and economic reasons. It is necessary for government policy makers and gambling regulators in each country to establish Betting Duty rates that are appropriate to the circumstances of each country, but which are commercially viable for legal betting operators.

There is a contradiction in government policy making when governments seek to limit the negative social impact of gambling on society by imposing higher rates of Betting Duty, but also seek taxation income from this duty as part of a broad based tax system. This contradiction has been heightened since the advent of the Internet age as Betting Duty rates are ineffective to restrict use of offshore online betting operators who can reach customers across national borders. Although governments have sought to counter the loss of taxation revenue from the growth of online Internet betting by adopting an approach to Betting Duty based on where is the point of consumption, this only impacts legal licensed betting operators and is overcome by the illegal betting market.

Higher Betting Duty leads to increased pressure on theoretical margin to betting odds, consequent increases to the takeout rate of the operator, increased prices for the customer, and inevitably driving customers to illegal betting markets where odds are better value because of no takeout rate.

Illegal betting operators make full use of the Internet to circumvent national laws, gambling regulations, and Betting Duty. Illegal betting operators pay no Betting Duty, or any other taxes. There is hence a permanent price differential between the legal and illegal betting markets, with illegal markets consequently offering better odds (prices) to consumers. Consequently, the use of Betting Duty as a means of limiting the negative social impact of gambling is failing and the value of Betting Duty as a tax revenue source is declining.

There are clear indicators of an inverse relationship between betting tax and legal betting revenue. When betting tax increases, legal betting revenue decreases. This is because it is almost inevitable that the operator will have to pass on tax increases to customers due to pressure on operating costs and hence a significant and potentially catastrophic decline in profit margin.

Higher Betting Duty rates also have increasingly less impact on consumer protection as raising rates has the impact of migrating customers from the more expensive legal to the less expensive illegal betting market, where there are no player protection measures and evidence in many countries indicates that more consumers suffer from gambling disorders.

There is a likelihood of predictable decline in legal betting turnover when Betting Duty is varied or increased, based on an inevitable migration of consumers to illegal markets. Because of this, government policy makers and gambling regulators should seek a commercially reasonable and stable Betting Duty rate that provides a balance between channelling gambling demand to the legal betting sector and allowing licensed betting operators to effectively compete with the illegal market. Governments should assess what is an appropriate baseline legal betting turnover that can be established with a commercially reasonable rate of Betting Duty that does not necessitate a takeout rate for legal betting operators that results in prices that drive consumers to the illegal market. This is a key part of efforts to combat illegal betting and its negative impact on society.

* * *

Annexure - Betting Duty Levels Around the World

**GGR is Gross Gaming Revenue, which is the difference between the amount of money players wager minus the amount that they win.*

Jurisdiction / Country	Betting Product	Betting Tax Rate
Hong Kong, China[1 2]	Horse Racing	72.5% to 75% of GGR*
	Football (soccer)	50% of GGR
	Annual Special Duty	HKD 2.4 billion per annum
Macau, China[3]	Horse Racing	Annual "rent" of 15 million patacas Progressive 0.5% to 10% of amount wagered
	Football (soccer)	Progressive 20% to 25% of GGR
	Basketball (NBA)	Progressive 20% to 25% of GGR
China (Mainland)	Football (soccer)	21% of amount wagered
Australia	Sports and horse racing	
New South Wales[4]		15% of GGR exceeding AUD 1 million
South Australia[5]		15% of GGR exceeding AUS$150,000
Western Australia[6]		15% of GGR exceeding AUD 150,000
Queensland[7]		20% of GGR exceeding 300,000
Victoria[8]		10% of GGR exceeding AUD 1 million (rising to 15% from 1st July 2024)
Tasmania[9]		15% of GGR exceeding AUD 150,000
France[10]	Horse Racing	37.7% of GGR
	Sports	55.2% of GGR
Germany[11]		5.03% of amount wagered
Italy[12]	Horse racing	43% to 47% of GGR
	Sports	20% to 24% of GGR
Japan		10% of amount wagered
Mexico[13]	Horse racing and sports	30% of GGR
New Zealand[14 15]		0% (local totalisator) 10% of GGR (offshore operators)

Korea (South)		No betting duty, operators subject to corporation tax
Portugal[16]	Horse racing (tote)	21% of amount wagered
	Horse racing (fixed odds)	8% of turnover
	Sports (fixed odds)	8% of turnover
Singapore[17]	Sports and horse racing	25% of GGR
South Africa[18]	Sports	6.5% of GGR
	Horse racing	6.0% of GGR
Spain[19]		20% of GGR
Sweden[20]		18% of GGR
Tanzania[21]		10% of GGR
UK[22]		15% of GGR
USA[23 24]	Sports and Horse Racing	
Arizona		10% online, 8% retail
Arkansas		Progressive 13% to 20% of GGR
California		Not legal
Colorado[25]		10% of GGR
Connecticut[26]		13.75% of GGR
Delaware[27]		50% of revenue
Illinois[28]		Progressive 15% to 45% of GGR
Indiana		9.5% of revenue
Iowa		6.75% of revenue
Kansas		10% of revenue
Louisiana		15% online, 10% retail
Maryland		15% of revenue
Michigan[29]		8.4% of GGR
Mississippi		12% of revenue
Montana		8.5% of revenue
Nebraska		20% of GGR
Nevada		8.5% of sports GGR 14.25% of racetrack GGR
New Hampshire		51% of GGR

New Jersey		8.5% of GGR land-based 14.5% of GGR online
New Mexico		No legal online betting
New York		51% of GGR
North Carolina		Not legal
Ohio		10% of GGR
Oregon		8% of GGR
Pennsylvania		36% of GGR
Rhode Island		51% of GGR
South Dakota		9% of revenue
Tennessee		20% of GGR
Virginia		15% of GGR
Washington DC		10% of GGR
Washington (state)		Not legal
West Virginia		10% of GGR
Wyoming		10% of GGR
District of Columbia (b)		10% of GGR
UK[30]		15% of GGR 21% of GGR (remote operators)

Endnotes – References for Betting Duty Levels

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2 Hong Kong Government, The 2023-24 Budget (https://www.budget.gov.hk/2023/eng/budget34.html)

3 Macau Government, Gaming Inspection and Coordination Bureau, Excerpt from the deed signed between the Macao region and the Macau Lottery Co., Ltd. (https://www.dicj.gov.mo/web/cn/contract/LI_LD/contratoLILD004.html)

4 New South Wales Government, Point of Consumption Tax (https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/gaming-wagering-tax/point-of-consumption-tax)

5 Government of South Australia, Betting Operations Tax (https://www.revenuesa.sa.gov.au/betting-operations-tax)

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21 Tanzania Revenue Authority, Gaming Tax (https://www.tra.go.tz/index.php/gaming-tax)

22 UK Government, General Betting Duty, Pool Betting Duty and Remote Gaming Duty (https://www.gov.uk/guidance/general-betting-duty-pool-betting-duty-and-remote-gaming-duty)

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