

**1998**

**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**BOOKMAKERS ACT 1985**

**INSTRUMENT NO. 255 OF 1998**

**EXPLANATORY MEMORANDUM**

**DETERMINATION OF SPORTS BETTING LICENCE FEE**

Circulated by the Authority of KATE CARNELL MLA

Chief Minister

## Outline

The *Bookmakers Act 1985* (the Act) governs the activities of bookmakers in the Australian Capital Territory.

Part IIIA of the Act provides for the conduct and control of sports betting. In particular, Section 39K provides that the determined fee for a sports betting licence is payable to the Territory within the determined period.

Section 55 of the Act provides that the Minister may determine fees, calculated by reference to turnover or otherwise and the percentage for the calculation of those fees.

This instrument repeals Determination No. 235 of 1997 notified in Gazette No. S302 of 3 October 1997 and establishes a revised licence fee framework.

This instrument determines the fees for a sports betting licence through a number of components. The first component is an annual fee of \$5,000 in the case of an individual bookmaker or \$10,000 in the case of a syndicate or company. The instrument also provides for a pro-rata annual licence fee in respect of the first year and last year of the period of the licence.

The second component is a monthly fee based on a percentage of turnover in respect of fixed odds sports betting transactions. This component of the licence fee, calculated by reference to a percentage of fixed odds sports betting transactions, has been divided into three parts.

The first part concerns sports betting transactions in respect of a specific range of overseas sports, namely US football, US basketball, US ice hockey and US baseball and specific UK and European soccer matches. The fee to apply to these particular sports is 0.25%.

This concessional licence fee for these particular sports provides parity with the major international sports betting operations in the United States.

The second part relates to bets on head-to-head contest. These contests have been defined as bets on contests where there are only two, three or four possible outcomes for the bet, such as:-

- a team to beat another team in a competition round;
- a win, loss or draw in soccer; or
- a player in the semi-finals of a tennis grand slam event to win the event.

The licence fee applying to bets of this nature is 0.50%.

The third part, which comprises the balance of sports betting transactions, relates to bets on “multi-outcome” events or contingencies, such as racing events, a team to win a premiership or a player to win a golf tournament.

Betting contingencies of this nature provide greater capacity for a bookmaker to build in an appropriate margin to cover administrative overheads. The licence fee applying to this bet type is 1.00%.

Over 1996-97 and 1997-98, the average fixed odds licence fee was 0.72%.

The third component of the Instrument sets the licence fee applying to spread betting transactions at 6.75% of the bookmakers turnover. This figure is consistent with the taxation rate applying in the United Kingdom on equivalent activities.

The fourth component of the Instrument sets the licence fee applying to parimutuel sports wagering pools at 6.00% of the Commission deducted from all betting pools. The establishment of a tax regime based on a percentage of the Commission will ensure that the Government obtains a consistent licence fee from the amount deducted from betting pools, by the licensee. This regime and rate of licence fee is consistent with the arrangements applying in the United States on equivalent activities.

The addition of this component represents the major change from the license fee structure as set out in Determination No. 235 of 1997.

Finally, the Instrument defines:-

- bookmakers "turnover" as being the amount promised or pledged in respect of all bets accepted. A license fee is not payable in respect to those bets that have been refunded in accordance with the rules for sports betting pursuant to Section 39C of the *Bookmakers Act 1985*; and
- "Commission" as the amount deducted from parimutuel sports betting pools operated by the licensee.

### **Financial Implications**

This instrument determines the license fee arrangements in respect of the sports betting service. The licence fee component, based on turnover, has been set at a level that provides significant capacity for licensed sports bookmakers to compete with major service providers in other jurisdictions.

Revenue of some \$600,000 was achieved in 1997-98 and income in excess of \$1.2m has been achieved since the financial and administrative framework for sports betting was established. It is expected that sports betting service will continue to develop and this increased growth will positively impact on the economic activity in the Territory and provide ongoing revenue to the Government. Over 20 new jobs have been created through the establishment of sports betting in the ACT.

The potential revenue generated from the establishment of parimutuel sports wagering is expected to be significant over the long term.