

2000

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

GAMBLING LEGISLATION (GST) AMENDMENT BILL 2000

EXPLANATORY MEMORANDUM

Circulated by the authority of the Treasurer

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Gambling Legislation (GST) Amendment Bill 2000

Summary

Under the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA), States and Territories have agreed to take account of the GST impact on gambling operators. Gambling revenues forgone are covered under the Guaranteed Minimum Amount (GMA).

There were two options available to States and Territories to adjust their gambling tax arrangements -

- i) Allow the gambling operators to claim a credit for the GST paid on their margins against their State gambling tax liability.
- ii) Reduce the gambling tax rate to take account of the GST but not exceeding 9.1% of player loss.

All gambling taxes, save for gaming machine taxes, are set by determination or by way of agreement between the ACT and gambling operators (e.g. ACTTAB licence fees). Accordingly legislative amendments are only required in two instances:

1. *Gaming Machine Act 1987* - to account for the tax rate reduction for hotels and taverns and tax credits for clubs; and
2. *Bookmakers Act 1985* - to move to a quarterly ACT tax system.

Gaming machine tax is currently collected from hotels and taverns at the flat rate of 35%. For equity and efficiency reasons the Government has agreed to provide for a reduction in the tax rate from 35% to 25.9%, to compensate for a 9.1% GST rate.

Lower tax rates for clubs, however, will result in clubs paying around \$500,000 more in combined ACT tax and GST than they currently pay in ACT tax alone. After extensive consultation with Clubs ACT, the Government has agreed to provide the industry with a non-refundable credit against their gambling tax liability for GST already paid. To this end, there is an industry agreement to the larger clubs accepting a discount of the credit equal to the refundable credit amount payable to the smaller clubs to support the ongoing viability of the smaller clubs. This would also remove the potential need for separate Government assistance for smaller clubs and aligns with the State and Territory undertaking under the IGA.

This would be implemented by giving a reduced credit for GST paid to larger clubs, the difference between the reduced credit and the full credit amount would then be used to refund GST paid by small clubs with no or minimal ACT tax liability.

For bookmaker's fees, it is agreed that the least disruptive option for the industry in terms of winners and losers would be to move to a quarterly ACT tax system maintaining the present turnover tax and allowing a non-refundable credit for GST paid to the extent of the ACT liability.

Revenue/Cost Implications

The revenue/cost implications for the adjustments to all ACT gambling taxes to account for the GST is estimated to be an \$18.6m reduction in ACT gaming revenue. This, however, would be covered under the GMA.

Details of the Bill are attached.



Gambling legislation (GST) Amendment Bill 2000

Name of Act

Clause 1 is a formal requirement. It refers to the title of the Act as the *Gambling Legislation (GST) Amendment Act 2000*.

Commencement

Clause 2 is a formal requirement. It refers to the commencement date of the Act as 1 July 2000.

Amendments

Clause 3 identifies the Act mentioned in the schedule as being amended as set out in the Schedule.

SCHEDULE

AMENDMENT OF GAMBLING ACTS

Bookmakers Act 1985

Section 3 – inserts a new definition for the term “completed” and the definition of “prescribed percentage”.

Subsection 29(1) omits the words “fee of an amount equal to the determined percentage of the amount of money paid or promised to the bookmaker as consideration for all bets” and substitutes the words “determined fee calculated by reference to the bookmaker’s turnover”. This wording provides greater flexibility and will enable the determination to include a provision for the GST credit.

Subsection 29(2) to (4) are omitted and substituted by -

New subsection 29(2) to provide that a fee imposed under subsection (1) in relation to a bookmaker’s turnover is now due quarterly on the 28th day of the month following the completed quarter.

New subsection 29(3) provide that where records necessary to assess a bookmaker’s turnover for a period a unavailable for any reason, the Register may determine the turnover by using the bookmaker’s turnover from any similar race meeting held over the previous 6 months.

New subsection 29(4) provides the definitions applicable under this section.

Section 44 is omitted and substituted by –

New section 44 which provides that a bookmaker must, each month, within 28 days after the end of the month, give to the registrar –

- a) the originals of the records required to be kept under section 43 in relation to each bet completed in that month; and
- b) a return and a declaration in the prescribed form.

Gaming Machine Act 1987

Section 4 (paragraph (b) of definition of *prescribed percentage*) –

This definition is amended by omitting the current paragraph, which sets the prescribed rate of 35% for gaming machine licensees that are not clubs (i.e. hotels and taverns), and substituting a new paragraph which sets a reduced prescribed percentage for these types of licensees of 25.9%, to account for the impact of the GST.

After section 58

the following new section is inserted –

58A – Tax credits and refunds in relation to GST for clubs

Subsection (1) provides that this section applies to a club that is liable to pay a global GST amount during a GST tax period that ends during a month.

Subsection (2) provides that if a club pays less GST than its gross gaming machine tax liability for the month, the gaming machine tax for that month is reduced by the GST credit.

Subsection (3) provides that if a club pays more or an equal amount of GST, than its gross gaming machine tax liability for the month, the club is not liable for gaming machine tax for that month and is entitled to a GST refund.

Subsection (4) provides that the ACT Gambling and Racing Commission may, by instrument, determine the rate of the GST credit or the GST refund.

Subsection (5) provides that a determination made under subsection (4) is a disallowable instrument.

Subsection (6) provides the definitions applicable under this section.

