GI FRIDAY

WEEK 50

FRIDAY 12 DEC 2014

THIS WEEK

- CVC buys Sky Bet stake
- PokerStars criticises California bill
- Columnist: Heather Baker on PoC winners & losers
- Tweets of the week

TOP STORY

GBGA GRANTED NEW POC REVIEW

Second challenge to be heard in early 2015

Photo: Cristian Bortes (flickr.com/photos/bortescristian)

Royal Courts of Justice

The Gibraltar Betting and Gaming Association (GBGA) has been granted a judicial review against the UK place-of-consumption (PoC) tax regime by the High Court. A spokesperson for GBGA confirmed to *Gambling Insider* that the challenge, which follows an unsuccessful review of the PoC licensing law earlier this year, is expected to take place in February or March of the next judicial term.

GBGA was not able to pass further comment until a public statement has been released, but has previously said of the 15% gross win tax: "The new tax regime has been introduced in pursuit of an illegitimate aim – to discourage remote gambling operators from moving to foreign jurisdictions and offering their services to UK consumers from those jurisdictions."

The latest review will look into whether the tax complies with European law, and follows a hearing in October where GBGA lost its appeal against the new licensing law. On that occasion, Lord Justice Green ruled that the Gambling (Licensing and Advertising) Act was not unlawful under EU or domestic law and that

CONTINUED ON NEXT PAGE ▶

FROM FRONT PAGE ▶

it will not create "an illicit market of unscrupulous service providers".

GBGA's previous appeal, which delayed the implementation of the law, was based on its view that the new legislation would drive consumers to illegal and unregulated markets, while it additionally feared that the new regulations would not be effectively enforced.

After the unsuccessful challenge, a GBGA spokesperson had said: "We maintain this law is not in the best interests of consumers, the industry and the regulator itself and that there are more effective ways of dealing with the challenges of regulation and competition in this sector."

The new PoC regime sees any business wishing to advertise or promote remote gambling services to British consumers required to obtain a licence from the UK Gambling Commission, with the industry therefore regulated at the point of consumption rather than the point of supply. The 15% place-of-consumption tax on gross win was introduced separately and in parallel with the Gambling (Licensing and Advertising) Act.

KEY POINTS

- GBGA granted judicial review into UK PoC tax regime
- Review expected in February/March 2015
- GBGA lost a previous appeal in October

UK

SKY SELLS MAJORITY OF ONLINE GAMING BRAND

CVC Capital Partners purchases 80% of Sky Bet

Broadcaster Sky has sold a controlling 80% stake in its online gaming brand Sky Bet to private equity firm CVC

Capital Partners. The deal is worth up to £800m, valuing Sky Bet at 15 times its EBITDA, with the terms of the purchase seeing Sky Bet receive £600m in cash and a further payment of £120m at a later stage. CVC will continue to use the Sky Bet name as part of a licensing agreement between the two companies.

Sky chief executive Jeremy Darroch [pictured] said: "This transaction will allow us to focus further on the substantial growth opportunities in our core international pay TV business while realising significant value for our shareholders."

In April 2013, CVC was linked with a £750m-£1bn acquisition of online betting exchange Betfair, although the deal never materialised amid reports that the two firms had failed to agree on price and strategy.

KEY POINTS

- CVC Capital Partners acquires 80% controlling stake in Sky Bet
- Deal worth up to £800m; Sky Bet name to be retained

US

COALITION SLAMS CALIFORNIA ONLINE POKER BILL

Bad actor clauses could block PokerStars from the market

A coalition including online operator PokerStars has criticised new California online poker bill AB 9. Stars could be prohibited from entering the market due to the bill's bad actor clauses, which would rule out the licensing of "entities and persons who knowingly engaged in unlawful internet gaming after December 31, 2006".

The coalition, which also includes California tribes and card clubs, said: "Any bill that seeks to establish artificial competitive advantages for some, while denying Californians the best online poker experiences, will only serve to divide the community and will be opposed by our coalition."

KEY POINTS

- A PokerStars coalition is opposing the AB 9 online poker bill in California

Tweets of the week

"This bad actor impasse is getting ridiculous. I don't look forward to another 10 years of the same rhetoric and inaction if this persists" *Marco Valerio on California online poker regulation [@Agentmarco]*

"#CRomnibus will not carry internet #poker prohibition pushed by Adelson. Kudos to all of you who made your voice heard" *The Poker Players Alliance [@ppapoker] on the news that Sheldon Adelson's online gaming ban was omitted from the government spending bill*

"Hopefully the House Speaker did, or soon will, tell Adelson that trying to make #igaming illegal is a lost cause" *Law firm Ifrah Law [@ifrahlaw]*

GUEST COLUMNIST

"POC: THE WINNERS AND LOSERS"

by Heather Baker
Digital comms agency CEO

"New rules require all gambling companies based outside of Great Britain who wish to provide remote gambling services to GB-based consumers to obtain a licence from the Gambling Commission and pay 15% remote gaming duty. Here, I've considered the winners and losers of the PoC tax.

THE WINNERS

The lawyers

If anyone is hitting the jackpot with the PoC furore, then it's legal firms up and down the country. Not only have well-known gambling companies taken legal action against the UK government, but hundreds of operators have frantically prepared UK licence applications – a rigorous process that necessitates a keen eye for detail. Whether taking the UK Government to court, overseeing corporate structure changes or diligently preparing licence applications, gambling and taxation lawyers will be looking forward to a busy and billable few months ahead.

The Government coffers

If all goes to plan then the new rate of tax should raise plenty of additional funds for the Exchequer – estimated at £300m a year. As it stands, many of the biggest operators are enjoying a zero or close-to tax rate in offshore jurisdictions.

GB-based operators

For those lucky (or smart) enough to have been based in Great Britain since long before the move to point-of-consumption, the changes afoot could represent a competitive advantage over their offshore rivals. Operators who are already running successful business models inclusive of the 15% tax may find that they have a sudden efficiency advantage – an advantage that could find its way down to the price that consumers pay for their bets.

High-margin operators

In general, gaming and gambling is a business of fine margins. Operators compete for the slimmest of advantages, and basis points in either direction can be the difference between making and losing money. Therefore a new 15% tax on operators used to running with no tax will come as a huge shock. Those who operate at a high margin, brought about by comparatively low 'return to player' rates, should ride the change with ease.

THE LOSERS

Non-GB operators

The impact on UK-facing companies that relocated their online operations outside the UK will be significant. Gibraltar-based companies like Ladbrokes, BwinParty and Coral currently enjoy a 1% tax rate with a £425k cap. The 15% PoC tax is a huge amount to find in a low-margin operation, so the financial implications could be severe.

The consumer

It's a sad fact that it remains a strong possibility that the very people the UKGC tries to protect (UK consumers) could be the worst affected by the changes. This is certainly true if KPMG's snappily entitled report 'An Economic Review of the Proposed Change in UK Legislation for Online Gambling Taxation' is anything to go by. "The main findings of the report include that there is a serious risk of the Government's proposals failing to establish a viable market for UK-licensed operators with the consequent danger that the current proposals for changing the tax regime could well unintentionally distort prices and products on offer in the UK market and, in doing so, result in the creation of a larger black market than the Government has anticipated."

Futhermore, as the report cites, a number of operators believe that they will be unable to absorb the tax and will be forced to pass the additional cost on to their consumers.

The tax havens and their people

For many offshore operators, one of the main requirements of a low-tax licence is to be domicile in the foreign jurisdiction. It remains to be seen though what effect the changes will have on the number of permanent staff kept offshore, and indeed whether many of the big operators may end up fully relocating back to the UK. In any event, gambling in Gibraltar makes up more than 20% of GDP and employs more than 10% of the workforce, so it's hard to imagine anything but a serious impact on local economies and people."

Heather Baker is CEO of TopLine Comms

Want to be a guest columnist in *GI Friday*? Write to: editor@gamblinginsider.com

EDITOR Gareth Bracken | *gareth.bracken@gamblinginsider.com*; **STAFF WRITER** David Cook; **DESIGNER** Olesya Adamska; **PRODUCTION CONTROLLER** Maia Abrahams; **WEBSITE MANAGER** Tom Powling


New Personal Best!
At Euro Partners, we're often commended on our friendly service, but you'll probably be more impressed with your improved results. Join us at www.europartners.com
europartners®
THE POWER OF PARTNERSHIP