

Betting and Gaming Laffer Curves are Different

Treasury has published a consultation on a proposal to harmonize remote (online and mobile) gambling taxes. Intended tax rate is not part of the consultation. Responses need to be submitted by the closing date of 21 July 2025.

Laffer Curve theory suggests there is maximum tax generation at a certain tax rate. A lower rate naturally generates too low a tax take. A higher rate may result in changes which may result in a decrease in the activity, and therefore a reduced tax take.

It would be logical for Treasury to want to increase taxes towards the top of the Laffer Curve. Harmonization of betting and gaming rates makes sense if the Laffer Curve expectation is the same for each activity. There is no evidence to support this Treasury assumption. Gambling Commission statistics on remote Gross Gambling Yield (GGY) follow, where gaming includes tables and slots but excludes bingo and peer-to-peer poker.

GGY £millions	Betting	Gaming	Slots	Slots/Gaming
2015-16	1,743	2,364		
2019-20	2,325	3,232	2,344	75%
Change	582	868		
%	33%	37%		
2023-24	2,372	4,358	3,559	83%
Change	47	1,153	1,215	
%	2%	36%	51%	

Despite the gaming tax increase in 2019 from 15% to 21%, when betting remained at 15%, the rate of gaming growth was consistent with prior years and substantially in excess of betting growth which stagnated. Slot GGY growth was the driver in the growth of gaming.

Conventional expectation would be that the higher tax on gaming would influence the behaviour of operators and / or consumers towards betting, the lower taxed activity, resulting in betting GGY growing more than gaming GGY.

As the evidence contradicts the expectation, this suggests that gaming could tolerate a far higher tax rate than betting and that the Laffer Curves are different for the two activities.

It is a mistake for any government department to think that gambling is homogenous. For many gamblers, it is not a normal rational activity with normal price sensitivities. It would be a mistake for Treasury to harmonize remote gambling taxes.

Permission is granted to use this text to submit to the UK Treasury consultation.