HMT / HMRC The Tax Treatment of Remote Gambling

Consultation Submission

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Selected questions are answered

Q1. Do you support in principle the proposal to merge the three existing taxes for remote gaming?

1. No. Rate merging would have undesirable consequences.

Background

2. The proposal seems to assume that remote gambling is somehow homogenous, in a way that land-based is not. It may be that too much credence has been given to the Betting and Gaming Council (BGC) lobbyist representations.

3. The BGC regularly quote that campaigners are “anti-gambling prohibitionists” despite nobody ever calling for the prohibition of gambling. The BGC always include national lottery gamblers to increase their “monthly number of gamblers” quotes, in order to normalize the activity of gambling, despite lotteries not being within BGC remit.

4. This narrative serves to paint BGC opponents as irrational and gamblers as rational. However, gambling generates irrational behaviour and is designed to do so. The concept of “responsible” gambling or “safe” gambling implies that rational control is easy to exercise, despite all the marketing pull factors. In addition to conventional marketing, remote gambling benefits, to the detriment of gambler control, from affiliates, offers and data-based algorithm generated personalised marketing.

5. It is illogical for Treasury to propose harmonization, when some stated activities are in the regulatory remit of the Financial Conduct Authority (FCA), rather the Gambling Commission (GC). The collapse of Football Index indicates an imperfect FCA / GC relationship.

6. Treasury aligned with the trade bodies prior to the BGC in 2017, when opposing the GC recommendation that the EU 4 Directive on anti-money laundering (AML) should apply similarly to remote (online and mobile) betting, as it did to remote casino gaming. The vehicle used to win Treasury support for non-harmonization was the Gambling Anti-Money Laundering Group (GAMLG).

7. Current GAMLG standards are AML thresholds of annual deposits of £100,000 gross, or £25,000 net (after losses and winnings accounted for). These amounts are per account, as there is not yet a remote gambling Single Customer View (SCV), with no progress being made towards a SCV.

Logistics

8. Treasury should not wish to limit capacity to vary tax, when receipts would be maximized by variation. Offshore licensees are capable of compliance, and non-compliant licensees should face license revocation. There is no reason why onshoring of license, server, and legal presence should not be requirements to obtain and retain a license under future changes.

9. GC licensees have been entering the US market where tax rates vary by state to state and from betting to gaming. There has not been any commentary that tax variation itself has any negative bearing on market entry.

10. US states generally provide adequate reporting of Gross Gambling Yield (GGY) as GGR (Gross Gambling Revenue), win percentage (yield as percentage of turnover) and gambling taxes generated. These are generally supplied on a monthly basis and generally, within a couple of months after the reported month. By contrast, statistics collated by GC are annual and out-dated, with the April 2024-March 2025 information not scheduled to be public until November 2025.

11. There are flaws in GC statistics, with spread sheets cells showing ##### assignations. Also, there are no turnover statistics for any slot games or for remote casino games. This prevents calculation of win percentage, and comparison of the experienced return on those games with the theoretical return.

12. The land-based casino table game reporting includes turnover, but not in the sense of total amount wagered. The reported turnover is the total amount deposited at the tables, which generates a far higher wager turnover. This provides a hold percentage, rather than a win percentage. Reporting imperfect statistics for land-based table games, whilst failing to report easily obtainable perfect statistics for slots and remote gaming is inexcusable.

13. Treasury used the GC statistics as part of the content of the consultation. Better statistics could have provided better insights to help advise Treasury and respondents.

14. Treasury may profess that it does not care about harm, but this does not fit with the variable rates of alcohol taxes. Similarly, it does not fit with land-based gambling tax variables.

15. The Gambling Survey for Great Britain, the official statistics as commissioned by GC, shows relative difference ratios by activity, with the National Lottery Draw at a base of 0.0. Remote sports and race betting is at 2.1 compared to remote casino at 5.9, nearly a three times higher harm ratio.

16. In 2023-24 over 37 million new remote accounts opened, but total accounts only increased by under a million to over 37 million current accounts, meaning that over 36 million accounts closed. The churning of over 35 million accounts opening and closing each year is an indicator of an unhealthy activity.

17. There are over 500,000 individuals who have signed up for self-exclusion (SE) from remote gambling, using GamStop, although this may include some sign-ups by affected others. This is around 1% of the adult population, demonstrating how unrealistic historical prevalence data is, as it provided highest harm levels for all forms of gambling at under 1%. The SE number is another indicator of an unhealthy activity.

18. At a recent inquest into a gambling related suicide, a witness for the company that the gambler primarily engaged with, explained that 48% of slot play was free play. The reality is that it is not free if it is designed to convert to pay-for play. Another indicator of an unhealthy activity.

19. Gambling activity is detrimental to the wider economy, with low employment, short supply chains, low economic multipliers and no Value Added Tax (VAT). With no VAT being charged it is illogical to have any gambling tax rate below 20%. Gambling with higher employment ratios, such as table games, racecourse bookmaking and over-the-counter betting, is not as detrimental as electronic machine gambling.

20. The economic negatives apply even more so for remote gambling, which may also be offshore. A National Economics Research Associates (NERA) report, which I commissioned and submitted to Treasury and DCMS in 2024, speaks to this. There has not yet been a rebuttal of the NERA report by any of Treasury, DCMS or the BGC.

21. DCMS foolishly proclaims that the growth of gambling is not incompatible with reducing gambling harm, without providing any supporting evidence. DCMS under Labour recently approved expanding the number of B1 gaming machines allowed in casinos. The flaws of the Impact Assessment used to justify this, produced under the Tories, are exposed in a report I am due to make public soon.

22. Gambling activity has socio-economic costs as identified by National Institute of Economic and Social Research, as commissioned by GC. These are likely to be higher related to remote gambling than to land-based, due to the generally higher associated harms. Taking economic and socio-economic factors into account, it is doubtful if there is any fiscal benefit to a remote gambling tax unless it exceeds 25%.

23. Gambling is identified as the sector with the lowest contribution to gross domestic product (GDP) or gross value added (GVA). However, individuals that have profited from the sector, such as Denise Coates, of Bet365, and Fred Done, of BetFred, are at the top of the list of wealthy individuals. Simply, the sector is too profitable, and historical tax rates are too low.

24. The probable loss from Britain to remote gambling for this century is on target to be around £1 trillion. A massive transfer of wealth to a very privileged few, with many of the few having offshore protections. It would absurd for any civil servant in any government department, or any politician in any political party to think this is a good idea.

25. Even if gambling tax rates increase to a level that the GGY decreases and tax receipts decrease as a consequence, this is not specifically detrimental. Consumption reduction will result in more disposable income for alternative economic activities. It will also result in harm reduction, meaning a cost saving to relevant government services.

Horseracing

26. In 2004 in Nevada 45% of sports and race GGY was for horseracing, but by 2024 it had declined to 5%. The pari-mutuel system in the US, similar to the UK Tote at the racecourse, does not provide adequate support for horseracing. There is a symbiosis between horseracing and bookmaking in the UK, for which bettors carried the burden for decades through the tax on wagers amounts of up to 10%, generating tax, levy and admin costs.

27. It was a positive move to change this over-the-counter tax on turnover to the two GGY based components of a 10% levy for horseracing and a 15% tax. This created higher wager amount viability at lower odds, which was beneficial to all sports betting, particularly soccer. However, the total impact is effectively that horseracing is “taxed” at 25%. The Treasury consultation delinquently ignores this aspect.

28. At a 15% rate for sports, horseracing, with the 10% levy, should have been taxed at 5% to prevent cross-selling to other sports. The reality though is that 15% was too low, and 25% would easily have been justified as a conversion from the 6.75% component on turnover.

29. Of the 10% tax on stake only 6.75% was tax to the Treasury, the other 3.25% was for the levy and admin costs. At a win rate of 20% of GGY changing the 6.75% on stake to 27% on GGY would have been viable. It was trade-friendly advisors who crafted the arguments for 15%. The success of increasing the turnover was achieved by removing the stake tax, not by the low 15% rate.

30. The BGC, when commenting on the economic values of the sector, adds horseracing employees and GVA to the numbers that members "support". The reality is the government supports horseracing by insisting on the levy. Therefore, the levy must be factored into any tax calculation.

31. If the levy is regarded as insufficient it should be a matter for government to increase it. If the levy distribution is regarded as inefficient, this should be a matter for all parties to improve, under government guidance. Horseracing needs to make its own case regarding tax and the levy.

32. The Racing and Bloodstock All-Party Parliamentary Group for Racing and Bloodstock produced a reliable and comprehensive report "Securing Racings Future: The Threat to British Horseracing". It includes reference to the impact of affordability financial risk checks, but there are reasons to question how significant this aspect is.

33. Operators do not want business from competent horseracing bettors. Winning accounts and break-level accounts are being terminated or having wager amounts reduced. This inevitably reduces turnover.

34. At the same time, remote casino gamblers, losing funds generated thorough crime, are being prosecuted. If operators were conducting adequate affordability financial risk checks this would not be happening. Even worse, operators are retaining the proceeds of crime, as evidenced by GamLEARN in a submission to the Independent Sentencing Review under the Ministry of Justice. "Affordability" questioning is being selectively applied.

35. Over the past two years there has been a decrease in remote horserace turnover, but that has been the case for remote sports betting overall, although horserace GGY has increased marginally.

36. With the experience of win percentage being more adverse, a decline in turnover is inevitable. It is notable that betting shop (LBO) horserace turnover and GGY are higher than two years ago.

37. Bookmakers used horseracing for decades and converted LBO gamblers to FOBTs (B2 machine gaming) and betting on other sports in LBOs, and to betting remotely on other sports and gaming. This is probably the only chance that horseracing will get in this Parliament to press for an increase in the levy.

38. A reallocation of the current 25% take on horseracing, by a reduction in horserace betting tax and a commensurate increase in the levy, must be considered. A tax increase on remote betting on other sports to 25% (or more) would give at least parity of take, and partially compensate for the decades of horseracing take exceeding take from other sports and gaming.

39. There could even be preferred dispensation for operators willing to offer horseracing accounts only, with no cross-selling to other content. A levy contribution on par with other operators combined with nominal betting tax could apply.

Rates

40. Total harm is increased as total consumption increases. The Labour manifesto committed to reducing gambling harm. That cannot be achieved if there is a harmonized tax rate between the least harmful and most harmful activities. Treasury has no intention of reducing any gambling taxes, so a harmonized rate of the current 15% betting tax is not being considered.

41. Increasing betting taxes to the current gaming tax level of 21% would just result in even more cross-selling from betting to the more addictive gaming content. Having horserace betting at an overall fee of 31%, with the government accepting the need for a horserace levy at the current 10%, would be perverse. If harmonization is at 21% then horserace tax should be reduced to 11% or less, for a total fee of 21%.

42. Of the 16 new casinos allowed under the 2005 Act only nine ever got operational with, at time of submission, only four still being open. One of the largest casinos outside London was Aspers MK at Milton Keynes which recently went into administration. Other than covid, the declared reason was a “change in customer habits”. The primary change in customer habits is the change from land-based to remote gambling. This change was prompted by land-based operators themselves, such as with Aspers (Online) Malta Ltd.

43. Of the four casinos, three are owned by Gentings/Resorts World, with casinos in eight other countries. The ability to cross-sell overseas casinos, with games with far higher staking levels, would justify Gentings retaining the casinos here, even if not profitable. The fourth casino may have a risk of closure, based on current financing, in early 2026.

44. In the US, some land-based casinos are in the National Association Against iGaming (NAAIG). Even though they have remote betting licenses and even though they operate remote gaming licenses when given the opportunity, they recognise that remote gaming has a negative impact on visitation to, and revenues from, the multiple facilities of the destination casinos they operate. A report by Innovation substantiates the NAAiG position.

45. US state budgets face urgent funding requirements, but so far only 30 states have permitted remote betting and only 7 states have permitted remote gaming. The model of requiring separate licenses and separate accounts diminishes the cross-selling to gaming. There is a general awareness that remote gaming is a higher risk activity that remote betting, and a general reluctance to rely on tax revenues from these activities.

46. Failure to require GB licensing and application of gambling tax on remote gambling as of 2007, when the 2005 Act came into force, was a disaster. It was detrimental to all land-based gambling premises, even though it benefited their operators by cross-selling to remote gambling for reduced cost and tax avoidance benefits.

47. The illegal market thrives on the theory that gambling is in the jurisdiction that the server is located in, a fallacy that implies that gambling is not where the gambler is. The 2005 Act legitimized the illegal support theory. Even when Point of Consumption remote tax was introduced in 2015 it was at the low rate of only 15%.

48. This followed the 2014 Gambling (Licensing and Advertising) Act, eventually requiring GC licensing in order to advertise here. Too many operators were granted formal approval to access the British market, including too many bad actors, as GC did not conduct adequate background investigations into suitability.

49. The subsequent track record of fines, settlements, special measures, reprimands, license suspensions, terminations and business closures are not proof of a robust enforcement system. They are proof of an historically weak and over-permissive regulatory regime. There are still too many operators generating too much marketing. A tax rate that reduced operator numbers and marketing would be an overall positive.

50. There is no justification for offshore remote gambling to be taxed at rate that is lower than the land-based equivalent. Land-based casinos are taxed at a maximum of 50% with tiered rating, with the best performing casinos having a merged rate of over 40%. There is therefore justification for remote gaming rate of up to 60%. The majority of remote gaming operators could tolerate this rate.

51. However, if harmonization applied at 60% there would inevitably be closures of betting operators. With prices being virtually homogenous in gaming, a reduction in operators does not impact competition. Price differentiation is a factor of betting, so a significant reduction in the number of operators would be a negative outcome.

52. Betting could probably tolerate a rate of around 40%, although it would be detrimental to increase horseracing take from the current 25% total.

53. The absence of a suggested rate in the consultation is almost an admission that the concept of harmonization has no real validity. There is no notional rate that could appeal to a cross-section of respondents.

Substitution and elasticity

54. There is a concern that Treasury will consider academic work as the best source of information on substitution and elasticity, rather than the reality of gambling statistics and history. The B2 gaming machine stake reduction in 2019 resulted in a decrease in GGY of around £750 million in the first year. However, there was no noticeable change to GGY for any other activity as a consequence. There was no substitution – contrary to theoretical econometric explanation.

55. Opportunities for race and sports bets are similar for LBOs and remote. LBOs even includes Self-Service Betting Terminals (SSBTs) which are a form of no-account remote gambling. However, the evidence is that the win percentage is far higher in LBOs than remote. Despite LBO horserace turnover decreasing since 2008-09, and probably earlier, there has not been a change in the LBO win percentage. Assuming that GC statistics are correct, elasticity theory will be unable to provide reasonable answers to these two conundrums.

56. Opposition to tax increase, based on cost being passed on to the consumer, is a component of elasticity theory. But a 10% increase in house edge on slots from say 5% to 5.5% may reduce playing duration by 10% or incur the extra 10% loss. However, an increase in wager amount from £1 per spin to £2 per spin may reduce playing duration by 50% or incur an extra 100% loss. Similarly, the £1 gambler encouraged to gamble twice as often, or twice as long per session, incurs an extra 100% loss.

57. Gambling proponents oppose stake restrictions. The remote gambling operator business model is to use compelling content with personalised marketing, offers and VIP schemes to increase the win per account, being the loss per gambler. Any trade submissions asserting an alleged elasticity risk, related to tax increase resulting in an increase in gambler loss, when increasing gambler loss is the business model, should be disregarded.

Laffer Curve

58. Harmonization of betting and gaming rates makes sense if there is evidence that the Laffer Curve expectation would be the same for each. There is no supporting evidence. There is evidence from Nevada to show the resilience of table games impacted by vastly increased house advantages.

59. The table game Three Card Poker (TCP) was created by me. One of the primary wagers was Pair Plus, with a US house advantage of 2.3% during the time I owned it there until 1999. Within a few years, the house advantage on that wager was increased to 7%, a 200% increase. There will have been some negative impact on GGY growth, but it would also have impacted by the growth of other new poker games, of which only one, Ultimate Texas Hold Em, based on the most popular real poker game, has exceed TCP GGY.

60. At a similar time, Blackjack house advantage was impacted by a similar increase by the change of payoff on a blackjack from 3 to 2 down to 6 to 5. This is approximately a 1% increase in house advantage, having an impact in the region of up to 200% on the prior house advantage, depending on the exact rules and number of decks. Again, there will have been negative impact on GGY growth, but blackjack GGY has only been exceeded by baccarat GGY, which has grown with increased international visitation to Las Vegas.

61. In respect of both game changes over two decades ago, Las Vegas Strip operators had the chance to compete by offering the lower old price rather than the higher new price. They chose not to do so, but to copy each other and go for the extra revenue. This is cartel-style behaviour, without there being any cartel-style agreement. Simply, table games are not as sensitive to pricing changes as Treasury might expect.

62. Over the period from 2004 to 2024, based on Nevada Gaming Control Board Monthly Revenue Reports, the overall house advantage on non-slot games increased fractionally slightly, but by far less than the overall house advantage on slots. However, table games have not grown as much as slots.

Table A.

Slot GGY	increased 48% win % increased 26% (5.72% to 7.20%)
Non-slot GGY	increased 51% win/hold % increased 6% (13.41% to 14.29%)
Table GGY	increased by 39% win % increased by under 1% (estimated)

63. Non-slot includes bingo, keno, race and sport, in addition to tables. The table percentage is a hold percentage (win/deposits), whereas the other activities are conventional win/turnover percentages. This means that the actual change in non-slot win percentage is less than the statistics show, as hold percentages are a significant multiple of win percentages, meaning that the 6% increase is in reality less than 1%.

64. In summary, slot GGY relative to tables was not impacted by a price increase 25 times greater than the table game price increase. The primary conclusion is that slots are even less sensitive to pricing change than tables.

65. I sold the UK TCP rights in 2011 when there were four wagers on the game. Over the years since then up to three additional wagers were added, although two of these are for fixed amounts. The house advantages on these wagers are higher than the house advantages on the original wagers. This increase in the cost of playing TCP in land-based casinos has not proved a deterrent. GC statistics provides supporting evidence.

Table B.

GGY £millions	Casino	TCP	TCP / Casino %
2011-12	743	44	5.9
2023-24	645	37	5.7

66. Affiliates use sign-up offers and take a share of gambler losses. There are dedicated betting affiliates that may also offer odds comparisons or tips, so creating price relevant content. However, the casino game affiliates do not offer any price comparison, as essentially there is none to offer. Affiliates steer gamblers to the most profitable and most addictive content – slot games.

67. All the above suggests that a far higher tax rate on gaming than betting could easily be absorbed. GC statistics on remote gambling provides evidence to support that proposition.

Table C.

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%	

68. Despite the gaming tax increase in 2019 from 15% to 21% the rate of gaming growth was consistent with prior years and substantially in excess of betting growth which stagnated. The slots GGY growth was the driver in the growth of gaming.

69. 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.

70. As the expectation is contradicted by the evidence, this suggests that gaming could tolerate a far higher tax than betting, that growth is not as impacted by tax to the degree that Treasury may perceive, and that the Laffer curves are different for the two sectors.

71. 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.

Q6. Do you think that ancillary remote gambling should be in the scope [of the duty]?

72. Yes. Particularly for SSBTs offering non-account remote gambling that steers gamblers away from over-the-counter betting and from horseracing towards other sports.

Q9. Do you agree that spread betting should continue to be taxed on a place of supply basis?

73. No. If tax is increased it may lead to some entities regarding this as an offshore opportunity. It would therefore be prudent to convert it to a Point of Consumption tax.

Q10. Do you think that spread betting should be included in the scope [of the duty]

74. Yes. Rated the same as remote betting.

Q12. Do you have any suggestions for ensuring the fairness and simplifying the tax treatment of freeplays under RBGD, for removing opportunities for the re-wagering exemption to be exploited to reduce liability?

75. Illegal remote gambling is unfair and evades tax. Multiple actions should be taken to limit this activity. Adequately differentiating legal from illegal is essential. Gambling should be permitted but not promoted. It should be a demand driven activity rather than a supply driven activity.

76. Free bets, free plays and prizes are all incentives to encourage participation. They are therefore drivers of total consumption and of total harm. Operators should be competing on price and service, not on inducements. Until these aspects are removed through legislative change there should be minimal opportunity for tax liability reduction. Removal of offers would mean that all offers would be from illegals, making identification of illegals easier.

Q19. Do you have any other suggestions for additional sanctions?

77. The illegal remote market is growing and GC is failing to act adequately. Entities that have the capacity to identify and/or block illegal sites, such as Yield Sec and/or GamBan have not been engaged for this purpose. GC has failed to ensure that licensees are responsible for their affiliate behaviour. Much of the illegal market is affiliate driven. Some GC licensees have business relationships with some illegal sites.

78. Licensees that obtain profits from jurisdictions where they have not been given permission to obtain those profits exhibit a lack of integrity. There is no evidence that GC regards this as gambling associated with crime.

79. FOBT / B2 / B3 gaming machines have been operated illegally in Northern Ireland (NI) by GC licensees in defiance of a 1985 Order. The NI Department for Communities (DfC) changed the Order in 2025 to align with GB regulations for stakes and prizes.

80. However, this is not a retrospective order and machine numbers per premises are still in breach. A “test case” defendant pleaded guilty to operating non-compliant machines shortly after the DfC change.

81. Around a total of £1 billion will have been lost at stakes in excess of stakes permitted by the 1985 Order. A windfall tax of 100% of that revenue, with no further penalties applied, would be appropriate.

82. The lax attitude of the GC to allow GB licensee intranet servers to generate illegal revenues from NI is demonstrative of an urgent need for a new Gambling Act, as was proposed in the Labour 2019 manifesto.

83. I commissioned Yield Sec to prepare reports on the total US market. There are major differences between the US and UK markets. The historical US failure to legalize sports betting meant that the illegal market became embedded. Proponents of legalization use the illegal market as a tool to justify legalization, asserting that this will eliminate the illegal market.

84. The Yield Sec evidence shows that this is not happening, the illegal market is expanding faster than the legal market. The US is not yet taking any steps to constrain the legal sector, such as controls on VIPs, offers or affordability, confirming that other factors are at play.

85. UK constraints, whilst not going far enough, are not driving the UK facing illegal market, contrary to representations by the BGC. “Casinos not on GamStop” are being promoted by affiliates of illegal sites, targeting SE gamblers already harmed by remote gambling.

86. Legal standards must not be compromised by competition from illegals. Submissions to Treasury using the illegal market as a reason not to raise appropriate UK taxes should be dismissed as misleading and self-serving.

Derek Webb

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