

# Point of Consumption Tax

## Fact sheet

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# Victorian Point of Consumption Tax

From 1 January 2019, the Victorian Government will replace the current wagering and betting tax structures with a point of consumption wagering and betting tax (POCT). The POCT will apply at a rate of 8 per cent of the net wagering revenue derived from all wagering and betting activity by customers located in Victoria.

Victorians spend approximately \$1.2 billion annually on wagering and betting on horse and greyhound racing, sports and other events. Increasingly, this wagering is with online corporate bookmakers licensed outside of Victoria which do not currently pay wagering tax to the State.

Wagering and betting in Victoria is currently taxed on a place of supply basis.

Wagering tax currently only applies to Tabcorp Wagering (VIC) Pty Ltd (Tabcorp), the Victorian wagering and betting licensee. Whether a customer wagering with Tabcorp is located in Victoria or another state or territory is of no relevance to the way wagering taxation is imposed under Victoria's current taxation framework.

In late 2017, the Victorian Government undertook consultations seeking stakeholders' views on policy design considerations and potential industry and customer impacts of a potential POCT. A number of submissions were received in response to the consultation paper, all of which have informed the Victorian Government's final design of the POCT.

## National harmonisation

Each state and territory across Australia has different legal and regulatory frameworks, taxation structures, wagering markets, industry considerations and licensing arrangements.

Through the Board of Treasurers, Victoria has been working with other states and territories to ensure that any POCT framework introduced is nationally harmonised as much as possible, while having regard to differences in the wagering and betting industry in each jurisdiction.

The Victorian Government will continue to work with other states and territories on extending a common POCT model to other jurisdictions.

## Tax calculation

The Victorian POCT will be payable by wagering and betting operators on the revenue derived from wagers and bets, or on facilitated wagering and betting activity, of customers in Victoria. This reform will better align Victoria's wagering tax system with the increasingly digital betting environment.

Wagering and betting operators will be required to assess their taxable revenue and prepare monthly returns once the operator is liable to pay the POCT.

The POCT will be payable on a wagering and betting operator's 'net wagering revenue', calculated as follows:

- for operators that take wagers and bets directly from customers, the net amount of revenue earned (monies staked minus winnings paid); and

- for operators that facilitate wagers and bets, the commissions earned from facilitating wagering and betting activity (e.g. commissions earned operating a betting exchange).

Operators that both directly take wagers and bets and also facilitate wagering and betting activity will combine their revenue from each source to determine their total net wagering revenue.

## Customer location

A wagering and betting operator is liable for the POCT if the customer is located in Victoria at the time of placing a wager or bet.

Given that the location of some customers may be difficult for operators to determine, operators will have the option to use alternative information to determine customer location.

## Taxable wagering and betting types

There are several types of wagering and betting products that can be offered in Victoria, including pari-mutuel (totalisator), fixed odds, simulated racing (Trackside) and betting facilitated by a betting exchange or other commission-based agent.

POCT will apply to the revenue derived by operators from all wagering and betting types.

## Tax rate and tax-free threshold

The POCT will apply at a rate of 8 per cent of the net wagering revenue derived from all wagering and betting types. Current Victorian wagering taxes that are paid by the wagering and betting licensee will be replaced by the POCT.

The POCT will apply to operators whose annual net wagering revenue exceeds a \$1,000,000 threshold.

Operators will be required to make monthly returns reporting net wagering revenue if the operator expects its net wagering revenue to exceed \$1,000,000 for the financial year, or at a time the operator's net wagering revenue exceeds \$1,000,000 in a financial year. Once an operator's net wagering revenue exceeds the threshold in a financial year, the operator will be required to pay its POCT liability monthly.

Note that for the 2018-19 financial year the annual tax-free threshold will be reduced to \$500,000 as the POCT will only apply to net wagering revenue earned in the second half of that financial year (1 January 2019 onward).

## Statutory review

The Treasurer, in consultation with the Minister for Consumer Affairs, Liquor and Gaming Regulation, Minister for Racing and the Victorian Racing Industry (VRI), will undertake a review of the POCT within 18 months of the commencement of POCT, or earlier as required. Once finalised, the findings of the review will be tabled in Parliament.

The review will include (but not be limited to) the analysis of the following elements:

- the 8 per cent tax rate;

- the \$1,000,000 tax-free threshold;
- the new VRI funding arrangements;
- impacts on the VRI;
- the broad definitions and application of the tax; and
- any other policy and administrative considerations associated with the POCT.

The Government may undertake further reviews of the POCT as required.

## Victorian Racing Industry funding

The VRI is a major part of Victoria's sporting landscape and cultural tradition. Under the current framework, the wagering and betting licensee is required to enter into arrangements with the VRI to provide funding for the industry. The VRI currently receives funding through its arrangements with Tabcorp, race field fees charged on bookmakers' use of race fields and various other sources.

The Government has been consulting closely with the VRI on the potential impacts of the POCT on the VRI and will continue to monitor these impacts in consultation with the industry.

As part of introducing the POCT, it is not proposed to change the rate currently used to determine the Victorian Racing Industry Benefit. It is also not proposed to change the current arrangements relating to VRI's ability to impose race field fees for the usage of its race fields.

Implementation of the POCT will increase the tax burden placed on wagering and betting operators, which may change the way they operate, potentially impacting the level of wagering and betting activity by Victorians.

The Victorian Government has committed that the Victorian Racing Industry will be no worse off as a result of the introduction of the POCT.

Under the new wagering taxation arrangements, the VRI will receive an additional funding stream, the *VRI POCT Payment*. This payment will be equal to 1.50% of all taxable net wagering revenue.

The Statutory review will assess the impacts of the POCT on the VRI. Based on the outcomes of the review, the Government will determine whether any adjustment to the *VRI POCT Payment* is required.

## Use of tax revenue

Under the current wagering tax framework, all wagering taxes raised are transferred to the Hospitals and Charities Fund.

It is proposed that this arrangement continues under the POCT.

## Administration

The State Revenue Office will be responsible for the administration of the POCT, which includes the collection of the tax and undertaking compliance activities.

Wagering and betting operators will be required to lodge monthly returns on their net wagering revenue and pay any POCT liability to the State Revenue Office.

