



HM TREASURY

Government response to the consultation on a gross profits tax on gaming machines

December 2010



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1

Introduction

1.1 At Budget 2009 the previous Government announced its intention to consult on moving the taxation of gaming machines onto a gross profits tax basis. The consultation document “Taxation of gaming machines: consultation on a gross profits tax”¹ was issued in July 2009. The document outlined a proposal to reform the taxation of gaming machines, replacing the current amusement machine licence duty (AMLD) and VAT liability with a gross profits tax (GPT) on gaming machine income (stakes minus prizes). The consultation asked specific questions about the desirability of the proposed tax reform, as well as about the practical details of implementation. It also invited comments regarding the likely impacts on businesses resulting from any tax change.

1.2 Responses were invited from gambling firms and trade bodies, as well as members of the public and other interested parties by 23 October 2009.

1.3 This document summarises the responses to that consultation and sets out the Government’s proposed next steps.

1.4 The consultation received 42 written responses from gambling firms, industry representative groups and other bodies. Individual members of some gambling trade associations also responded. A list of respondents is available in Annex A. There were also a number of meetings with major gambling firms and industry representative groups during the consultation period. A list of meetings held is included in Annex B.

1.5 Many gambling trade associations responded to the consultation, as well as many large firms who operate in multiple gambling markets. To ensure the Government received the views of smaller, independent operators, meetings were arranged (with the help of relevant trade associations) where small operators could express their views.

1.6 The responses to the formal consultation raised a number of questions on the possible design characteristics of a GPT. These questions were discussed informally in a series of meetings with the main interested parties over the summer of 2010.

1.7 On 9 December 2010, the Government confirmed its intention to proceed with reforms to the taxation of gaming machines and to introduce a GPT.

1.8 A GPT will improve the future predictability and sustainability of the tax regime by making it more resilient to technological progress, regulatory changes and to inflation. For example, under the current AMLD system, the tax law is generally adjusted following changes in social regulation. Most recently, this occurred when the tax system was amended to take account of changes to the stake and prize levels of category C machines. Likewise, under the current system, AMLD rates are revised regularly to take account of factors such as inflation. Under a GPT, the need for legislative changes to take account of such external factors will be reduced. This reform is in line with the Government’s ambition for a more predictable, stable and simple tax system.

¹ The consultation can be found at the following link: http://www.hm-treasury.gov.uk/consult_gamingmachines_taxation.htm

1.9 The Government believes that exempting gaming machines from VAT will also increase the stability of the tax regime as gaming machines will then have the same VAT treatment as other gambling activities. Product developments are increasingly blurring the boundary between different forms of gambling. Equal VAT treatment will therefore be a more sustainable approach in the long run.

1.10 A GPT also supports the Government's objective of a fairer tax system by ensuring the taxation of gaming machines is more closely linked to machine profits. Under the current AMLD system, for machines of a given category, AMLD tax liability is the same regardless of profit. This results in a wide range of effective tax rates, with the most profitable machines having the lowest rates. A GPT is significantly more equitable in that tax liability will be directly linked to machine profits.

1.11 In accordance with the Government's commitment to a more consultative approach to tax policy making, it is planned that the draft legislation introducing a GPT will be published for a short consultation period in January 2011. The Government is also seeking further feedback on specific design characteristics of the new tax.

1.12 Chapter 2 provides a summary of the responses received and highlights the major issues raised by respondents. Chapter 3 outlines the next steps. Annex C provides an outline of how the proposed new tax will work.

1.13 Responses on questions relating to administrative burdens and compliance costs will be used to inform a tax information and impact note, which will be published together with the draft legislation.

2

Responses to the consultation

2.1 The consultation asked a number of specific questions and received a wide variety of views and responses. Where necessary, Treasury and HMRC officials contacted or met with respondents to clarify statements they had made and to ask for further details. The responses received to the questions are summarised below.

Gaming machine information (for operators of gaming machines)

(6.2) How many gaming machines (per category) does your business own/rent/operate? Where are they located? What is the average gross profit per machine in each category per year?

2.2 Many individual businesses provided this information on a confidential basis. The information provided highlighted the diverse set of circumstances facing individual businesses in the gaming machine industry.

2.3 For example, gaming machine profit varies widely within and across regulatory categories as well as over time (only a small number of respondents provided information on machine profit over time). In terms of machine numbers, it was also clear that many companies operate machines up to the limit imposed by the regulatory regime.

2.4 Trade associations and other respondents (who do not directly operate gaming machines) typically gave general comments regarding the structure of the market and the difficulties facing individual businesses within the industry. Common themes raised included the difficulties businesses faced throughout the recession, including falling machine income, uncertainty surrounding investment decisions and uncertainty regarding the future state of the regulatory regime (particularly future stake and prize levels for gaming machines).

The Government's response

2.5 The Government has used the information provided on gaming machines to better understand the impact a GPT would have on businesses and the gaming machine industry.

Arguments for a Gross Profits Tax (for all respondents)

(6.4) Would your business welcome a move to GPT in principle? Why or why not? Would your view change depending on the design of the tax?

2.6 Some respondents had no objection in principle to a GPT regime, but expressed concerns over the precise rate of tax that would apply to their businesses. Other respondents were against AMLD reform, and particularly the introduction of a GPT. These respondents highlighted the economic uncertainty within the industry which could be exacerbated by tax reform as well as a general preference for retention of the status quo. Some respondents stated that a GPT regime "penalises efficient operators" and would "distort the market".

2.7 Of those respondents who were open to reform and a GPT regime in principle, many expressed a doubt that now was the right time for change, indicating in their view that further work was needed before the Government would be in a position to move forward.

2.8 Many respondents noted that a move to a GPT would create "winners and losers". Even if tax reform were on a revenue neutral basis for the Exchequer, the burden of taxation would

change within the industry, with some sectors and businesses paying more tax and some less. This was a cause for considerable concern for some who identified themselves as likely “losers” from reform.

The Government's response

Rationale behind the GPT: The Government has taken into consideration the varying responses from the consultation when deciding to introduce a GPT on gaming machines.

2.9 A GPT will improve the future predictability and sustainability of the tax regime by making it more resilient to technological progress, regulatory changes and to inflation. For example, under the current AMLD system, the tax law is generally adjusted following changes in social regulation. Most recently, this occurred when the tax system was amended to take account of changes to the stake and prize levels of category C machines. Likewise, under the current system, AMLD rates are revised regularly to take account of factors such as inflation. Under a GPT, the need for legislative changes to take account of such external factors will be reduced.

2.10 The Government believes that exempting gaming machines from VAT will also increase the stability of the tax regime as gaming machines will then have the same VAT treatment as other gambling activities. Product developments are increasingly blurring the boundary between different forms of gambling. Equal VAT treatment will therefore be more sustainable in the long term.

2.11 A GPT also supports the Government's objective of a fairer tax system by ensuring the taxation of gaming machines is more closely linked to machine profits. Under the current AMLD system, for machines of a given category, AMLD tax liability is the same regardless of profit. This results in a wide range of effective tax rates, with the most profitable machines having the lowest rates. In contrast, a GPT is significantly more equitable in that tax liability will be directly linked to machine profits.

2.12 The Government has used the information gained during this consultation to analyse the impact that moving to a GPT will have on different areas of the industry. The Government will consider ways in which to mitigate the effects on losers. Our analysis shows that there will also be a number of winners from this measure; on average winners will be operators with less profitable machines and low VAT recovery rates.

2.13 The need for further work: The Government's response to the need for further work is discussed in response to the question on GPT implementation (6.10) below.

2.14 Distributional impact: The Government's response to the creation of “winners and losers” is discussed in response to the question on “Rate of GPT” (6.8) below.

Administrative burdens and compliance costs

(6.5) If a GPT were introduced on gaming machines, would such a regime be more or less burdensome for your business? Why or why not? Do you find the current AMLD regime easy or difficult to comply with? How would this change under a GPT regime?

2.15 Many large businesses noted that, subject to an adequate “lead in time” which would allow them to prepare for change, a GPT regime would not be too burdensome on their businesses. However, among smaller businesses and independent operators, some problems were anticipated, particularly where the gaming machines did not have built in “electronic data capture” technology.

2.16 Some small businesses identified problems relating to accounting. They particularly noted the likely difficulty involved in partitioning machine profits across machine categories if more than one rate of GPT were introduced. Some businesses also noted that administrative costs

could increase, at least in the short term, as trained staff would be needed to account for payments.

2.17 Many businesses noted that the “fixed” nature of AMLD provides business certainty and is well understood by the industry. Most operators were also happy with the current administration of the tax. Businesses did however note the potential improvements in efficiency that reform could yield, subject to concerns regarding the precise design of any GPT regime.

(6.6) Would the introduction of a GPT regime alter the structure of the industry? How would a GPT regime impact upon your business? How might a GPT regime benefit your business?

2.18 Some businesses noted that the regulatory regime is more significant than taxation for gaming machine location decisions. As such, although in theory a GPT regime could lead to an increase in machine numbers in some instances, this is likely to be limited by the regulatory system.

2.19 Some small businesses expressed concern that a GPT regime would alter the mechanism by which machines “filter” through the gaming machine market. Many respondents highlighted how investment in new stock is predominantly made by larger firms in prime locations, with machines “cascading” down through to less profitable locations before reaching obsolescence many years later.

2.20 Businesses who were in principle in favour of tax reform expressed concern that a move to a GPT regime could impact upon the cash flow of businesses, particularly in the short term. This was seen as a particular concern if the decision was taken to move to a GPT regime quickly, given the “fragile nature” of the gaming machine market currently.

The Government's response

2.21 Lead in time: The Government recognises the importance of a long “lead in time” for businesses to prepare for the change and there will be a period of at least one year from the date on which the Finance Bill 2011 receives Royal Assent before the changes come into effect. (See also Government’s response on lead in time in 6.10.)

2.22 Cascading: The Government understands that investment in new stock is predominantly made by larger firms in prime locations, and that less profitable locations can benefit from this as machines are passed on between locations. However, the Government believes that a GPT will increase fairness in that tax liability will be more closely linked to machine profits.

2.23 Cash flows: The current licence fee is either paid in advance, or in instalments during the licence period. In contrast, the GPT will be paid in arrears. This timing discrepancy will serve to improve the cash flow of businesses. However, the Government recognises that through the distributional impact the tax change will generate, a GPT could have an adverse effect on some businesses’ cash flows. We will work more with the industry to better understand these issues. The long lead in time before the new tax comes into effect could help alleviate this problem.

2.24 Partitioning machine profit: The Government’s response to comments on administrative burdens arising from more than one rate of GPT is discussed in response to the question on “Category D machines” (6.9) below.

VAT Treatment

(6.7) If a GPT regime were to replace AMLD and VAT, businesses would be able to recover a smaller proportion of input VAT. What is your current ratio of recoverable to output VAT? Some businesses may also become partly exempt for VAT purposes. Is your business currently partly exempt for VAT purposes? What effect would VAT exemption on gaming machines have on your business?

2.25 Many individual businesses provided information on their current VAT situation, including information regarding their partial exemption status, on a confidential basis.

2.26 In regards to administrative burdens, businesses who are already VAT exempt or partially exempt typically noted that the additional burden from VAT exemption of gaming machines would be minimal. However, firms who are fully within the VAT regime indicated that VAT exemption could increase their administrative burdens. This was particularly the case for smaller businesses that are ill equipped to deal with unfamiliar and potentially complex partial exemption calculations. Some very small businesses are fully below the VAT threshold, and have no experience of accounting for VAT.

2.27 In regards to the ratio of recoverable to output VAT, a significant number of responses noted that the effective burden of VAT varies across the industry due to both VAT recovery rates and partial exemption rules. As such, making gaming machines VAT exempt would create “winners and losers” within the gaming machine industry. This was seen by many to be a further disadvantage to reform.

2.28 Many respondents were concerned that VAT exemption for gaming machine income would discourage investment in new machines, which would affect the industry as a whole due to the “cascade” of machines through the industry over time. Retention of VAT on gaming machine income was seen as a key priority for some, typically smaller, businesses. Some of those businesses opposed to VAT exemption indicated they would be open to the possibility of a GPT on gaming machines to replace AMLD, but only if VAT was retained.

The Government's response

2.29 Exempting machines from VAT: The Government believes that exempting gaming machines from VAT will increase the stability of the tax regime, protecting the tax base, as gaming machines will then have the same VAT treatment as other forms of gambling. Product developments driven by technological advances and changing consumer preferences are increasingly blurring the boundary between different forms of gambling activities. It is unlikely that maintaining this differential VAT treatment across the gambling sector will be sustainable in the medium to long term.

2.30 Administrative Burdens: The Government recognises that changing the VAT treatment for gaming machines could result in an increased administrative burden for certain operators. The long lead-in time before the entry into force of the new tax will ensure that operators have time to familiarise themselves with the VAT regime. HMRC will also provide information and guidance, and could run workshops to help business to adjust to and understand how the VAT exemption will affect their business.

2.31 Distributional Impact: The Government's response to the creation of “winners and losers” is discussed in response to the question on “Rate of GPT” (6.8) below.

Rate of GPT

(6.8) If the taxation of gaming machines was changed to a GPT basis, what would the rate of GPT have to be to leave your business no worse off, assuming the number of machines and payout rates remained the same (taking into account lower VAT recoverability)?

2.32 Many individual firms provided estimates of this on a confidential basis. Trade associations and other bodies highlighted that the “revenue neutral rate” for individual businesses is likely to vary widely, such that under a single rate of GPT there would be many winners and losers. This was supported by the confidential data received from businesses.

2.33 Many large businesses that operate gaming machines in multiple locations noted that the revenue neutral rate of tax under a GPT system varies across their businesses, and has varied considerably over time in some cases. Many respondents noted that they feel partially insulated from changes in tax in other gambling sectors under the current AMLD regime due to the different tax rates on machine categories. Under a single rate of GPT businesses would be at risk of tax increases which were determined by the “wider sector” rather than the specific “sub sector” applicable to that business, according to one respondent.

2.34 Some respondents also suggested that the “revenue neutral” rate of tax should take into account the administrative costs to businesses associated with making changes to their accounting systems to account for the new tax.

2.35 Some smaller businesses did not estimate their revenue neutral tax rate, citing lack of time or resources to do so.

The Government’s response:

2.36 Distributional impact: The Government recognises that there will be winners and losers from the introduction of a GPT. However, it believes that a GPT system would be significantly more equitable than the current AMLD system. Under a GPT, the tax paid will be directly linked to machine profits, causing machines with higher gross profits to pay more tax, and machines with lower gross profits to pay less tax. The Government will work with the industry to consider ways in which to mitigate the effects of a move to a GPT for the losers. There will also be many winners from a move to a GPT; on average winners will be operators with less profitable machines and low VAT recovery rates. A move to a GPT will therefore improve fairness.

2.37 Rates: The rates of the new tax will be determined as part of the normal Budget process. The Government will take into consideration information provided during the consultation and will discuss further with stakeholders to ensure it has the most up-to-date information when establishing the rates.

Category D machines

(6.9) If category D machines were included in the GPT regime (and became VAT exempt), what level of GPT for category D machines would leave your business paying *the same amount of tax overall* (taking into account lower VAT recovery)?

2.38 Some businesses that operate arcades and family entertainment centres provided information on category D machines, and in some cases indicative profit figures, on a confidential basis. Many businesses argued that since category D machines are currently exempt from AMLD, a single rate of GPT applicable to category D machines would not be “appropriate”. Instead they argued that category D machines should either be exempt from duty entirely or subject to a lower rate of tax.

2.39 However, other businesses noted that different rates of tax for different machine categories would be burdensome, as business profits would have to be partitioned. Overall there was no consensus across respondents regarding category D machines, but there was a shared concern that category D machines should not be “losers” under a GPT system.

The Government's response

2.40 The Government recognises that a single rate of GPT would significantly increase the tax burden of machines currently not subject to AMLD. To compensate for this, the Government is introducing two rates of GPT, with the lower rate set for machines with prize games below certain thresholds of stakes and prizes.

2.41 The Government recognises that two rates of GPT will incur some increase in administrative burdens compared to having a single rate. In considering the balance between administrative burdens and the impact of different effective tax rates for certain machines, the Government has concluded that it is more important to decrease the tax liability for machines with prize games below a stake and prize threshold. This will help ensure that low stake and prize machines that tend to be less profitable will be more financially viable.

GPT implementation

(6.10) If the Government concluded that implementation of a GPT regime was the best course of action, implementation would ordinarily follow a Budget or Pre Budget Report. How much notice would you need to prepare adequately for implementation of a GPT regime?

2.42 Most businesses highlighted the need for a clear timetable throughout a “lead in” period, which would ideally last for at least 12 months. This would allow time for existing AMLD licences to expire, and for businesses to prepare for the implementation of the new tax and ensure any new accounting systems needed were ready for use. Some respondents highlighted the benefits of a longer transition period.

2.43 Some businesses noted that, if the decision was taken to go ahead with a GPT regime, the Government should consult again on the precise design of the new tax, possibly employing external consultants to conduct analysis on the potential impact on the industry.

(6.11) If a GPT regime were adopted, who should be liable for the reformed duty?

2.44 Most respondents did not answer this question. Businesses who did answer typically were in favour of GPT being levied on the person or business that currently pays the AMLD licence costs.

2.45 Some machine suppliers who responded to the consultation noted that they rent machines to operators for a fixed fee, and as such do not have knowledge of machine profits. For those businesses, they would be unable to account for GPT without wholesale change of their information sharing agreements with their commercial partners. Some respondents suggested this would be highly problematic for operators, and would change the structure of the industry.

The Government's response to both questions on GPT implementation

2.46 Lead in time: The Government understands that businesses will need an adequate “lead in time” to prepare for change. There will be a short period of consultation on the draft legislation to enable the Government to test the legislation with the industry. There will be a period of at least one year from the date on which the Finance Bill 2011 receives Royal Assent before the changes come into effect. This gives more than 12 months for businesses to familiarise themselves with the changes required, and adjust their systems. During this time, HMRC will engage with the industry to provide guidance to help businesses to comply.

2.47 The need for further work: Questions on possible design characteristics of a GPT have been discussed informally in meetings with interested parties over the summer of 2010. There will be further informal discussions between now and the draft legislation being published in January. These discussions will also be taken into consideration in drafting the legislation. There will also be an opportunity for the industry to comment on the draft legislation.

2.48 Liability to pay the duty: The Government has taken into account the limited number of responses regarding who should be liable for the reformed duty. The Government proposes that where a licence or permit is held for the premises (e.g. a Gambling Commission operating licence), the person holding that licence will normally register and pay the duty. Annex C outlines this in further detail.

Other Issues

(6.12) It is the Government's initial assumption that any GPT regime introduced would be based on the current definition of "gaming machine". Do you believe that this definition is appropriate? If not, how should the scope of gaming machine taxation change?

2.49 The vast majority of respondents did not answer this question. Respondents who did answer the question were content with the current definition of gaming machine.

(6.13) Are there any other comments regarding a potential move to a gross profits tax that you feel are relevant?

2.50 Some businesses highlighted further issues relating to tax reform, stating that any new tax regime should take into account "free bets" offered on gaming machines and revenue sharing agreements between firms. One respondent who operates casinos in the UK stated that if a GPT system were implemented and influenced business cash flow, the Government should consider implementing a "bad debt" relief from tax, to ease business pressures.

The Government's response to the Other Issues questions

2.51 Definition of "gaming machine": The Government has given careful consideration to the scope of the new tax. As technology has progressed within the machines industry, there is no longer a clear dividing line between "gaming machines" as currently defined and certain other machines. Maintaining the current boundary could therefore potentially give rise to fiscal neutrality challenges going forward. The Government has therefore chosen to set the scope of the tax to encompass prize games played on machines. This concept is outlined in further detail in Annex C.

2.52 Free bets: The Government has taken "free bets" into account in constructing the new tax.

2.53 Revenue sharing: The Government recognises that revenue sharing agreements between firms are a common feature in the industry, and has taken this into account in constructing the new tax.

2.54 Bad Debt relief: The Government considers the question of "bad debt" relief for gaming duty to be outside the scope of the consultation, as it does not relate to the taxation of gaming machines.

3

Next steps

3.1 The Government intends to introduce legislation in the Finance Bill 2011 to reform the taxation of gaming machines.

3.2 A gross profits tax will be introduced under the name “Machine Games Duty” (MGD), which will replace both AMLD and VAT where this is payable. The scope of the tax will extend beyond the current definition of “gaming machines”. Machines subject to the new duty will be referred to as “prize machines”. An outline of the new tax is presented in Annex C.

3.3 It is planned that the draft legislation will be published for a short consultation period in January 2011. A tax information and impact note will be published together with the draft legislation.

3.4 The Government is seeking further feedback on specific design characteristics of the new tax. Questions relating to these will be sent out to stakeholders who responded to the previous consultation, and those who express an interest. If you would also like to take part, please contact:

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A

List of respondents

A.1 A total of forty two substantive responses to the consultation were received from trade associations, other bodies and gambling companies.

A.2 Responses were received in writing from the following groups:

Trade associations and other bodies:

- The Association of British Bookmakers (ABB);
- The Association of Licensed Multiple Retailers (ALMR);
- The British Amusement Catering Trade Association (BACTA);
- The British Association of Leisure Parks, Piers and Attractions (BALPPA);
- The British Beer and Pub Association (BBPA);
- The Bingo Association;
- Business in Sport and Leisure (BISL);
- The Central Council of Physical Recreation (CCPR);
- The Chartered Institute of Taxation (CIOT);
- The Chamber of Shipping (COS);
- The Federation of Licensed Victuallers Association (FLVA);
- The Independent Bookmakers Association (IBA);
- The Institute of Chartered Accountants in England and Wales (ICAEW);
- The National Casino Industry Forum (NCIF);
- Northern Ireland Amusement Caterer's Trade Association (NIACTA);
- The Quaker Action on Alcohol and Drugs (QAAD); and
- The Working Men's Club and Institute Union (WMCIU)

Gambling companies and other businesses:

- AMF Bowling;
- Beacon Entertainments Ltd;
- Camelot Group PLC;
- Castle Leisure Ltd;
- Clockfair Ltd;
- Danoptra Ltd;
- Dreamland Leisure Ltd;
- Enterprise Inns PLC;
- Gala Coral Group;
- Genting Casinos UK;
- Inspired Gaming Group PLC;
- Ladbrokes PLC;
- Mann's Amusements Ltd;
- Mitchells & Butlers PLC;
- Moto Hospitality Ltd;
- The Noble Organisation Ltd;
- Paddy Power PLC;
- Praesepe PLC;

- The Rank Group PLC;
- Roadchef Ltd;
- Sceptre Leisure;
- Talarius;
- Tenpin Ltd;
- The Tote; and
- Whitbread

A.3 There were also several written responses from individual members of gambling trade associations, particularly BACTA members. The responses received from BACTA members followed a template format, fully supporting BACTA's views. Some responses received in this format did not include any information regarding the company or respondent, and so were not recorded. Many responses provided information regarding the likely revenue neutral rate of tax under a GPT regime for the individual business.

A.4 The following BACTA members and other businesses fully supported the BACTA consultation response:

- Alloa Amusements;
- AP Amusements;
- The Arkade;
- Astral Marine Services Ltd;
- Barcrest Group Ltd;
- Billy Manning Ltd;
- Carefree Amusements;
- Carlton Clubs PLC;
- The Carousel;
- Castle Leisure Ltd;
- Clyde Coin Ltd;
- Crown Leisure;
- Dealpraise Ltd;
- F Simmonds & Sons;
- Fair City Amusements Ltd;
- Fifty Five Ltd;
- Flamingo Leisure Ltd;
- Fletchers';
- Funfayre Leisure Ltd;
- Funomatics;
- Funspot Ltd;
- Gaiety (Clacton) Ltd;
- Games Warehouse Ltd;
- Glen Leisure Services Ltd;
- HB Leisure Ltd;
- Harbour Park Ltd;
- Harry Levy Amusements;
- Hippodrome (St Helens) Ltd;
- Hoburne Ltd;
- JB Jones Amusements Ltd;
- J Holland & Sons Ltd;
- Jackpot Amusements Ltd;
- Kingdom Amusements;
- Kingston Leisure;
- Konami Digital Entertainment;

- Las Vegas Amusements Ltd;
- Lawrence's Amusements;
- Marshall's Amusements;
- Namco Operations Europe Ltd;
- New Coin Automatics Ltd;
- Noble Leisure Co Ltd;
- Project Coin;
- Queensgate Leisure Services Ltd;
- Ray Parkin & Sons Ltd;
- Riviera Leisure Ltd;
- RTB Investments Ltd;
- Sal Leisure;
- Silcock Leisure Group Ltd;
- Sims Automatics Ltd;
- Southern City Leisure Ltd;
- Swallow Amusements;
- Taylor Made Fun Ltd;
- Teddy Clark Ltd;
- Teen Spirit Ltd;
- Thomas's Entertainments Ltd;
- Thurston UK Ltd;
- TJ Leisure;
- Town and Country Leisure Ltd;
- Treatview Ltd;
- Triangle Amusements Ltd;
- UK Piers Ltd; and
- WCA Ltd

A.5 The responses to the consultation raised a number of questions on the possible design characteristics of a GPT. These questions were discussed informally in a series of meetings with the main interested parties over the summer of 2010.

B

List of meetings

B.1 During the course of the consultation, officials met with representatives and members from the following groups:

Trade associations and other bodies:

- The Association of British Bookmakers (ABB) (14 May 2009, 7 September 2009);
- The British Amusement and Catering Trade Association (BACTA) (14 May 2009, 13 August 2009, 14 September 2009, 26 October 2009);
- The British Association of Leisure Parks, Piers and Attractions (BALPPA) (7 September 2009);
- The British Beer and Pub Association (BBPA) (14 May 2009, 25 September 2009);
- The Bingo Association (18 September 2009);
- The National Casino Industry Forum (NCIF) (27 August 2009); and
- The Working Men's Club and Institute Union (WMCIU) (16 October 2009)

Gambling companies:

- Clockfair Ltd (27 October 2009);
- Dreamland Leisure Ltd (26 October 2009);
- Gala Coral Group (5 June 2009, 8 September 2009);
- Inspired Gaming Group (16 September 2009);
- Ladbrokes PLC (1 October 2009);
- The Noble Organisation (23 November 2009);
- Paddy Power PLC (25 September 2009);
- Praesepe PLC (26 October 2009);
- The Rank Group PLC (15 October 2009);
- Sceptre Leisure Ltd (10 September 2009);
- SE Leisure Ltd (26 October 2009);
- Talarius (13 October 2009); and
- Teddy Clark Ltd (26 October 2009)



Outline of Machine Games Duty

Current position

C.1 Gaming machines are liable to Amusement Machine Licence Duty (AML D) unless an exemption applies.

C.2 For the purposes of VAT, payment for play on a gaming machine is treated as a consideration for the supply of services. Gaming machines are excluded from the general VAT exemption for betting and gaming.

Summary of proposed changes

C.3 A new duty of excise – Machine Games Duty (MGD) – will be introduced on the profits from the playing of prize games on machines.

C.4 AML D will be brought to an end and the exemption from VAT for betting and gaming will be extended to include the playing of prize games on machines which meet the relevant criteria.

C.5 There will be a period of at least one year from the date on which the Finance Bill 2011 receives Royal Assent before the changes come into effect.

Further information on the proposals for Machine Games Duty

Prize games on machines

C.6 MGD will apply to prize games played on machines. This concept encompasses machine game play which involves risking a sum in the hope of winning a prize greater than that sum.

C.7 MGD will include certain machines not currently subject to AML D. It will cover category D machines (low stake/ prize gaming machines), as well as certain machines not currently classified as “gaming machines”. These machines will also be exempted from VAT.

C.8 It is possible for more than one prize game to be played on a single machine and, also, for a single machine to provide both prize games and non-game activities. This will be taken into account in the detailed design of the new duty.

Machine profits

C.9 MGD will be charged on the income from the playing of prize games on machines. In this context, “income” means the amount of what might be broadly termed “stakes” due less a deduction for what is paid out as winnings.

C.10 It is intended that there will be no provision for deductions other than for a deduction for winnings paid out.

Rates

C.11 MGD will be charged as a percentage of dutiable income. Rate decisions will be made by the Chancellor as part of the Budget process. However, it is proposed that there will be a standard rate and a lower rate. The lower rate will apply where the maximum stakes and prizes are below certain thresholds.

Who accounts for and pays the duty

C.12 It is proposed that there will be a register of persons liable to pay the duty. Where the licence or permit is held for the premises (e.g. Gambling Commission operating licence), it is anticipated that the person holding that licence will normally register and pay the duty. However, it is recognised that a variety of commercial arrangements exist within the industry and it is intended that there will be some scope for alternative arrangements.

C.13 In the event of a default by the person with primary liability for the tax it is proposed that in some limited circumstances a secondary liability will fall on any person entitled to dutiable income (a “profit sharer”) but only to the extent of that income.

Making returns

C.14 It is envisaged that returns will be required to be made quarterly and online.

Details of accounting arrangements

C.15 It is envisaged that it will be possible to carry over losses between accounting periods.

HM Treasury contacts

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