

# TREASURY EXECUTIVE MINUTE

Minute No.

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27 May 2010

Assistant Treasurer

cc: Treasurer

## STATE GAMBLING TAX REVENUE

**Timing:** For information.

**Recommendation/Issue:**

- That you note this briefing.

**Noted**

Signature: .....

...../...../2010

## KEY POINTS

- Gambling tax revenues account for approximately 10 per cent of States and Territories total **own-source** revenue and 3 per cent of total revenue (including grants).
- Of this revenue, approximately 60 per cent is derived from electronic gaming machines (EGMs). In most States and Territories EGM taxes are between 60 and 75 per cent of total gambling taxes, although the Northern Territory is around 35 per cent (see **Attachment A** for more information).
  - These figures may understate total revenue as some states do not separately report EGM revenue attributable to casinos (such as Western Australia, which does not allow EGMs outside of the casino).
- section 47B and section 47C
- The PC estimates that problem gamblers share of total spending on EGMs is likely to be in the order of 40 per cent; Clubs Australia estimated that the introduction of the measures in the report would conservatively reduce their gaming revenues by approximately 30 per cent.
- section 47B and section 47C
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- section 47B and section 47C

- Changes to gambling tax revenue will not affect the distribution of the GST. The Commonwealth Grants Commission (CGC) has decided that gambling tax revenue should not influence the State and Territory GST shares.
  - Instead, the CGC assess gambling tax revenue using the 'equal per capita' method which means that a particular state's level of gambling tax neither increases nor decreases their share of GST. The CGC changed its methodology as part of the methodology review of the 'Report on GST Revenue Sharing Relativities' released in February 2010.
- The following areas have been consulted in the preparation of this minute: Commonwealth-State Relations Division.

Contact Officer:

Manager, Children, Families and  
Pensioners Unit  
Social Policy Division

## ADDITIONAL INFORMATION

### Possible impact of electronic gaming machine harm minimisation measures on State and Territory revenue

The PC recommendations on gambling have a heavy focus on the problems caused by electronic gaming machines (EGMs). The PC estimates that problem gamblers' share of total spending on EGMs is likely to be in the order of 40 per cent. The introduction of measures that successfully reduce the harms from problem gambling will therefore necessarily reduce gaming machine revenues, which will have a consequent effect for state and territory gambling tax revenue.

Tables 1 to 4 in **Attachment A** summarise State and Territory gambling and EGM tax revenues. Gambling tax revenues in recent years have accounted for approximately 10 per cent of States and Territories own-source revenue (**Table 2**) and 3 per cent of total revenue (**Table 3**). Of this tax revenue, approximately 60 per cent is derived from electronic gaming machines (EGMs), although for 2009-10 the figures vary from as high as 74 per cent in South Australia to 31 per cent in the Northern Territory (**Table 4**).

section 47B and section 47C

It is also difficult at this point in time to determine the likely impact of a move to \$1 bet limits per spin on EGMs. In its final report, the PC notes the Clubs Australia post-draft report submission which cited evidence from the Centre for International Economics in 2001 indicating that imposing a \$1 bet limit in New South Wales would reduce club EGM revenue by 17 per cent and hotel EGM revenue by 39 per cent. The PC also cites a separate study by Blaszczynski et al. in 2001, which found that revenue losses from such a move could be small, on the basis that few players were found to bet above \$1.

Some states and territories have already made moves towards reducing bet limits. Victoria halved the maximum betting limit on EGMs outside of the Melbourne casino from \$10 to \$5 per spin, with the new lower limits introduced for new machines from 1 July 2008 and for existing machines from 1 January 2010. In Tasmania, a maximum bet limit of \$5 per spin has applied across all venues for all new EGMs since 1 April 2010, and will apply to existing gaming machines from 30 June 2013. At this stage, however, it is not possible to demonstrate any relationship between a reduction in the bet limits and tax revenues from EGMs.

section 47B and section 47C

section 47B and section 47C

## ATTACHMENT A

**Table 1: States gambling tax revenue (\$ million)**

\$ million	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
NSW	1,312	1,430	1,522	1,653	1,576	1,652	1,735
VIC	1,324	1,369	1,460	1,508	1,595	1,649	1,656
QLD	726	806	841	825	889	922	967
WA	132	134	146	164	162	180	251
SA	380	399	400	422	415	407	401
TAS	78	81	79	86	90	94	101
ACT	50	48	47	48	52	51	52
NT	40	47	57	65	71	73	62
<b>All States</b>	<b>4,042</b>	<b>4,314</b>	<b>4,552</b>	<b>4,771</b>	<b>4,850</b>	<b>5,028</b>	<b>5,225</b>

**Table 2: Gambling tax revenue as a proportion of own source tax revenue (per cent)**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
NSW	9	9	10	9	8	9	9
VIC	13	13	13	13	12	13	12
QLD	11	12	11	10	9	10	10
WA	3	3	3	3	3	3	4
SA	14	14	13	13	12	12	11
TAS	12	12	11	11	11	12	12
ACT	7	7	6	5	5	5	5
NT	15	16	15	18	18	18	15
<b>All States</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>10</b>

**Table 3: Gambling tax revenue as a proportion of total revenue (per cent)**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
NSW	3	3	3	4	3	3	3
VIC	5	5	5	4	4	4	4
QLD	3	3	3	3	3	2	3
WA	1	1	1	1	1	1	1
SA	4	4	4	4	3	3	3
TAS	2	2	2	2	2	2	2
ACT	2	2	2	2	2	1	1
NT	2	2	2	2	2	2	1
<b>All States</b>	<b>3</b>						

**Table 4: Electronic gaming machine revenue and tax revenue (\$ million)**

\$ million	2008-09	2009-10
NSW	1,027	1,083
<i>Proportion of gambling tax revenue</i>	62%	62%
VIC	1,012	991
<i>Proportion of gambling tax revenue</i>	61%	60%
QLD	553	572
<i>Proportion of gambling tax revenue</i>	60%	59%
WA	-	-
<i>Proportion of gambling tax revenue</i>	0%	0%
SA	291	296
<i>Proportion of gambling tax revenue</i>	71%	74%
TAS	55	53
<i>Proportion of gambling tax revenue</i>	58%	52%
ACT	35	33
<i>Proportion of gambling tax revenue</i>	69%	64%
NT	27	19
<i>Proportion of gambling tax revenue</i>	36%	31%
<b>Total</b>	<b>2999</b>	<b>3047</b>
<i>Proportion of gambling tax revenue</i>	60%	58%

section 47B and section 47C