

BETTING TAX ASSESSMENT BILL 2018

Committee

The Chair of Committees (Hon Simon O'Brien) in the chair; Hon Stephen Dawson (Minister for Environment) in charge of the bill.

Clause 1: Short title —

Hon COLIN HOLT: It probably does not matter which bill I address these questions to—they probably pertain to the Betting Tax Assessment Bill 2018. I appreciate the minister's response to the second reading debate. I think he answered most of the questions I raised. I wanted to get some of that stuff on the record for the industry so people can understand what these bills will do. I really want to come back to some of the figures and amounts of money raised. I have already heard those figures presented by the minister, but I still have some questions to get some clarity around it. I know that the figures quoted will be raised over the forward estimates, but it gets a bit confusing because there are three and a half years of forward estimates and it changes as we go along. Maybe the minister can break it down to the first full year of operation of this tax. I would like to know how much will be raised in total in the first full year of the tax. I will do this in quick succession so we get it right. I will leave it to the minister.

Hon STEPHEN DAWSON: For 2019–20, the first full year, the total point-of-consumption tax revenue will be \$78.4 million.

Hon COLIN HOLT: Of that \$78.4 million, the agreed return to the industry is 30 per cent, so we can work out what that is. Is the minister able to tell me how much point-of-consumption tax the WA TAB will pay into the system over that same period?

Hon STEPHEN DAWSON: That is the confidential information that I referred to in my second reading reply. I cannot give it to the member.

Hon COLIN HOLT: I understand the difficulty and I do not agree with it. The government is committing to a 30 per cent return to the operator so that it will be no worse off, but we do not know what no worse off means if those figures are not revealed. The government will give 30 per cent back. In the speech it was stated that it is to compensate the industry over and above and to make sure that the industry and the WA TAB will be no worse off, yet the minister cannot reveal the figure, so we cannot be sure whether they will be no worse off. It is just a leap of faith in the 30 per cent. Does the minister have any comment on that?

Hon STEPHEN DAWSON: The industry would not have agreed to the 30 per cent if it thought it would be worse off as a result. I am advised that the industry is happy with the undertakings given to it by government that it will get its 30 per cent.

Hon COLIN HOLT: I appreciate that but, as I said, and as was reflected in the second reading reply, consultation with the industry was restricted to the CEO and the chair of Racing and Wagering Western Australia and the code committees set up by the CEO and the chair of RWWA. Broad consultation with the industry on what has been agreed to is another matter. If the industry is to broadly endorse the tax, the question of how much better off it will be remains. In his second reading reply, I think the minister responded that it would equate to around \$8 million over and above what it would normally have. Can I assume that that \$8 million is over and above the cost to industry?

Hon STEPHEN DAWSON: Yes, that is Treasury's estimate. It is extra.

Hon COLIN HOLT: I can work out that 30 per cent of \$78.4 million is about \$23.6 million or something like that. If I am correct, \$8 million above that means that the industry should be costing it at about 15 million bucks. Can the minister reveal that?

Hon STEPHEN DAWSON: I am sorry. I cannot reveal that.

Hon COLIN HOLT: This is the chamber's last chance to endorse a tax on an industry, and we are making some assumptions about how well off the industry will be as a result of the tax and the compensation. Maybe I can tackle it another way. In the second reading reply the minister revealed that the industry has been paying wagering tax to government of about \$40 million or \$41 million a year. That will be abolished with the introduction of this tax, which will raise \$78.4 million, of which about \$24 million will go back to industry. Am I right in my assumption that the first year's net tax contribution to the government from this tax, minus the 30 per cent back to industry, will be about \$54 million?

Hon STEPHEN DAWSON: I am advised that it is about \$53 million.

Hon COLIN HOLT: I thank the minister. There was some byplay around that with the VIP rebate, which I thought would be considered as part of the "no worse off" scenario for industry. Is that \$5.4 million considered no worse off for the industry as part of that 30 per cent, or is it some other sort of compensation calculation?

Hon STEPHEN DAWSON: I am told that the VIP rate was taken into consideration when working out the “no worse off” policy.

Hon COLIN TINCKNELL: It has been indicated that somewhere in the region of \$150 million is needed to update the industry’s infrastructure. From the \$24 million that the government will make from this tax, does it plan on putting some of that money into that area?

Hon STEPHEN DAWSON: It could potentially, but I cannot comment on further budget processes. Obviously, we are about to start our next budget process for the next four years. Unfortunately, I cannot tell the member what will be in it for future resourcing of the industry.

Hon COLIN TINCKNELL: What was the rationale and the reasoning behind the 30 per cent? How did the government come to the agreement that 30 per cent would go back to the industry?

Hon STEPHEN DAWSON: It was literally worked out through negotiations between the government and the industry, as I alluded to in the second reading reply. I spoke about the various people who were involved in those negotiations. Multiple conversations were had between the industry and government and that 30 per cent figure was landed on. The member will be aware that that figure is significantly higher than the figure in the two other states that make a contribution back to industry. New South Wales makes a 20 per cent contribution and the figure in Victoria is 18.5 per cent. The other states do not have formal revenue-sharing arrangements. I have a piece of correspondence from John Burt, the president of Gloucester Park Harness Racing. It is a letter to the Treasurer dated 23 October 2018. It states —

Dear Treasurer

I would like to officially thank you and the Labor Government for your support of the racing Industry regarding the new Point of Consumption (POC) tax.

The 30% return to the WA racing industry for the tax is very much needed when revenue from the TAB is under pressure from Corporate Bookmakers. Gloucester Park Harness Racing (GPHR) is supportive of the tax to create a more level playing field for the WA TAB against competitors that for too long have used the racing industry for profit but returned very little. This revenue from the tax for the racing industry will be a massive boost for the future health of the industry.

Despite this tax being controversial in other states, where the Governments have not supported the industry to the same level your Government has in WA, I am sure that it is well supported here.

GPHR also acknowledges the hard work and knowledge that RWWA provided in working with you to achieve this outcome, especially from CEO Richard Burt.

Hon COLIN TINCKNELL: Other than arriving at that 30 per cent, it is reasonable to assume that when this happened in the eastern states, it did not go that smoothly. There have been a lot of stories about that. What confidence does the minister have that the government’s attempts to upgrade this industry are going to be better than the experience witnessed in the eastern states, and why does he have that confidence?

Hon STEPHEN DAWSON: I guess we are getting this confidence from the fact that we are giving more compensation in Western Australia than the other states have. This has been negotiated, essentially, with the industry in Western Australia to get to this outcome. I am advised that industry is supportive of it. Having industry onside, providing more compensation and providing that the industry will be no worse off gives everybody a level of confidence moving forward, so we will not have the same issues that the other states have had.

Hon COLIN TINCKNELL: A lot of constituents are getting back to members of this chamber about the possible effects of this legislation going through. They have seen a general slide in the industry, especially in the areas of trotting and pacing, and with country meets closing down. Obviously, that is a major concern for the racing industry. We would like to see more done in the country areas to keep those meets going. They are very important to income and tourism—everything—in these country areas. Is the minister confident that this will turn the demise of these country meets around?

The CHAIR: If the minister can address that question within the context of the clause 1 debate, if it is relevant to this bill, he should feel free to do so.

Hon STEPHEN DAWSON: I provide this response. I am not the minister for this portfolio area and I am dealing with this bill in a representative capacity. Notwithstanding that, this bill puts the WA TAB on a level playing field. It taxes operators in Western Australia who are not paying tax at the moment and putting the industry at risk, quite frankly. We believe this bill will certainly ensure that we have a better system going forward. I cannot comment on the sustainability of the industry in the future, but we believe that this bill will be helpful for industry, as does industry. I have not had the same level of constituent concerns that the member has had. The only comments I have had about the bill before us have been positive. People see this as the government doing the right thing by industry and trying to make it sustainable moving forward.

Hon COLIN HOLT: I agree with the minister that this is the right approach to support the industry. This tax has been introduced in other states and we fully support it as a way of making corporate bookmakers pay their fair share in the WA industry. I want to concentrate on the 30 per cent return to the industry as compensation. Is that just a policy position? It is not in the bill and there are no regulations. Is it purely a policy position?

Hon STEPHEN DAWSON: It is in the bill, so it will be legislated for.

Hon COLIN HOLT: Will a 30 per cent return be legislated for?

Hon STEPHEN DAWSON: I am advised it was a consideration in detail amendment in the lower house to enshrine it in the legislation.

Clause put and passed.

Clauses 2 to 5 put and passed.

Clause 6: References to WA bets —

Hon Dr STEVE THOMAS: I was nearly going to let the minister get away without too much work, but I thought we might have a quick redefining, if the minister would, of “lay-off bet”, the definition of which is found in clause 4. So members are aware, the definition states —

lay-off bet means a bet placed with a betting operator, if the bet is placed —

- (a) for the purpose of reducing the liability of another betting operator; and
- (b) by that other betting operator;

It is effectively a hedging of bets double-insurance process that members who have been around the gambling industry are probably well aware of. If somebody wants to put a massive amount of money on a particular outcome, the gambling operator takes the bet and hedges it against an alternative outcome with another gambling process so they can cover their bets if they have to pay out multimillions of dollars. It is a form of insurance. Can I therefore check something? In my view, clause 6(3) is not obviously related to the intent of the bill. It says —

When determining if a lay-off bet is a WA bet under subsection (1), it does not matter whether or not the liability the betting operator seeks to reduce by placing the lay-off bet relates to WA bets placed with the betting operator.

It comes across as a little bit like *Yes Minister*. Can we just check to make sure that lay-off bets are effectively to be treated as all other wagers and there is not a differential between a lay-off bet as defined in this bill and a standard bet? If there is, what is the differential set by the legislation?

Hon STEPHEN DAWSON: I am advised that the lay-off bet is treated in exactly the same way as any other bet under this legislation.

Hon Dr STEVE THOMAS: I thank the minister. Can the minister tell us why there was a need to define “lay-off bet”? If every bet is being treated exactly the same, why was there a need to treat the lay-off bet as an individual bet? Is it to prevent people using the lay-off bet as a way of escaping the point-of-consumption tax? If a lay-off bet is treated as any other bet, it seems a bit irrelevant to identify it in the bill and put in a clause that is not easily understood by the layperson. I wonder why it ended up in this form.

Hon STEPHEN DAWSON: I am advised that it was for reasons of clarity. These things already exist, so we wanted to mention them in this legislation before us. It is also to administratively prevent any kind of legal issues.

Hon Dr Steve Thomas: Is it effectively to prevent somebody saying that it is not counted because it is a lay-off bet?

Hon STEPHEN DAWSON: Yes, that is it.

Hon COLIN HOLT: I just seek double clarity on that. Does a lay-off bet attract the 15 per cent point-of-consumption tax?

Hon Stephen Dawson: Yes.

Hon COLIN HOLT: Another bill on the notice paper, the Gaming and Wagering Legislation Amendment Bill 2018, also refers to lay-off bets and bookmakers and how they do not get charged for double dipping on GST in that situation. How is this different so they do not get charged twice for the point-of-consumption tax, or have I got that wrong?

Hon STEPHEN DAWSON: I will give an example while I await further advice. Clause 6(3) clarifies that a lay-off bet is treated in the same way as any other bet. A lay-off bet is a Western Australian bet if the betting operator placing the bet is located in Western Australia, regardless of the location that the related liability was incurred; that is, it does not matter where the person who placed the originating bet with the betting operator is located. For example, if a WA betting operator wants to reduce the risk associated with the bet made by the customer by placing a lay-off bet with a Victorian betting operator, the lay-off bet is a bet taxable in WA regardless of the original

customer's location. In this case, the Victorian betting operator would be liable for betting tax for a losing lay-off bet based on a Victorian betting operator's customer, the WA betting operator being located in WA. The original bet has tax paid by the first operator. When that operator lays off a bet, the operator receiving the bet pays tax.

Clause put and passed.

Clauses 7 to 30 put and passed.

Clause 31: *Racing and Wagering Western Australia Tax Act 2003* repealed —

Hon COLIN HOLT: I apologise if I am discussing this under the wrong clause. I assume this is the clause that removes the obligation for the sports wagering account contribution. If this is the wrong clause, that is okay; I am not seeking to amend it, but I am seeking some clarification around it. The sports wagering contribution in the past was 25 per cent of sports betting into a sports wagering account. As the minister indicated in his reply to the second reading debate, it has been averaged over the last four years to be about \$3.7 million. Again, I think that is just a policy setting; it is not set in any legislative framework or any regulations. If the minister can confirm that first, that would be good.

Hon STEPHEN DAWSON: The member is correct. That is not set in the any regulation or legislation.

Hon COLIN HOLT: It is just a policy setting. It would be good to know what negotiation or consultation was done around arriving at the decision to abolish it. I know the Department of Local Government, Sport and Cultural Industries quite liked the idea of collecting that to put into its fund. The minister has already said that it is based on a four-year average and it will be indexed by CPI into the future. Is there any provision or any commitment to review that policy in the future, given that sports betting is the growth area for betting and punting, especially among younger members of the public? If we were to keep the sports wagering account, perhaps it would go up and the department of sport and recreation would be underdone by this policy setting. Is there any commitment to reviewing the contribution in the future?

Hon STEPHEN DAWSON: The member is correct. There is no direct link between sports wagering and the demand for funding for community sport; therefore, the level of funding does not need to reference sports betting activity. The member is correct in terms of the figures he used. Government funding will replace the 25 per cent after-tax contribution from the WA TAB. That averaged around \$3.6 million over the past five years and will be the \$3.7 million that the member referred to. It could be reviewed. The commitment at this stage is that the amounts will be indexed each year by the Perth consumer price index. That is the commitment now. It will not stop other governments in the future from consulting and increasing that figure. It is certainly a commitment by this government that we will allow the \$3.7 million, plus CPI, moving forward.

Hon COLIN HOLT: Thank you, I appreciate that.

Hon Stephen Dawson: That amount is included in the budget numbers already.

Hon COLIN HOLT: There was an obligation on the Western Australian TAB to fund the sports wagering account through its mechanism of a 25 per cent contribution. Now that that will be removed, will there be no obligation on the WA TAB to fund that anymore?

Hon STEPHEN DAWSON: I am advised that it will make a very, very small contribution of unclaimed winnings on sports bets. That is the only thing it needs to do.

Hon COLIN HOLT: I was going to ask about unclaimed winnings. It is not a small amount; I think it is something like \$7 million a year.

Hon STEPHEN DAWSON: I am advised that it applies only to sports betting, so it is about \$400 000 a year. That is still a reasonable amount.

Hon COLIN HOLT: It is unclaimed money only on sports betting itself. Will all the rest—profits or turnover on sports betting done by the WA TAB—now stay with the WA TAB and Racing and Wagering Western Australia?

Hon Stephen Dawson: That is correct.

Clause put and passed.

Clauses 32 to 77 put and passed.

Title put and passed.