



GOVERNMENT SERVICES

Administrative
Burdens – HMRC
Measurement
Project

Report by Tax Area
Part 13: Gaming Duties

20 March 2006
Restricted – Commercial

TAX



HMRC

**Administrative Burdens -
HMRC Measurement Project
Report by Tax Area
Part 13: Gaming Duties**

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1 **How to use this report**

This report should be read in conjunction with the main report on the Administrative Burdens - HMRC Measurement project. Both reports seek to give an overview of the model that has been built to measure the tax administrative burden for UK business. The reports give examples of some early analysis of areas of high burden, outline how the model was built and the size and format of the resulting data framework.

Like the UK tax system the model is large and complex. Thus the reports can only give a flavour of the model's full potential. The detailed analysis looking at specific pieces of tax regulation, the setting of the baseline and targets, how to link the administrative burden to the full range of impact assessments and wider policy initiatives will be done by HMRC as it takes the model forward, using the data framework.

For ease of reference, the main report is hereafter referred to as Volume 1 and this report, by tax area, is hereafter referred to as Volume 2.

1.1 **Volume 1**

Volume 1 is a good starting point for an overview of the model and the dynamics of the tax administration burden for UK business. The main body of Volume 1 provides a brief description of the background to the model, how the model was built, some examples of early analysis at a total level and a summary of the overall themes arising from business interviews. This report uses, from time to time, technical terms set out in the Standard Cost Model. The Glossary to Volume 1 seeks to give a practical explanation of each term.

There are a series of Annexes to Volume 1:

- **Annex A** is a detailed description of the methodology and how the model was applied in practice
- **Annex B** provides an example of the guide used to interview businesses
- **Annex C** provides a summary of the overall themes arising from interviews with businesses. The focus is on issues that do not relate to one specific tax but were raised in the context of interviews on many different subjects
- **Annex D** addresses demarcation issues: what regulation is included in the model and what is not

1.2 **Volume 2**

Volume 2 should be read in conjunction with Volume 1 for details of key terms used in the model and early analysis.

Volume 2 is in 28 Parts, one for each of the tax areas, described in further detail below. Volume 2 gives an overview of the administrative burden, early analysis and business

feedback for each tax area. Volume 2 can only give a flavour of the model's potential. It is already clear that the early analysis may prompt further questions. The further detailed analysis looking at specific pieces of tax regulation will be done by HMRC as it takes the model forward, using the data framework.

The tax areas are:

Part 1	Aggregates Levy	Part 15	Inheritance Tax
Part 2	Air Passenger Duty	Part 16	Insurance Premium Tax
Part 3	Capital Allowances	Part 17	Intrastat
Part 4	Capital Gains Tax	Part 18	Landfill Tax
Part 5	Climate Change Levy	Part 19	Pensions
Part 6	Construction Industry Scheme	Part 20	Petroleum Revenue Tax
Part 7	Corporation Tax	Part 21	Stamp Duty
Part 8	Customs	Part 22	Stamp Duty Land Tax
Part 9	Double Tax Treaties	Part 23	Stamp Duty Reserve Tax
Part 10	EC Sales List	Part 24	Tax Credits
Part 11	Employer Taxes	Part 25	Tax Management Provisions
Part 12	Excise Duties	Part 26	Tonnage Tax
Part 13	Gaming Duties	Part 27	Value Added Tax
Part 14	Income Tax for Businesses	Part 28	Withholding Tax

1.3 **Table conventions**

The early analysis in the reports is based on tables of monetary amounts and percentages derived from the data framework. These tables look at the administrative burden in a number of ways, at different levels of detail and for different areas of tax (some large, some small), to give examples of how the model can be used. This means that different measurement units are used for the monetary amounts and percentages, depending on which aspect of the model is being looked at. For example, some tables show monetary amounts to the nearest £ million and percentages in whole numbers. Other tables use different conventions. The overarching aim is that a monetary amount or percentage is shown and that the tables are as helpful as possible.

The underlying data held in the data framework is extremely detailed and has been rounded up to prepare the tables. Due to complex roundings not all the tables, as presented, will add up to the total shown on the table.

A dash '-' in the tables indicates a genuine zero value. By contrast, the figure '0' indicates a negligible number in the context of that table.

2 Executive summary

The administrative burden of Gaming Duties is £4.2m, 0.08% of the total burden placed on business.

The burden is made up as follows:

	£000	%
Internal costs	3,228	76.65%
Acquisition costs	10	0.24%
External costs	973	23.11%
Total burden	4,212	100.00%

As the tax area includes a wide range of different duties, it is difficult to draw conclusions from this distribution. The majority of the returns can be outsourced, but other aspects of the obligations, for example the issue of betting slips, are an integral part of the business process and cannot be outsourced.

Gaming Duties is a collective term covering the following duties: Bingo Duty, Gaming Duty, General Betting Duty, Amusement Machine Licence Duty, Pool Betting Duty and Lottery Duty.

Returns and reports account for 50% of the total Gaming Duties tax burden and the provision of statutory information to third parties accounts for 46%. The issue of betting slips to customers was found to be the single most burdensome IO (£1.95m), although this is heavily driven by the number of slips produced.

A key theme running through the interviews with smaller businesses was concern over the burden involved in the current processes of HMRC issuing various gaming and amusement machine related licences.

3 Introduction

3.1 Background

See Volume 1 Section 3.1.

3.2 Overview of regulation affecting the private sector

3.2.1 Description of the scope and objectives of tax area

Gaming Duties is a collective term covering the following tax regimes:

- Bingo Duty
- Gaming Duty
- General Betting Duty
- Amusement Machine Licence Duty
- Pool Betting Duty
- Lottery Duty

3.2.1.1 Bingo Duty

Bingo Duty is charged on 'bingo promotion profits', which broadly comprises bingo receipts less the bingo winnings paid out by the business. All bingo played in the UK is liable to the duty with the exception of those listed below:

- domestic bingo
- small-scale bingo
- small-scale amusements provided commercially
- machine bingo
- non-profit making bingo

Once a business is registered to account for Bingo Duty it is required to submit returns (Form BD 510) and pay any Bingo Duty due to HMRC on a regular basis, usually monthly.

Due to the fact that 'small-scale' bingo is exempt from Bingo Duty, the duty only applies to the larger bingo companies. As a result, the number of businesses included within this model affected by this duty is relatively low, being approximately 200.

3.2.1.2 **Gaming Duty**

Gaming Duty is charged on the 'gross gaming yield' for premises where gaming takes place. Games on which Gaming Duty is chargeable include roulette, poker, baccarat and several others. Broadly, gross gaming yield is the total value of the bets laid and any charges paid by customers to enter a game less any winnings paid out to customers. The rate of duty is on a sliding scale based on the level of the gross gaming yield the business generates.

A business must register for Gaming Duty if it holds a gaming licence under the Gaming Act 1968 or it is the provider of premises in which gaming takes place.

Once registered, a business is required to submit returns to HMRC and pay the duty twice in a six monthly cycle prescribed by HMRC. The first return (Form GD 94), and a payment on account, is required after three months. The second return (Form GD 95) and the balance of duty due for the full six-month period are then required.

The number of businesses included within this model required to account for gaming duty is just over 1,000.

3.2.1.3 **General Betting Duty**

General Betting Duty is charged on the 'net stake receipts' from bookmaking. Net stake receipts broadly equate to the net gain made by the business on customer bets taken less the winnings paid out by the business. The rate of duty varies depending upon the type of bet made, for example fixed odds bets have a different rate to the rate due on spread bets.

All UK-based bookmakers potentially need to account for the duty. Once registered, a business is required to submit returns to HMRC and pay the duty, usually on a monthly basis. Bookmakers are required to submit Form BD 211 to HMRC and Form BD 211A if the business has undertaken spread betting activities within the period.

In addition to the requirement to make returns, the business is also required to issue a voucher to a person making a bet, where the person is present at the bookmakers. The number used within this model is an estimate of the number of bets made in this way, and therefore the number of vouchers issued per year is 40 million.

3.2.1.4 **Amusement Machine Licence Duty**

Broadly, businesses must obtain a licence from HMRC, and pay Amusement Machine Licence Duty to HMRC, if they own or lease an amusement machine to use on their premises, or where they own an amusement machine and lease the premises where the machine is provided for play.

Amusement machines where the duty is accountable include gaming, video, pinball and quiz machines. There are some exceptions on which Amusement Machine Licence Duty is not payable, for example; table football games, bar billiards and juke boxes.

The level of the Amusement Machine Licence Duty depends on the type of amusement machine, the duration of the licence (usually between one and 12 months) and the number of machines covered by the licence.

Payment is either made with the submission of the licence application form or by monthly instalments.

The number of businesses that have to account for Amusement Machine Licence Duty used in the model is 18,000.

3.2.1.5 Pool Betting Duty

Pool betting is a system whereby a number of people make bets other than at fixed odds; the bettor does not know, at the time of making the bet, how much he will win if he is successful.

Pool Betting Duty is duty charged at a flat rate on the value of pool betting receipts less the winnings paid out by the business.

Businesses that intend to promote, or that operate, pool betting are required to apply to HMRC for a permit to conduct their business. Businesses are then required to submit returns (Form BD 1) to HMRC and pay the duty due at regular intervals, normally for a four or five week period. The number of businesses required to account for Pool Betting Duty used in the model is 42.

3.2.1.6 Lottery Duty

Lottery Duty is collected on the taking of a chance or ticket in a lottery that is promoted in the UK. However, all businesses except the National Lottery operator are exempt from the duty.

Once registered, a business is required to submit returns (Form BD 600) to HMRC.

The administrative burden of Lottery Duty is modelled on the basis that there is only one lottery operator within the UK.

3.2.2 Summary statistics relating to the regulations included within the scope of the measurement exercise

Table 1: Number of Regulations, HMRC Forms, Information Obligations and Data Requirements by Tax Area

Tax Area	Number of sources of regulations	Number of forms	Number of Information Obligations	Number of Data Requirements
Gaming Duties	15	19	66	147
HMRC Total		279	2,692	6,614



3.3 Approach and methodology

3.3.1 Overall methodology

See Volume 1 Section 3.2 and Annex A.

3.3.2 Major methodological issues specific to tax area

None.

4 Administrative burden on business

4.1 Overview

4.1.1 Summary of the administrative burden results

Table 2: Administrative burden – overview

Tax Area	Total administrative burden	
	£m	Share of HMRC total
Gaming Duties	4.2	0%
HMRC Total	5,100	100%

The administrative burden of gaming duties is 0.08% of the total burden placed on business.

The majority of this burden arises from the completion and submission of the different Gaming Duties returns to HMRC. The key returns for each of the duties listed in section 3.2.1 and their administrative burdens in decreasing order are as follows:

- General Betting Duty (Forms BD 211 & BD 211A) - £1.672m
- Gaming Duty (Forms GD 94 & GD 95) - £0.275m
- Bingo Duty (Form BD 510) - £0.101m
- Pool Betting Duty (Form BD 1) - £0.022m
- Lottery Duty (Form BD 600) - £0.001m
- Amusement Machine Licence Duty – no return required

The main factor contributing to the weighting of the burdens listed above is the number of businesses recorded within the model that are registered for the relevant duty. As noted, there is only one business recorded in the model as being required to submit a Lottery Duty return, whereas the most burdensome of the duties is General Betting Duty where over 1,300 businesses are modelled as required to submit the returns.

4.2 Administrative burden by type of Information Obligation

Table 3 shows the number of IOs analysed by type of IO and the administrative burden for each type of IO. As set out in Volume 1 Section 3.2.2, the model uses 13 IO types, each of which represent a particular process. They are thus very helpful in seeing the overall dynamics in the tax system.

Table 3 uses the terminology in the SCM; please refer to Volume 1 – Glossary for a practical explanation of each term.

Table 3: Burden by Information Obligation type

Information Obligation type	Admin burden £000	Share of total admin burden for tax area	Number of IOs	Share of total IOs for tax area
Returns and reports	2,114	50.20%	9	13.64%
Providing statutory information for third parties	1,950	46.30%	1	1.52%
Keeping commercial emergency plans and programmes updated, etc ...	88	2.10%	13	19.70%
Notification of activities/registration	47	1.12%	25	37.88%
Applications for authorisation	4	0.10%	4	6.06%
Cooperating with audits/inspections of...	3	0.08%	4	6.06%
Applications for subsidies, grants, allowances or credits for ...	3	0.07%	3	4.55%
Applications for permission for or exemption from	1	0.03%	7	10.61%
Framing complaints and appeals	-	-	-	-
Statutory labelling for the third parties	-	-	-	-
Carrying out inspections of ...	-	-	-	-
Entry in a register	-	-	-	-
Application for Guidance	-	-	-	-
Total	4,212	100.00%	66	100.00%

HMRC total	5,100,094		2,692	
Share of HMRC total	0.08%		2.45%	

The key burdens faced by businesses under the gaming duties regime relate to completion and submission of the different returns to HMRC. For larger businesses, even where the process may be largely automated, this can be a significant cost due to the high volume of information required to calculate the amounts due to HMRC.

Notification of activities and registration with HMRC is another burden faced by businesses. Amusement machine operators who have to apply for various amusement machine licences identified this as a key burden.

4.3 **Administrative burden by origin of Information Obligation**

The gaming duties obligations are all of domestic origin.

4.4 **Administrative burden by business size**

Table 4: Burden by business size

Table 4 is designed to show the administrative burden broken down by business size. It has been omitted here because it is not helpful bearing in mind the size of the burden in this tax area.

However, we have established that some of the Gaming Duty areas do not have many nano businesses. For example, it is likely that a significant proportion of, if not all, nano bingo operators will be exempt from Bingo Duty because they are likely to run ‘small scale’ operations (see 3.2.1.1). However, where the nano segments do apply the burden is high because of the large number of businesses within this size segment.

The administrative burden of Lottery Duty is modelled on the basis that there is only one lottery operator within the UK. This business falls within the large segment.

4.5 Administrative burden by most burdensome Information Obligations

Table 5: Top 10 obligations by total administrative burden

Information Obligation	Total administrative burden	Internal cost	External cost	Acquisition cost
	£000			
Issue of betting slips to customers	1,950	1,950	-	-
Submission of Spread Betting Duty returns	1,165	452	713	1
Submission of Betting Duty returns	507	447	59	1
Submission of Gaming Duty returns (Form GD95)	172	42	130	0
Submission of Gaming Duty returns (Form GD94)	103	40	63	0
Submission of Bingo Duty returns by bingo promoters	101	101	-	0
Produce and maintain Bingo Duty accounts	43	43	-	0
Display of amusement machine licences	35	35	-	-
Display of special amusement machine licences	23	22	-	1
Retention of additional records by amusement machine owners with special licences	23	22	-	1
Total	4,122	3,154	965	4
Share of total for tax area	97.88%	97.69%	99.12%	37.30%
Total for tax area	4,212	3,228	973	10

The first burden listed is in relation to the issue of betting slips or vouchers to customers who make a bet. Businesses are required to issue betting slips to customers who are physically present when making a bet for example, in the bookmakers. To put this in context, whilst the burden of issuing a betting slip is very low there are a high number of betting slips issued by businesses per annum. This results in a high overall burden for business.

The six main reporting burdens listed relate to submitting returns to HMRC for the different gaming duties as noted in section 4.1.1.

4.6 Administrative burden by administrative activity and forms

Table 6 analyses the administrative burden into the three component price parts (internal costs, external costs and acquisition costs). It also analyses internal costs between the 16 administrative activities set out in the SCM. Table 6 uses the description of administrative activities in the SCM. A practical interpretation of those activities is given in Volume 1 – Glossary.

The first part of the table analyses internal costs. The second part of the table analyses the total burden into the three component parts of price.

Table 6: Summary of burden by standard activity type

Activity	Form-filling related		Non form-filling related		Total	
	£000	%	£000	%	£000	%
Familiarisation with the information obligation	0	0.00%	0	0.01%	0	0.01%
Information retrieval	626	19.39%	14	0.43%	640	19.81%
Assessment	12	0.36%	4	0.14%	16	0.50%
Calculation	99	3.05%	4	0.13%	103	3.19%
Presentation of figures	155	4.79%	10	0.31%	165	5.10%
Checking	128	3.98%	4	0.13%	133	4.11%
Correction	10	0.31%	4	0.13%	14	0.44%
Description	21	0.65%	28	0.87%	49	1.52%
Settlement/payment	29	0.89%	0	0.00%	29	0.89%
Internal meetings	-	-	-	-	-	-
External meetings	-	-	1	0.03%	1	0.03%
Inspection by public authorities	-	-	26	0.79%	26	0.79%
Correction resulting from inspection by public authorities	-	-	0	0.00%	0	0.00%
Training	-	-	-	-	-	-
Copying, distribution, filing, etc.	31	0.95%	1,997	61.87%	2,028	62.82%
Reporting/submitting information	23	0.72%	2	0.05%	25	0.78%
Internal total	1,133	35.09%	2,096	64.91%	3,228	100.00%

		Share of total burden %		Share of total burden %		Share of total burden %
Internal total	1,133	26.90%	2,096	49.75%	3,228	76.65%
Acquisition costs	6	0.13%	4	0.11%	10	0.24%
External costs	971	23.04%	3	0.07%	973	23.11%
Total burden	2,109	50.07%	2,103	49.93%	4,212	100.00%

Information retrieval is a time consuming activity for businesses in this tax area. Businesses fed back that this is a high burden because there is a lot of paperwork required to complete the returns and to comply with a number of notification and application requirements to HMRC. The burden of the paperwork for the issue of betting slips is particularly high due to the large number of transactions.

The regularity of the issue of betting slips, and to an extent, the returns too, does mean that the main gaming duty requirements are fairly steady state.

However, as there are always new ways of betting being developed, not least as a result of the rise in popularity of betting on the internet, business processes required to comply with the IOs are subject to regular change when the regulation has to be adapted to keep up with commercial practices.

4.7 **Administrative burden by Information Obligations to third parties**

Table 7: Breakdown of administrative burden of obligations to third parties

Tax Area	Total administrative burden			
	Obligations to third parties	Share of HMRC total	All other obligations	Share of HMRC total
	£m		£m	
Gaming Duties	2	0%	2	0%
HMRC Total	892	17%	4,208	83%

The main obligation to third parties for businesses operating within the gaming duty regimes is in relation to the provision of betting vouchers and betting stamps to customers who are physically present when making a bet under the General Betting Duty regulations.

5 Other findings

This section summarises the feedback recorded from businesses interviewed as part of the project work. It therefore represents those businesses' views rather than the views of HMRC or KPMG.

5.1 Irritations

Businesses interviewed on Bingo and General Betting Duties consider the regime to be simple and easy to administer.

The key irritation mentioned by businesses registered for Gaming Duty was the burden of completing and submitting the gaming duty returns when rate changes are announced in the budget. This created added confusion as businesses were required to submit two returns, one for duty calculated under the old rate and one for duty calculated under the new rate.

The application for a gaming machine licence is considered by businesses operating amusement machines as the key irritant and is a high administrative burden. One business said, "If it were possible for a single licence to apply to the business which then covered all machines and premises within the business, this would be a major move forward". They also expressed the opinion that licence fees were a high fixed cost for the business.

Another business expressed concern at the cost of postage and waste paper. Individual licences are posted to the company in separate envelopes, even when many arrive on the same day. Licences for individual machines on the other hand arrive on one sheet and have to be separated, which can take time.

One business found 'bulk licence' applications time consuming, due to the amount of cross-referencing and checking to existing licences. One also said that "often the licences don't all come back. Then I have to telephone [the tax office] to get a reference number and they usually tell me to wait a week. Then I have to write quoting the reference number saying the licence has not been received so could they send a replacement."

One business mentioned the burden involved in providing an audit trail for the previous location of machines when moved – they said there was "no known reason" why HMRC needs this information. Another business questioned the need to come out and check whether the licence is being shown in the premises, describing it as "just work for work's sake".

A couple of businesses thought the charge for paying by direct debit expensive. One said that "the penalties of the Direct Debit system have always riled me" and another referred to a "premium charge".

5.2 Simplifications

A few businesses suggested that applying for licences online would help reduce the burden and the amount of paper produced.

One business suggested that businesses should be allowed to issue “self licences” and the licence should be per business and not per premises and machine. HMRC could then audit them to ensure that they are compliant. This business also felt that the administrative burden could be further reduced by HMRC accepting backdated licences, as machine installations are currently “held up by bureaucracy”.

Where amusement machines are placed on third party premises, some businesses felt that the third party should also be required to comply with the licensing terms and conditions.

5.3 Examples of best practice

Compliance requirements of HMRC for General Betting Duty were considered as simple and easy to administer.

One bingo operator had attended an HMRC presentation on how to complete the form, which was “fine as far as it went”.

