



Betting Tax Legislation Amendment Bill 2015 (Proof)

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Extract from NSW Legislative Council Hansard and Papers Wednesday 18 November 2015 (Proof).

Second reading

The Hon. DUNCAN GAY (Minister for Roads, Maritime and Freight, and Vice-President of the Executive Council) [12.13 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

Leave granted

The Government is pleased to introduce the Betting Tax Legislation Amendment bill 2015.

The New South Wales racing industry provides enormous benefits to business and communities throughout this State.

It contributes more than \$3.3 billion a year to the State economy.

It sustains more than 27,000 full time equivalent jobs—many of which are located in regional areas of the State.

More than 90,000 people directly participate in the racing industry either as an employee a participant or a volunteer.

Around 780 community organisations receive financial assistance from the racing industry across the three codes and 550 community organisations share racing clubs' facilities.

The Government is determined to see these benefits continue for the people of New South Wales.

It is vital that the industry be able to compete fairly with racing conducted interstate.

This bill proposes key reforms that will allow the industry to do just that.

The bill's object is to progressively reduce the rates of wagering tax payable by totalizator licensees in respect of totalizator and approved betting activities other than a computer simulated racing event betting activity.

A computer simulated racing event betting activity is defined as an approved betting activity conducted on a computer simulated horse racing, harness racing or greyhound racing event and applies to the computer simulated game referred to as Trackside.

This will ensure that additional funds are made available to support the New South Wales racing industry.

The bill achieves this by amending the Betting Tax Act 2001 to provide for a graduated step down in the tax rates applicable to totalizator and fixed odds wagering over a five year period commencing on 1 July 2015.

Associated amendments to the Totalizator Act 1997 will ensure that the additional funds created by the tax reductions will be passed on by TAB Limited to the racing industry in full.

At present the New South Wales Government's take from each bet exceeds that of Victoria and Queensland.

At the conclusion of the five year stepdown period on 1 July 2020 the tax rates will be on par with those applicable in Victoria.

This honours a commitment made by the Government in June 2015 to facilitate tax parity with Victoria.

It will enable the New South Wales racing industry to more effectively compete with other jurisdictions in terms of retaining jobs and encouraging investment.

The Government estimates that over the five year wagering taxation stepdown arrangements an extra \$260 million will flow to industry.

Thereafter the industry will benefit from at least \$90 million per year in additional funding.

The funds resulting from the taxation reforms in this bill will play an important role in helping to secure the industry's ongoing sustainability.

These additional funds will support industry development initiatives and strategic priorities.

Those priorities include developing premier racing events, strengthening regional race clubs and providing opportunities for apprenticeships particularly in regional areas with high youth unemployment.

Importantly the Government is delivering the taxation reforms in this bill in an economically responsible way through a progressive step down in taxation rates which takes account of overall budget needs and priorities.

I turn now to the main details of the bill.

Schedule 1 of the bill amends the Betting Tax Act 2001 to provide for the staged reduction of the betting tax rates payable by a totalizator licensee under that Act in connection with totalizator and approved betting activities, other than a computer simulated racing event.

In particular schedule 1 reduces the taxes payable on totalizator betting and the taxes payable on roundings arising in respect of a totalizator.

It also reduces the taxes payable by the licensee in connection with other approved betting activities, such as fixed odds betting.

Each staged reduction will occur at the start of the financial year on 1 July.

The first reduction will operate retrospectively, commencing on 1 July 2015.

The effect of this is that by 1 July 2020 tax parity with Victoria will be achieved.

The additional funds freed up by the tax reductions in Schedule 1 of the bill will not be retained by TAB Limited.

Those additional funds will be passed on in full to the racing industry.

To achieve this outcome Schedule 2 of the bill inserts new section 70 into the Totalizator Act 1997.

Section 70 requires that within seven days of the end of each quarter TAB Limited must pay each controlling body a percentage share of the 'tax reduction amount'.

The tax reduction amount is defined in subsection (2) as the difference between the total amount of tax payable under the Betting Tax Act 2001 and the total amount that would have been payable prior to the amendments in this bill.

That is the tax reduction amount represents the proceeds of tax parity.

The percentage of the tax reduction amount that each controlling body will receive will be prescribed in the Totalizator Regulation 2012 as outlined in schedule 3 to the bill.

The relevant percentages are based on each code's proportion of the total value added to the New South Wales economy as estimated in the 2014 Report by IER Consultants entitled "Size and Scope of the New South Wales Racing Industry".

The Government commissioned this report with the primary purpose of determining the economic contribution made to the New South Wales economy by the three codes of racing.

The study took into account a number of the traditional measures adopted by the racing industry such as foal production attendances horse training activities and wagering.

The methodology used in the report was consistent with that used in recent studies of the Victorian and Tasmanian racing industries.

As such it was considered an appropriate basis from which to determine industry apportionment rates.

The remaining flow of funds from the TAB to the racing industry will continue to be governed by existing commercial arrangements between the parties.

Importantly new section 70(3) requires TAB Limited to make tax reduction amount payments in respect

of Racing New South Wales and Harness Racing New South Wales directly to those controlling bodies.

However the percentage of the tax reduction amount payable to Greyhound Racing New South Wales is to be paid into a special Fund to be known as the "Tax Reduction Trust Fund" and managed by the Secretary of the Department of Justice.

This will be the case until the current Special Commission of Inquiry into Greyhound Racing in New South Wales is complete and the New South Wales Government's response to that inquiry is finalised.

The bill provides that the Secretary of the Department of Justice will have certain functions and responsibilities in relation to the administration of the Fund.

These provisions reflect common arrangements that apply to the administration by Government of this type of Fund.

Payment of any monies from the Fund will be made at the direction of the responsible Minister.

There is considerable uncertainty surrounding the status of the greyhound racing industry at this time and a significant level of public concern regarding illegal practices by some participants in that industry.

It is therefore appropriate that the proceeds of tax parity due to Greyhound Racing New South Wales are quarantined in the Fund until the outcomes of the Special Commission of Inquiry are known.

This bill illustrates the Government's continued commitment to a sustainable racing industry which contributes to regional economies and to the New South Wales economy as a whole.

The Government has responded to the industry's calls for greater funding and financial certainty for forward planning and investment purposes.

This bill delivers that certainty through legislated tax reductions which can be utilised by industry to drive its strategic growth.

By legislating the proposed tax reductions the industry will have greater control over the expenditure of the additional funds.

That will assist the industry to make long-term financial commitments on strategic initiatives.

Currently, each racing controlling body is subject to legal requirements to prepare a strategic plan relating to the promotion strategic development and welfare of the respective racing sector.

Controlling bodies are also required by law to report on the implementation of their strategic plan in their annual report which is tabled in Parliament.

The investment of revenue into strategic initiatives forms part of these reporting requirements.

It will provide the Government with a mechanism to monitor how funds are being used.

The apportionment rates will be reviewed every five years through the subordinate legislation statutory review process thereby providing the Government an opportunity to consider the appropriateness of the portion of the proceeds of tax parity received by each code.

The wagering tax reforms outlined in this bill will help to increase the employment and economic benefits the racing industry provides to this State.

The additional funds will enable the industry to implement important development initiatives from sustaining major metropolitan racing events such as "The Championships" to supporting rural and regional racing events across NSW.

By enabling the New South Wales racing industry to progress strategic development initiatives the reforms in this bill will aid in securing the industry's long term sustainability and help it to flourish.

I commend the bill to the House.