

Bills Committee on Betting Duty (Amendment) Bill 2013

**List of follow-up actions arising from the discussion
at the meeting on 8 May 2013**

1. There were concerns in the community that a larger and more stable bet pool as a result of the implementation of outbound commingling arrangement on horse race betting would mean increased payout to Hong Kong bettors concerned, which might in turn increase the attractiveness of non-local races to Hong Kong bettors, enticing those Hong Kong bettors who were currently not interested in non-local races to also bet on such races. There were also concerns that the proposed inbound commingling arrangement might increase the odds on local horses, thus making them more attractive to local bettors. The Administration was requested to respond to the concerns and provide information on the basis of its assessment that the commingling arrangements would not encourage more people to gamble because of more attractive odds and higher payout.

2. The Administration/the Hong Kong Jockey Club ("HKJC") was requested to -

- (a) explain the benefits to be brought about to the community, the Government and HKJC by introducing the legislative amendments to the Betting Duty Ordinance to facilitate HKJC to conduct two-way commingling on horse race betting;
- (b) provide information (e.g. statistics and examples) to illustrate the different odds offered by HKJC and overseas betting conductors on the same races, and the problem of arbitrage activities in Hong Kong in the past two years;
- (c) advise whether the Administration had made any estimations on the existing size of offshore and illegal bookmaking activities and the amount of betting money on these activities that would be diverted back to HKJC upon enactment of the Betting Duty (Amendment) Bill 2013 as an Ordinance; and if yes, provide the relevant information;
- (d) provide information on (i) the background to the Government's adoption of progressive betting duty rates of 72.5% to 75% under the current betting duty system for horse

race betting; (ii) the considerations and rationale for applying a flat betting duty rate at 72.5% to local bets on non-local races as proposed in the Bill; and (iii) the impact, if any, of such taxation adjustments on government revenue;

- (e) explain the rationale for fixing the guarantee period at three years rather than a longer duration and advise on the arrangement and provide revenue projections for future racing seasons after expiry of the three-year guarantee period to ensure/maintain a stable revenue for the Government from the racing business in the long run;
- (f) provide information on the average annual amount of net stake receipts arising from local bets on non-local races over a longer period, say, since 2006 when the Betting Duty Ordinance was last amended; and
- (g) respond to a query that commingling arrangements were not adopted by some overseas jurisdictions (e.g. between different states in Australia) and provide information on their considerations for not adopting such arrangements, if available.

3. According to HKJC's projection and assumptions based on the figures for the 2010-2011 racing season, its proposal of adopting a flat betting duty rate at 72.5% and reducing the tax base might lead to reduction in betting duty receipts for Hong Kong bets on non-local races by \$12 million. The Administration/HKJC was requested to -

- (a) explain whether the decrease in betting duty receipts was due to the increasing royalty fees paid by HKJC to the non-local operators or bigger payout to bettors on non-local horse races;
- (b) provide information on the exact amount of royalty fees paid by HKJC to its non-local operators under the current simulcast arrangement, which was currently fixed at 1.5% of the local turnovers for the bet type and race concerned and anticipated to be increased to some 3% in future; and
- (c) advise on the consequences if no financial relief was provided to HKJC in relation to the anticipated increase in royalty fees as referred to in sub-paragraph (b) above, e.g. whether it would impact on HKJC's capacity in carrying out charitable work.