

INFORMATIVE  
NOTE

# Proposal for Alterations of Online Gambling Tax

The 2020 state budgetary plan proposal, submitted by the Government before the Portuguese Parliament, on the past 16 December, brings important changes to tax regime applicable to the online gambling legal framework ("Regime Jurídico do Jogo Online - "RJO").

Should be noted that all the duly licensed operators in Portugal continue to be subject to the Online Gambling Special Tax ("Imposto Especial de Jogo Online - "IEJO"), thus, not being subject to Corporate Tax ("Imposto sobre o Rendimento de Pessoas Colectivas - IRC") or Stamp Duty Tax ("Imposto de Selo") any income directly arising from gambling activity.

The proposed amendments will impact all the categories and types of online games and bets authorized to be carried out in Portugal. Please find below a comparison chart between the current tax regime and the proposed one for each type of game:

TYPE	RJO (current version)	2020 STATE BUDGETARY PLAN PROPOSAL
<b>Banked games of chance: Baccarat Punto Banca / Punto Banca Macao; French Bank; Blackjack/21; Gambling Machines; Poker without Discard; American Roulette; French Roulette</b>	15% to 30% on gross revenue <sup>1</sup> ★  ★ 15% up to the amount of €5M of yearly gross revenue, being applied a progressive rate on the surplus amount up to a maximum limit of 30%	25% on gross revenue

<sup>1</sup> «Gross Revenue»: Should be deemed as the amount deriving from the deduction of the sum awarded as prizes from the total amount of bets placed.

Non-banked games of chance: Bingo; Poker in Tournament Mode; «Omaha» «holdem» and Synthetic Poker		25% on commissions
	15% on commissions	(the commissions shall be deemed as part of gross revenue concept)
Fixed-odds sports betting	8% to 16% revenue resulting from the amount of the bets placed*	8% on revenue resulting from the amount of the bets placed
	*8% up to the amount of €30M of bets placed per year, being applied a progressive rate on the surplus up to a maximum limit of 16%	
Fixed-odds sports betting where the players play against each other	15% on commissions	35% on commissions
Mutual horse racing betting	15% to 30% on gross revenue*	25% on gross revenue
	*15% up to the amount of €5M of yearly gross revenue, being applied a progressive rate on the surplus up to a maximum limit of 30%.	
Fixed odds horse racing betting	8% to 16% on revenue resulting from the amount of the bets placed*	8% on revenue resulting from the amount of the bets placed
	*8% up to the amount of €30M of bets placed per year, being applied a progressive rate on the surplus up to a maximum limit of 16%	
Fixed odds or mutual horse racing betting where the players play against each other	15% on commissions	35% on commissions

Regarding the above-made comparison, should be concluded that:

1. There is a general increase on the IEJO on games of chance, as, notwithstanding the fact that the progressive rate of up 30% will no longer exist, the fixed rate of 25% is close to the current maximum limit, which was only applicable when the revenue exceeded ten million euros, and only to the amount which exceeded five million euros of gross revenue;
2. Such increase turns out to be more evident in the non-banked games, which suffered a tax increase of 66%;
3. Conversely, on the fixed-odds sports betting occurred a decline of the tax burden, as the second tax tier with a progressive rate of up to 16% disappeared, exception made to the fixed-odds sports betting where the players play against each other, where the rate over operator commissions increases to more than double.

A final note to mention that the changes hereby proposed by the Government do not impact on the IEJO revenue allocation regime, which remains unchanged.

It is reinforced that this is a legislative proposal amendment, subject to negotiation and parliamentary approval, which shall take place in early 2020.

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