RESEARCH SNAPSHOT

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Evaluating the impact of tax rates on channelling online gambling toward the regulated markets in Europe

What this research is about

Taxation is used as a policy measure to direct the use of harmful products, such as alcohol and tobacco. Gambling taxation can happen at different levels, including at the state level where states tax gross gambling revenue (GGR), turnover, or impose unit taxes for gambling devices and servers. In some countries, gambling winnings are taxable as income. Gambling profits may be directed to fund 'good causes' within the state or to the nonprofit and public sector.

Channelling involves directing online gambling toward regulated markets rather than offshore markets. Channelling can involve different measures, such as blocking or making regulated offers more attractive to consumers and providers. There is a debate about the optimal tax levels. Some industry representatives suggest that lower taxation would help them be more competitive against offshore providers, and that lower taxation can be used as a tool to channel gambling toward the regulated market.

The purpose of this study was to examine the link between channelling rates and tax rates across 29 European countries.

What the researchers did

The researchers used data from 29 European countries, including 27 from the EU, the United Kingdom, and Norway. They used two datapoints: 2018 and 2021. The researchers collected data from two databases that track regulatory and market developments in the gambling industry.

The researchers used data on tax rates and market shares of onshore and offshore online casino gambling and betting. They also used data on whether policies that block offshore gambling are enacted.

The data on tax rates and blocking were obtained from Vixio Gambling Compliance and news reporting. Payment or website blocking may deter people from gambling on offshore websites. Thus, data regarding whether legal provisions exist for payment or website blocking were included in the analysis as a control. The blocking data were collected in 2023.

The data on channelling rates were from H2 Gambling Capital. The estimates for onshore gambling were based on reported national figures. The estimates for offshore gambling were based on a model developed by H2. This dataset was divided between online casino and online betting products.

What you need to know

This study examined the link between channelling rates and tax rates across 29 European countries. The researchers used data on tax rates, channelling rates, and controls such as policies on blocking offshore websites. Overall, the findings show that there are different approaches to gambling taxation across the countries. There are also different approaches to gambling taxation across product groups. Channelling rates increased in Europe from 2015 to 2021. Overall, there was a decrease in offshore market shares. The researchers noted that this decrease might be mostly due to the growth of the onshore market between 2015 and 2021. Higher taxation rates were not linked to lower channeling rates within Europe. The results suggest that higher tax rates may sometimes be associated with more effective channelling. The researchers conclude that higher taxation is not likely to push gambling toward offshore markets.

The researchers also included data on channelling rates in 2015.

What the researchers found

Overall, there are different approaches to gambling taxation across the 29 European countries. There are also different approaches to gambling taxation across different product groups.

Online casino products are taxed mostly at a GGR basis. Taxes on betting products are more evenly split between GGR-based taxation and turnover-based taxation. Tax rates differ among countries. Some countries offer low tax rates, such as Malta and Estonia (5% GGR). Other countries tax GGR at rates over 50%. The researchers discussed reasons for this difference, including national differences in terms of taxation more generally. Countries also differ in how they balance tax revenue needs and industry lobbying for tax advantages.

Tax rates increased in Europe for both online casino gambling and betting from 2018 to 2021. Channelling rates also increased from 2015 to 2021. Overall, there was a decrease in offshore market shares. The researchers noted that this decrease might be mostly due to the growth of the onshore market between 2015 and 2021. The onshore market grew by more than 140%, while the offshore market grew by 4% for betting and 37% for casino products. This means that channelling rate is not a comprehensive indicator of market success. It is sensitive to changes in both onshore and offshore markets.

Higher taxation rates were not linked to lower channeling rates within Europe. The results suggest that higher tax rates may sometimes be associated with more effective channelling. The researchers conclude that higher taxation is not likely to push gambling toward offshore markets.

How you can use this research

Policy makers can use this research to inform taxation policies to reduce and prevent harm from online gambling.

About the researchers

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About Greo Evidence Insights

Greo Evidence Insights is an independent, non-profit organization specializing in research, knowledge mobilization, and evaluation in the health and well-being sectors. Greo transforms research and insights into actionable strategies to prevent and reduce harm related to gambling, gaming, technology use, and substance use. To learn more about funding for Research Snapshots visit our website.

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