

# Italy's new Stability Law 2016: what you need to know

## New tax regime for sports betting among the changes

On 21 December 2015 Italy's Chamber of Deputies approved the 2016 budget that among other things encompasses a profit-based tax regime on sports betting, higher tax rates on slot machines and video lottery terminals ('VLTs'), a new licensing round and fresh advertising rules. The following paragraphs provide a few snapshots of the most relevant changes.

### Data transmission centres

A procedure has been introduced to enable the Italian tax authorities to assess and assert a permanent establishment claim against unlicensed gaming businesses operating in Italy through a single network of data transmission centres, who will accordingly be subject to a 25% withholding tax.

### Tax changes and other measures concerning slot and VLT machines

The levy on video lottery terminals will rise from 5 to 5.5% and on amusement with prize machines ('AWPs') from 13 to 17.5%, while the winnings percentages for machines, or payout, can be set up to at least 70%. The €500 million annual surcharge on slot machines and VLTs introduced by the Stability Law 2015 in terms of lower fees for the operators has been replaced by a mechanism of proportional reduction of the operator's fee. A €20,000 fine will apply to shop owners who run slot machines which are not connected to the official network managed and monitored by the Italian regulatory authority (aka 'totems'). A fine ranging from €50,000 to €100,000 will also apply to the shop owners in cases involving the unlicensed offer of online gambling facilities.

### New tax regime for sports betting and online bingo

A long-awaited reform kicked in as from 1 January 2016 shifting from a turnover-based tax regime to a tax on gross gaming revenues. The applicable rate on fixed-odds betting is 18% on retail shops and 22% on the online offer. The new margin-based regime will also affect online poker tournaments and skill games, introducing a 20% tax rate. Effective as from 2017 the online bingo's margin tax will be set at 20%.

### New licensing round

A licence tender will be called for the issuance of 210 bingo licences with a minimum bid of €350,000 for a one-off total of €73.5 million. Also 120 licences for the offer of remote gaming services will be put up for award at the price of €200,000 each. An auction will also be launched relating to 10,000 betting shops, with bids starting at €32,000, and a further 5,000 non-dedicated outlets with a starting price of €18,000. Bookmakers who were not previously licensed, and who last year chose not to adhere to a tax amnesty under the scope of the 2015 Budget Law, will have another chance to meet their obligations by paying a one-off €10,000 fee and back-taxes for each outlet as a

condition precedent to take part in the 2016 licence tender. In order to prevent possible regulatory conflicts between Italy's central government and the single regional administrations that may otherwise hinder the licence tender process, the Stability Law requires that by no later than 30 April 2016 a joint body will have to set the characteristics of outlets where bets will be collected and gaming machines will be installed as well as the criteria for their distribution on the territory having regard to the need to protect minors, safety, health and public order.

### New advertising rules

New restrictions have been introduced concerning the way gambling is portrayed in advertising. Advertising on radio and television broadcasts from 07:00 to 22:00 will be banned with the exception of specialised media which will be identified in a Ministry of Economy and Finance ('MEF') decree. Such ban will not apply however to national lotteries and gaming sponsorship in the following sectors: culture, research, sports, health and care. Information campaigns will be launched in schools to raise awareness of problem gambling issues. Fines from €100,000 to €500,000 will be levied by the Authority for Communications against persons who are involved in advertising campaigns.

### Quick comment by the author

The most important change introduced by the Stability Law 2016 is by far the introduction of a profit-based tax regime on sports betting and online skill games (including poker tournaments) as it will predictably allow for higher margins for operators who will thus be able to up their marketing budgets. The sports industry is accordingly expected to receive more investments from gaming operators in terms of more sponsorship deals and high profile advertising campaigns. Let alone the tax regime, the new licensing round expected later this year is poised to lure other operators into the local market that, although very crowded and competitive, still affords quite interesting business opportunities. All in all, it should be a very interesting year that will see the Italian gaming regulatory body extremely busy in handling various licence tender processes including the one relating to lotteries.

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