




Australian Government  
Commonwealth Grants Commission

# 2025 Methodology Review

## Gambling taxation consultation paper

October 2023

Paper issued	19 October 2023
Commission contact officer	Dermot Doherty, 02 6218 5717, Dermot.Doherty@cgc.gov.au
Submissions sought by	<p>1 March 2024</p> <p>Submissions should be placed in your private state channel in CGC Engagement Teams, with a post notifying Katrina Baldock.</p> <p>Submissions should be in Word format and posted in the relevant state channel of the CGC engagement Team. Submissions more than 10 pages in length should include a summary section.</p>
Confidential material	<p>It is the Commission's normal practice to make state submissions available on its website under the CC BY licence, allowing free use of content by third parties.</p>  <p>Further information on the CC BY licence can be found on the Creative Commons website (<a href="http://creativecommons.org">http://creativecommons.org</a>).</p> <p>Confidential material contained in submissions must be clearly identified or included in separate attachment/s, and details provided in the covering email. Identified confidential material will not be published on the Commission's website.</p>

## **CONTENTS**

Overview of category	4
Current assessment method – 2020 Review	4
Data used in the assessment	4
Category and component revenue	4
GST distribution in the 2023 Update	5
What has changed since the 2020 Review?	6
Implications for assessment	6
Capacity measure	8
Assessment of the category	10
Proposed assessment	10
Differences from the 2020 Review approach	10
Proposed assessment structure	10
Consultation	10

## Overview of category

- 1 The category comprises state and territory (state) revenues from gambling taxes.
- 2 Gambling taxes are a mix of direct taxes on the main forms of gambling, licence fees and other levies and contributions. The main forms of gambling taxes are:
  - racing taxes — the net proceeds from all taxes or commissions on bookmakers and totalisators
  - lottery taxes — the net proceeds from state lotteries, taxes on lottery subscriptions (including soccer pools, Keno and minor lotteries) and shares of profits of private operators
  - gaming machine taxes — the net proceeds from taxes and licences associated with poker machines in clubs, pubs and hotels and taxes on Club Keno games operated in clubs, pubs and hotels
  - casino taxes — the taxes and levies on the holders of casino licences, including one off premiums/licence fees, and net proceeds of taxes on gaming machines in casinos
  - sports betting taxes — the taxes and levies on approved types of local, national or international sporting activities (other than the established forms of horse and greyhound racing), whether on or off course, in person, by telephone or via the internet.

## Current assessment method – 2020 Review

- 3 Under the 2020 Review method state gambling taxes are assessed equal per capita in the other revenue category. As a result, this assessment does not affect states' relative fiscal capacities, and does not affect the GST distribution.
- 4 In the 2020 Review, the Commission concluded this was the appropriate treatment because it was unable to isolate the underlying factors driving gambling activity in each state and, therefore, was unable to develop a reliable method of differentially assessing gambling taxes.

## Data used in the assessment

- 5 The Commission obtains revenue data from the Australian Bureau of Statistics' (ABS) Government Finance Statistics publication and, for the last assessment year, state revenue offices.
- 6 Data on estimated resident populations are also obtained from the ABS.

## Category and component revenue

- 7 State gambling taxes have declined as a share of total own-source revenue in recent years (Table 1). This reflects the faster growth of property transfer and mining revenues.

**Table 1 Gambling taxation, 2018–19 to 2021–22**

	2018-19	2019-20	2020-21	2021-22
Total revenue (\$m)	6,876	5,976	6,998	7,267
Share of total own-source revenue (%)	5.2	4.7	5.1	4.4

Source: Commission calculation.

- 8 States raised \$7.3 billion in revenue in 2021–22 (Table 2), representing 4.4% of total own-source revenue.

**Table 2 Gambling taxation by state, 2021–22**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total revenue (\$m)	2,431	2,023	1,645	353	531	113	74	97	7,267
Total revenue (\$pc)	300	308	312	128	294	198	163	389	282
Share of total own-source revenue (%)	4.9	5.5	4.8	1.3	6.0	4.0	2.1	5.8	4.4

Source: Commission calculation.

- 9 Gambling taxes were assessed as part of the other revenue category. Table 3 sets out the capacity measure that applied to the other revenue assessment.

**Table 3 Structure of the other revenue category**

Component	Component revenue	Driver	Influence measured by driver
	\$m		
Other revenue	49,133	Population	These revenues are assessed equal per capita. They do not differentially affect states' relative fiscal capacities.

Source: Component revenue data provided by states for the 2023 Update.

## GST distribution in the 2023 Update

- 10 Table 4 shows the equal per capita assessment does not affect states' relative fiscal capacities. Therefore, it does not affect the GST distribution.

**Table 4 GST impact of the other revenue assessment, 2023 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total (\$m)	0	0	0	0	0	0	0	0	0
Total (\$pc)	0	0	0	0	0	0	0	0	0

Source: Commission calculation, 2023 Update.

- 11 Further detail on the other revenue assessment, the scope of the adjusted budget and the underlying conceptual cases for assessment methods are explained in volume 2, chapter 12, [Report on GST Revenue Sharing Relativities, 2020 Review](#).

## What has changed since the 2020 Review?

- 12 State gambling taxes have been assessed equal per capita since the 2010 Review. Long standing criticisms of this approach include that:
- it treats states that have a high capacity to raise gambling tax revenue differently from states that have a high capacity to raise other state taxes
  - it does not recognise gambling as a harmful activity
  - it disadvantages states that place restrictions on gambling activity.
- 13 The Commission’s task is to determine relative state fiscal capacities. This task includes, if possible, estimating the level of gambling taxes states could raise if they followed the average state policy. Consistent with its supporting principle of policy neutrality, the Commission does not make judgments on the virtue or otherwise of state gambling policies. A state may have low gambling tax revenues because it has low gambling capacity or because it has a policy restricting gambling activity. If the latter, the Commission seeks to ensure that state policy choices do not affect relative fiscal capacities.
- 14 As such, it is not necessarily the case that if gambling were differentially assessed, a state currently with low gambling tax revenues would be assessed as having a below-average revenue capacity and as a result experience an increase in its GST share. If a state’s low gambling tax revenue is a result of policy prohibiting or restricting gambling, it may be assessed to have an above-average capacity to raise gambling taxes under a policy neutral differential assessment.
- 15 The Commission is aware that this is an area of possible policy change at the state and national level. It is monitoring government responses to the Australian Parliament House of Representatives Standing Committee on Social Policy and Legal Affairs’ recent report which proposes a national levy on online wagering service providers directed towards harm reduction measures and a national strategy on online gambling harm.

## Implications for assessment

- 16 In recent reviews, some states asked the Commission to investigate a differential assessment. In the past, the Commission has had difficulty identifying the underlying factors driving gambling. In addition, the influence of state policies that affect the level of gambling has meant that the Commission has not been able to develop a reliable method to differentially assess gambling taxes.
- 17 Table 5 provides an overview of the evolution of the gambling assessment and the approaches the Commission adopted in previous reviews. For the 2025 Review, the Commission has re-examined some of the options that have been previously considered for a differential assessment. Given that a move to a differential

assessment could have significant implications for the distribution of GST, it is important that the assessment method used is robust and soundly based.

**Table 5 Evolution of the gambling assessment**

Inquiry	Capacity measure	Type of measure	Form of gambling	Individual state adjustments
Special grants era	Revenue/turnover in the standard states (a)	Activity/direct	Initially racing and lotteries; gaming machines from the 1950s and casinos from the 1970s	Mainly SA and Tas
1981 Review	Turnover	Activity/direct	Racing	NSW and Vic for scale of operations
	Gross household income	Broad indicator	Lotteries, gaming machines and casinos	NSW and Vic for scale of lottery operations
1982 Review	Turnover	Activity/direct	Racing	NSW and Vic for scale of operations
	Gross household income	Broad indicator	Lotteries, gaming machines and casinos	NSW and Vic for scale of lottery operations
1985 Review	Turnover	Activity/direct	Racing	-
	Gross household income	Broad indicator	Lotteries, gaming machines and casinos	NT for lower lottery capacity
1988 Review	Turnover	Activity/direct	Racing	NSW, WA, SA, Tas and the NT for scale of operations
	Gross household income	Broad indicator	Lotteries, gaming machines and casinos	-
1993 Review	Household disposable income (b)	Broad indicator	All gambling	WA, SA, Tas, and the ACT for scale of racing operations. ACT for cross-border racing; Tas, ACT and NT for lottery revenue sharing agreements
1999 Review	Household disposable income, with a 50% discount (c)	Broad indicator	All gambling	Tas, ACT and the NT for lottery revenue sharing agreements
2004 Review	Household disposable income, with a 50% discount	Broad indicator	All gambling	-
2010 Review	Equal per capita	Equal per capita	All gambling	-
2015 Review	Equal per capita	Equal per capita	All gambling	-
2020 Review	Equal per capita	Equal per capita	All gambling	-

(a) This measure was adjusted for the potential gambling population (as measured by the non-rural population) and relative income (as measured by average weekly earnings).

(b) In the 1994 Update an adjustment was introduced for cost of living differences.

(c) This measure was adjusted for differences in the proportion of the state population living in remote centres.

## Capacity measure

- 18 Some of the options for a differential assessment included:
- an activity-based approach, based on gambling turnover or gambling expenditure<sup>1</sup>
  - a population-based approach, based on the propensity of different population groups to gamble
  - a broad revenue approach, such as household disposable income.
- 19 The Commission continues to have concerns about assessing gambling capacity using an activity-based measure because such measures are significantly influenced by policy differences. For example, Western Australia's revenue and level of gambling activity are influenced by its policy to not allow poker machines outside its casino. Until recently, the Northern Territory's revenue and level of gambling activity were influenced by its policy on online wagering.<sup>2</sup> The Commission's view remains that an activity-based approach cannot provide a policy neutral measure of state gambling capacities.
- 20 As the Commission noted in its 2010 Review, the literature provides limited guidance on which socio-economic factors are relevant in determining the drivers of gambling activity. As part of the analysis for the 2020 Review, staff investigated the use of data from the Household, Income and Labour Dynamics in Australia (HILDA) survey. Questions about gambling activity and expenditure were included for the first time in 2015. This allowed staff to examine the links between socio-demographic characteristics and gambling activity and expenditure. The examination did not identify any potential drivers. The population-based approaches investigated by the Commission produced outcomes that were immaterial or, because they are an indirect assessment of revenue capacity, may not capture differences that exist in the capacity of state residents to engage in relevant activity.
- 21 In the absence of reliable data and evidence, the Commission's preliminary view is that a population-based approach based on the propensity of people from different socio-demographic groups to gamble continues to be an unreliable measure of state gambling capacities.
- 22 As outlined in Table 5, the Commission introduced a broad revenue assessment of state gambling taxes in its 1993 Review. In that review, it used household income as the capacity measure. It made several state-specific adjustments because it concluded the gross income base might be constrained by other calls on that income. In the 1999 Review, the Commission discounted the household income measure due to mixed evidence on the strength of the relationship between

---

<sup>1</sup> Gambling turnover is the amount wagered. Gambling expenditure is the net amount lost by gamblers (the amount wagered less the amount won). By definitions, gambling expenditure is the gross profit of the gambling operator.

<sup>2</sup> The recent introduction of point of consumption taxes means the Northern Territory's revenues are no longer influenced by its policy, but its level of gambling activity continues to be affected. South Australia introduced its point of consumption taxes in 2017, Queensland in 2018, New South Wales, Victoria and Western Australia in 2019 and Tasmania and the ACT in 2020. Point of consumption taxes have changed the way Australian gambling statistics are reported. To avoid double counting, Australian Gambling Statistics estimated Northern Territory's gambling expenditure and gambling turnover for 2019–20. Its 2019–20 gambling expenditure figure was 10% of its 2018–19 figure. Its 2019–20 gambling turnover figure was 8% of its 2018–19 figure.



gambling and income. The relationship further weakened and in the 2010 Review, the Commission moved to an equal per capita assessment.

- 23 The Commission continues to have concerns about assessing gambling capacity using a broad revenue approach. It is an indirect assessment of revenue capacity and may not capture differences that exist in the capacity of state residents to engage in gambling activity. If pursued, it is likely the approach would require the Commission to consider state-specific adjustments or discounts. Both types of adjustments have been applied to previous gambling assessments. For example, in the 1993, 1999 and 2004 reviews, a broad indicator, household disposable income, was used to measure capacity to raise revenue from gambling taxes (Table 5). State-specific adjustments were made in the 1994 Update to recognise differences in the costs of living and in the 1999 Review to recognise different access to gambling in remote areas. A discount of 50% was applied in the 1999 and 2004 reviews because of mixed evidence on the strength of the relationship between gambling and income.
- 24 For the 2025 Review, the Commission undertook a regression analysis of gambling expenditure and state household income. The analysis found no statistical relationship between the 2 variables at either the national or state level. It does not provide support for using household income in a broad revenue assessment.
- 25 As noted, the Commission has explored the options for a differential assessment of gambling taxes in past reviews but has been unable to identify the underlying factors driving gambling activity in each state. Therefore, it has been unable to develop a reliable method of differentially assessing gambling taxes. Since the 2010 Review, the Commission has considered the most appropriate way to assess gambling taxes is on an equal per capita basis.
- 26 The Commission's preliminary view is that there have been no developments that facilitate the identification of the underlying factors driving gambling activity in each state. As such, the Commission continues to be unable to develop a reliable method of differentially assessing gambling taxes. Its preliminary view is that an equal per capita assessment remains appropriate.

### Consultation question

- Q1. Do states agree there is no reliable method for differentially assessing gambling taxes? If not, what do states consider to be a reliable method of assessing state gambling taxes?

## Assessment of the category

27 In the 2020 Review, state gambling taxes were assessed equal per capita in the other revenue category. The Commission’s preliminary view is that there have been no developments that warrant changing the gambling taxation assessment.

### Consultation question

Q2. Do states agree that state gambling taxes should be assessed equal per capita in the other revenue category?

## Proposed assessment

### Differences from the 2020 Review approach

28 Subject to state comments, the Commission proposes to retain the 2020 Review assessment method. Revenues in this category will be assessed equal per capita.

### Proposed assessment structure

29 Subject to state views, Table 6 presents the proposed structure of the other assessment for the 2025 Review.

**Table 6** Category structure, other revenue

Component	Driver	Influence measured by driver	Change since 2020 Review
Other revenue	Population	These revenues are assessed equal per capita. They do not differentially affect states’ relative fiscal capacities.	No

## Consultation

30 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed assessment. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

Q1. Do states agree there is no reliable method of differentially assessing gambling taxes? If not, what do states consider to be a reliable method of assessing state gambling taxes?

Q2. Do states agree that state gambling taxes should be assessed equal per capita in the other revenue category?