Impacts of changes to betting and gaming taxation

EY report for the Betting and Gaming Council (BGC)

27th October 2025

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Introduction

This report provides a summary of EY's analysis on the impact of various excise duty reforms to betting and gaming taxation. The analysis was undertaken for the Betting and Gaming Council (BGC), the industry trade body that represents UK operators of licensed betting offices (LBOs), casinos, and online betting and gaming. The analysis was conducted to inform the BGC's submission to His Majesty's Treasury (HMT), ahead of the Autumn 2025 Budget, and in the context of HMT's Consultation on "The Tax Treatment of Remote Gambling"[1], which proposed aligning the tax treatment of online betting and online gaming.

Scope of work

The scope of work was to estimate the impact of different scenarios for changes in gambling taxes on;

i) excise duty receipts;

ii) the size of the industry and its supply chain (measured in terms of Gross Value Added (GVA), and employment[2]); and;

iii) impacts on the size of the gambling black market.

This report only covers the impacts on BGC members (and their supply chains), it does not include other gambling activities, such as pools or bingo. The analysis focuses on the fiscal impact and the industry's contribution to economic activity, other impacts are out of scope of this report. EY undertook modelling of scenarios identified by the BGC, either because they arose out of government consultation, or because of proposals made by other third parties[3]. In full, the scenarios modelled are set out in Figure 1 below:

Figure 1: Scenarios modelled by EY

		General Betting Duty (GBD)	*Remote Gaming Duty (RGD)*	*Machines Gaming Duty (MGD)*	*Notes*
1.	**Aligning at 21%**	Increase from 15% to 21% on all bets	Unchanged 21%	Unchanged 20%	On-course horse race bets are outside the scope of GBD, off-course bets to be taxed at 21%
2.	**SMF proposal** [4]	Increase from 15% to 25%, except for off-course horse racing bets cut to 5%	Increase from 21% to 50%	Unchanged 20%	Includes increasing the Horserace Betting Levy Board (HBLB) rate to 20% and extending its scope to non-UK races (this levy contributes to the funding of the horse racing industry)
3.	**IPPR proposal** [5]	Increase from 15% to 25%	Increase from 21% to 50%	Increase from 20% to 50%	Continues to apply the existing 15% GBD rate and 10% HBLB rate to horseracing
4.	**Ready reckoners**	Increase by 5%	Increase by 5%	Increase by 5%	

Approach

The tax base for all betting and gaming excise duty is the Gross Gaming Yield (GGY); this is a measure of the gaming revenue that goes to the operator, i.e. stakes net of payouts (customer winnings). A simple calculation of the increase in excise rate on the existing tax base, GGY, produces a simplified "static costing". However, in estimating the fiscal impact of a change in taxation, it is necessary to understand the "behavioural response" from those impacted by the change in tax. When considering excise duties, it is convention to assume that the change is fully passed through to consumers in the form of higher prices, who in turn change their behaviour and consume less. This reduces industry

[1] Tax Treatment of Remote Gambling - GOV.UK

[2] Measured as change in full time equivalent (FTE) employment

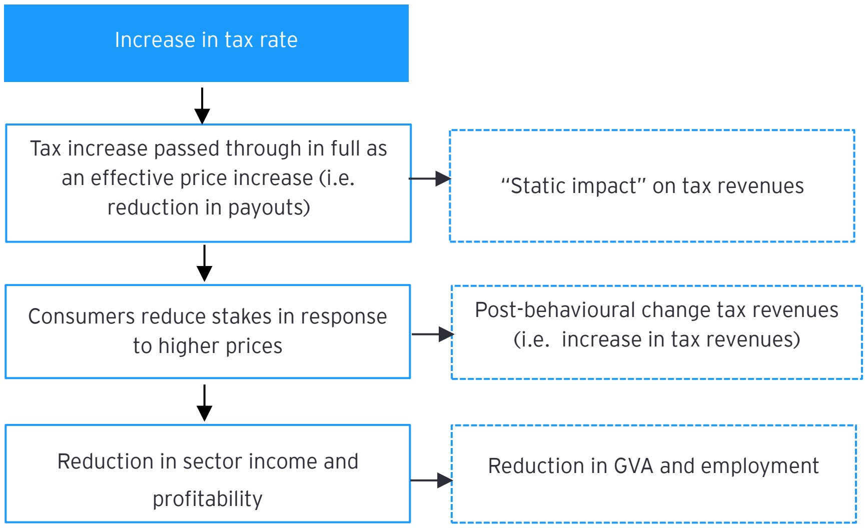
[3] For example, the Social Market Foundation (SMF) and the Institute of Public Policy Research (IPPR) published proposals for raising excise duties.

[4] Proposal made by SMF: The-Duty-to-Differentiate-July-2025.pdf

[5] Proposal made by IPPR: Reforming_gambling_taxation_August25_2025-08-04-143817_rtlt.pdf

income (post-tax GGY), the profits the industry generates, and therefore the economic activity and employment the industry supports. The approach to modelling these impacts is as follows:

Figure 2: EY approach



Key assumptions

Modelling the impact of any changes in tax rates is inherently uncertain (particularly when proposed changes are significant), and reliant on a number of assumptions (e.g. on consumer sensitivity to changes in prices). The key assumptions underpinning the approach are set out below[6]:

- **The tax base**: The data used in the modelling was sourced from BGC member returns, HMRC data, and Gambling Commission industry statistics. EY's analysis uses actual GGY data for 2024, Gambling Commission operator data for the remainder of 2024, and thereafter assumes the tax base evolves in line with recent trends and operator projections adjusted for the impact of expected regulatory changes[7]. The result is cumulative growth of remote gaming GGY between 2023 and 2026 of 4%.
- **Pass-through**: the increase in tax rate is passed on in full to customers in the form of higher prices, i.e. reduced probability of winning or lower pay-outs. For gaming it may not be straightforward for operators to alter the pay-out ratio (e.g. fixed-odds card games, roulette wheels), however, operators may still be able to alter pay-out ratios indirectly through changes to free bets and free plays. For some machine games it may not be possible for operators to pass-through the tax at all, in which case operator losses would increase, and this may cause them to close more venues. For modelling purposes, we make the simplifying assumption that tax increases are 100% passed through to price, in line with the convention that HMRC, HMT and OBR use to model fiscal changes.
- **Consumer response**: The higher price leads to a reduction in demand – i.e. consumers placing fewer bets (a reduction in stakes). EY's analysis considers a range of possible behavioural response, based on established estimates of the price elasticity of demand produced in 2014 by Frontier Economics for HMRC[8]. EY has also constructed a set of alternative (higher) elasticities to illustrate the potential impact if consumers were more responsive to changes in the price of

[6] EY has chosen assumptions that it believes to be appropriate to model the fiscal and economic impacts. However, we note there may be other alternative plausible assumptions given the inherent uncertainty that exists with any modelling exercise.

[7] Data available: 'Industry Statistics' data from the Gambling Commission up to April 2024, with more granular operator data available to June 2025, and HMRC tax receipts data available to April 2025. These sources were triangulated to estimate values for 2025 H1. EY estimated values for the remainder of calendar year 2025 based on recent market trends. Projections to 2026 are driven by operator forecasts received in August 2024, and overlaying the impact of the Government's 2023 white paper on gambling: High stakes: gambling reform for the digital age, which reduces remote gaming GGY in 2026 by £725m (i.e. using the mid-point of the estimates published in the White Paper).

[8] Frontier Economics (2014) "The UK betting and gaming market: estimating price elasticities of demand"

gambling. These values were developed based on discussions with the BGC[9] reflecting recent market developments, and considering confidence interval ranges from the Frontier paper. The elasticity assumptions applied are shown in Figure 3 below:

Figure 3: Elasticity assumptions

	Remote gaming	*Non-remote gaming*	*Non-remote betting*	*Remote betting*	*Fixed-Odds Betting Terminals and slots*
Central elasticity	-1.5	-0.5	-1.0	-0.5	-0.6
High elasticity	-2.0	-1.0	-1.8	-1.8	-1.0

- **Black market:** A price elasticity captures a variety of potential consumer responses to higher prices including consumers reducing or stopping gambling altogether, switching to other relatively cheaper forms of legal gambling, or switching to the black market. Specifically for the black market, which is a subset of the overall consumer response, we use surveys to estimate what percentage of the reduction in legal market stakes moves to the black market. These black market estimates should be regarded as illustrative only, due to the hidden nature of the illicit sector, and the reliance on survey-based quantification.[10]
- **Consumer switching:** Excise duty changes will also change the relative prices of different types of betting and gaming, which could create incentives to switch between types of gambling. However, evidence on substitution across types of gambling is limited, and the products being consumed in the remote and non-remote sectors are very different (e.g. online gaming consumers may have no history of gambling in casinos and therefore not view them as substitutes). Therefore, no switching is assumed in the scenarios presented in this paper.
- **Economic activity:** EY has previously modelled the economic footprint of the sector in terms of GVA and employment, including its supply chain in the UK. This was last published in October 2024[11], and forms the basis for estimates of the impact of excise duty changes on GVA and employment. In this economic impact assessment, BGC members and their supply chains are estimated to contribute £6.8b to UK GVA in 2023, and to support 109,000 FTE jobs. Changes in gambling sector GVA and employment, and in GVA and employment in its supply chain, are assumed to be proportionate to changes in stakes as modelled by the consumer response, plus additional impacts of LBO and casino closures over and above any closures expected in the base case.

Results

The results for each of the scenarios modelled are shown in Table 1 – Table 4 below. All results are presented for 2026, (in 2026 prices), as differences from the estimated 2026 baseline. The duty rate changes are assumed to be implemented immediately, with the full impact assumed to be realised in 2026; this is a simplification, in practice it would take time for the impacts (pass-through, consumer response, venue closures) to take effect.

EY's modelling of the Exchequer effects does *not* include any further Exchequer impacts of changes in economic activity in the sector, e.g. reductions in employment in LBOs, nor does it include indirect effects such as cuts to marketing budgets leading to reduced tax revenues from the supply chain. This is because these second-round effects are not conventionally included in how HMT/OBR model changes to tax revenues, and the impacts may be offset by spending and employment displaced to

[9] The data used in the Frontier Economics 2014 analysis reflects a market that is substantially different to the market in 2025. A number of changes suggest a higher elasticity may be likely, such as the shift to gambling in the online market where there is easier access to substitutes and the growth in the unregulated market. Moreover, Frontier Economics' estimated elasticities were based on a relatively narrow range of price changes, whereas large price changes (such as a doubling of RGD) would be more visible which may lead to larger consumer responses.

[10] Frontier Economics (2024), "The size and economic costs of black market gambling in Great Britain", report 28% of respondents likely to leave their operator when asked for proof of money source or proof of affordability. For large changes in duty (e.g. 50% RGD) a lower switch (8%) to the black market is assumed.

[11] The economic contribution of the betting and gaming sector in 2023, EY Economic Impact Assessment, October 2024.

other sectors of the economy. However, indicative estimates of the fiscal impact of changes in the industry and its supply chain are presented in the "ready reckoner" scenario in Table 4.

Table 1: Aligning GBD and RGD at 21% (MGD at 20%)

	Central elasticity		High elasticity	
Excise revenue	+£250m GBD		+£180m GBD	
Black market	+£400m stakes	£10m duty foregone	+£1.2b stakes	£30m duty foregone
GVA	-£240m		-£420m	
Employment	-800 Direct	-2,000 Indirect	-1,700 Direct	-3,000 Indirect

Table 2: SMF proposal for 25% GBD, 50% RGD, MGD at 20%, horse racing taxed at 5% (with 20% HBLB)

	Central elasticity		High elasticity	
Excise revenue	+£1,020m	o/w £160m GBD, £860m RGD	+£470m	o/w £70m GBD, £400m RGD
Black market	+£5.8b stakes	£180m duty foregone	+£8.1b stakes	£250m duty foregone
GVA	- £2.2b		-£2.5b	
Employment *	-6,000 Direct	-17,000 Indirect	-8,200 Direct	-22,000 Indirect

**Employment impacts for indirect jobs are illustrative, because the EIA methodology based on fixed input-output relationships is not well suited to model downstream employment impacts from such large tax shocks, and would not reflect any redistribution of activity between sectors that would occur in practice.*

Table 3: IPPR proposal for 25% GBD, 50% RGD, and 50% MGD, horse racing taxed at 15% (with 10% HBLB)

	Central elasticity		High elasticity	
Excise revenue	+£1,770m	o/w £285m GBD, £860m RGD, £620m MGD	+£1,060m	o/w £195m GBD, £400m RGD, £460m MGD
Black market	+£6.0b stakes	£210m duty foregone	+£8.4b stakes	£290m duty foregone
GVA	-£2.5b		-£3.1b	
Employment *	-9,100 Direct	-20,000 Indirect	-14,100 Direct	-26,000 Indirect

**Employment impacts for indirect jobs are illustrative, because the EIA methodology based on fixed input-output relationships is not well suited to model downstream employment impacts from such large tax shocks, and would not reflect any redistribution of activity between sectors that would occur in practice.*

Table 4: EY ready reckoners

	Central elasticity			High elasticity		
	+ 5% on GBD	+ 5% on RGD	+ 5% on MGD	+ 5% on GBD	+ 5% on RGD	+ 5% on MGD
Excise revenue	+£230m	+£210m	+£90m	+£180m	+£170m	+£80m
Other tax revenues	-£40m	-£70m	-£10m	-£90m	-£100m	-£20m
GVA	-£200m	-£350m	-£50m	-£350m	-£420m	-£90m
Employment – Direct	-600	-900	-200	-1,400	-1,200	-400
Employment – Indirect	-1,400	-2,800	-400	-2,700	-3,600	-700

Table 2 and Table 3 show results for scenarios proposed by the SMF and IPPR respectively. The key reasons for the smaller expected increases in excise revenues quoted in our analysis are as follows:

i) EY allows for a behavioural response from consumers whereas SMF and IPPR's conclusions appear to be based on static costings (i.e. they assume no change in consumer behaviour from higher prices, and/or zero pass through of the increase in excise rates by the industry to the consumer).

ii) EY factors in an estimated £725m reduction in remote gaming GGY in 2026 from the implementation of proposed regulatory changes made in the Government's White Paper: "High Stakes, Gambling Reform for the Digital Age" (£725m is the mid-point of the range published in the white paper). The SMF and the IPPR report their analysis for 2025 before the white paper takes effect, and therefore this fall is not accounted for in their analysis.

iii) EY assumes the underlying tax base grows modestly in line with recent trends, which combined with the impact of the white paper reforms, means that remote gaming GGY is project to grow by 4% over three years from 2023 to 2026, whereas SMF assume 31% growth over two years from 2023 to 2025.

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