

# The economic contribution of the betting and gaming sector: 2021-22

Economic impact assessment

November 2022



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# 1 Key findings

The report provides an analysis of the contribution from the members of the Betting and Gaming Council (BGC) to the British economy<sup>1</sup> in the period from July 2021 to June 2022 (referred to as 2021-22 in this report). The choice, made in agreement with the BGC, of the period covered by the report was set to get a picture of the state of the industry once all sectors of the betting and gaming industry were fully re-opened after the period of Covid lockdowns.<sup>2</sup>

Key findings presented in the report include:

**BGC members<sup>3</sup> contributed £7.1b to UK Gross Value Added (GVA) in 2021-22.**

- ▶ In 2021-22, BGC members contributed £2.3b in direct GVA, £2.7b in indirect GVA generated by their supply chain, and a further £2.1b in induced effects (spending generated by those employed by BGC members or their supply chains), together making up their £7.1b GVA contribution.
- ▶ In 2021-22, BGC members directly employed 50,000 people, but due to the increase in part-time roles, this equates to 44,000 Full-Time Equivalents (FTEs). In total, BGC members supported 110,000 FTE jobs in the UK<sup>4</sup>, with 44,000 FTE jobs with members and a further 66,000 FTE jobs generated through supply chains (largely in high productivity service industries) and through induced demand.

**BGC members' contribution Exchequer revenues accounts for 0.37% of total tax receipts in 2021-22, greater than their 0.11% GVA contribution share.**

- ▶ The £2.0b paid by BGC members in excise duties is equivalent to around 4% of total excise duties.<sup>5</sup>
- ▶ BGC members contributed a further £1.0b in income tax, National Insurance Contributions (NICs) and corporation tax payments to the Exchequer.
- ▶ Together with excise duties, the total direct tax contribution was £3.0b, which represents 0.37% of total tax receipts.<sup>6</sup> This means that BGC members pay a larger share of tax relative to their share of total UK GVA, which is around 0.11%.
- ▶ BGC members' total tax contribution, including taxes paid through the supply chain, and via demand induced by members, was £4.2b in 2021-22.

**The composition of Gross Gambling Yield (GGY)<sup>7</sup> has changed over the last two**

<sup>1</sup> Although the report refers to the UK economy, Northern Ireland is out of scope for this analysis due to a paucity of data for betting and gaming activities. The Gambling Commission is a key source of data for this work and its remit is betting and gaming in Great Britain; regulation of the industry is a devolved power in Northern Ireland.

<sup>2</sup> Throughout the report, 2021-22 refers to the period July 2021-June 2022. In some places the report refers to FY22, which is the financial year April 21-March 22, and is used where data is taken directly from HMRC or Gambling Commission publications that report financial years.

<sup>3</sup> "BGC members" is used throughout this report to refer to the sectors covered by the BGC - online, casinos, and licensed betting offices (LBOs).

<sup>4</sup> In this report the term jobs are defined as full time equivalents.

<sup>5</sup> Office for Budget Responsibility, March 2022. Excise duties are defined as tobacco duty, alcohol duties and fuel duty; together these generated £52.8b of tax receipts in 2021-22.

<sup>6</sup> OBR Economic and Fiscal Outlook, March 2022 - Total tax receipts estimated to be £821.4b in FY22.

<sup>7</sup> GGY used in this report is in line with the standard definition, the amount retained by gambling operators after winnings have been paid to the player, but before operational costs have been deducted.

years, with an increasing share being generated by online operators, as GGY for land-based betting and gaming premises (LBOs and casinos) has only partially recovered after the Covid lockdowns. However, online GGY has declined since mid-2021, probably reflecting the re-opening of physical venues, the introduction of affordability checks on online, and the decline in real household incomes.

- ▶ **Land-based GGY** has still not recovered from Covid. Land-based GGY declined sharply in FY21 (April 2020 to March 2021) and is yet to fully recover. Land-based betting (i.e. LBOs) report GGY £275m below FY20 levels (-12%) in FY22, and land-based casinos report GGY £326m below FY20 levels (-32%) in FY22.
- ▶ For **online betting** the initial gain during the pandemic, as consumers shifted online when physical premises closed, has already been unwound, and online betting in FY22 reported GGY just £34m above its pre-covid levels (less than +1%).
- ▶ **Online gaming** GGY remains up on its pre-covid levels, FY22 GGY being £619m above FY20 (+19%). However, almost 50% of the growth on pre-Covid levels had been unwound by April-June 2022.
- ▶ The online sector as a whole has declined very significantly over the past year - online betting and gaming together in 2022 H1 were 19% below the levels a year earlier, and for 2021-2022 as whole were 15% below the levels of the previous year. This decline in the online sectors partly reflects a shift back to land-based betting and gaming, and also coincides with the gradual implementation of affordability checks over the past 12 months, plus the inflation-driven squeeze on household incomes.

While aggregate GGY in nominal terms is marginally up on its pre-Covid levels, in real terms it has fallen by 4.0% compared to FY20 (i.e. adjusted for inflation). Total employment (both full-time and part-time) by BGC members has declined more significantly, from 60,000 prior to Covid (in 2019) to 50,000 in 2021-22, a fall of 19%.

- ▶ The recent trend in aggregate GGY is negative, with GGY during the latest quarter (April-June 2022) 1% down on a year earlier in nominal terms, and 6.5% down in real terms.
- ▶ This recent trend of declining aggregate GGY reflects deteriorating household finances, as inflation has reduced real incomes. With real disposable incomes set to fall by around 2.1% in 2022, and a further fall of around 1.3% forecast for 2023, betting and gaming revenues will come under continuing pressure.<sup>8</sup>

#### **Inflation has impacted operators' costs over the past 12 months**

- ▶ Rising energy prices have led to a sharp increase in operators' reported energy costs, with reported energy costs averaging 70% more than previous quarters across the operators for which data is available. However, part of this increase will reflect the re-opening of physical venues after lockdowns.

<sup>8</sup> Independent average taken from HM Treasury's Comparison of Independent Forecasts, November 2022.

- ▶ Online operators reported that energy costs in 2021-22 had increased by almost 40% compared with the previous year, while non-energy costs had increased by around 9% (i.e. broadly in with the Consumer Price Index measure of inflation).
- ▶ In summary, operator's costs have increased substantially over the past year, with the increase in energy costs particularly significant. This could lead to further closures of land-based activities, LBOs and casinos, for whom energy costs are a greater proportion of total operating costs than for online activities.

## 2 Approach

### 2.1 Introduction

This study was commissioned by the Betting and Gaming Council (BGC) to provide an update on the previous economic impact report published in March 2021.

The period of economic contribution analysis covered is July 2021 - June 2022 (referred to as 2021-22 in this report).

In compiling this report, EY has drawn on information from BGC members, Gambling Commission statistics, HM Revenue & Customs (HMRC) statistics, UK national statistics and other external data sources to analyse industry trends and assess the economic contribution of BGC members.

This report encompasses:

- ▶ An analysis of trends in GGY and excise duties paid by BGC members between 2019 and mid-2022
- ▶ An analysis of the economic contribution of BGC members in 2021-22
- ▶ An analysis of the impact of inflation on BGC members' costs

This report adopts a standard economic impact assessment of the economic contribution of BGC members, consistent with the methodology used in the 2021 report. This encompasses the direct effect of the activities of BGC members as well as the indirect effects from the industries supported in the supply chain, and the wider impact on demand in the economy arising from spending by direct and indirect employees. The impacts are presented in terms of GVA, employment and tax revenues.

### 2.2 Definitions

BGC members are casinos,<sup>9</sup> licensed betting offices (LBOs) and online operators (including online bingo). Where the previous report separated high end casinos from other casino venues, this report combines all casinos into one sector.<sup>10</sup> Land-based bingo and lottery operators (who are not represented by the BGC) are not included within the scope of this analysis.

Direct impacts are GVA, employment and tax contributions attributed to betting and gaming operators. Indirect impacts are generated from spend by BGC members in their supply chain. Induced effects are activity generated by spending by those employed both within members and their associated supply chain.

GVA is a measure of the value of the economy due to the production of goods and services. Using the income approach for measuring GVA, it is commonly defined as compensation of employees plus gross operating surplus; effectively the value of outputs less operational (non-employment) costs. Here it is used in basic price terms, excluding taxes payable on the products, such as gambling duties.

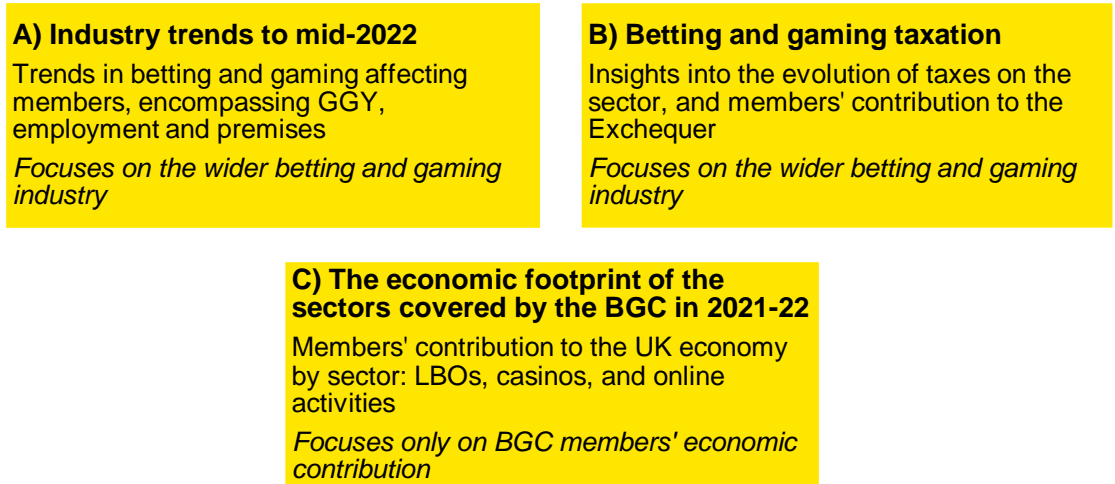
GGY used in this report is in line with the standard definition; the amount retained by gambling operators after winnings have been paid to the player, but before operational costs have been deducted.

<sup>10</sup> This reflects data limitations; without this aggregation, data from an individual operator could be readily inferred.

## 2.3 Approach to estimating BGC members' economic contribution

The approach to this analysis is set out in Figure 1.

Figure 1: Approach to estimating the economic contribution of BGC members



## 2.4 Data and evidence sources

To produce the analysis in this report, a range of sources were drawn on (see Table 1), including Gambling Commission statistics, national statistics and information requests from BGC members. These information requests from BGC members included data on their revenues, costs, employment and taxes paid.

Table 1: Evidence sources by analysis and report section

Section	Evidence sources
Industry trends to mid-2022	<ul style="list-style-type: none"> <li>▶ Data from the Gambling Commission, Office for National Statistics (ONS) and the BGC, and evidence from a brief literature review</li> </ul>
Betting and gaming taxation	<ul style="list-style-type: none"> <li>▶ Information on tax rates and revenue data from HMRC</li> </ul>
The economic footprint of BGC members in 2021-22	<ul style="list-style-type: none"> <li>▶ Standard impact assessment model underpinned by ONS data</li> <li>▶ Data from BGC members gathered between October-November 2022</li> <li>▶ Modelling assumptions by EY agreed with BGC</li> </ul>

For further detail on methods and approaches used in the modelling see Annex A: Methodology and assumptions.

### 3 Industry trends to mid-2022

This section reviews trends in the betting and gaming industry to 2022 using Gambling Commission statistics, and other external evidence.

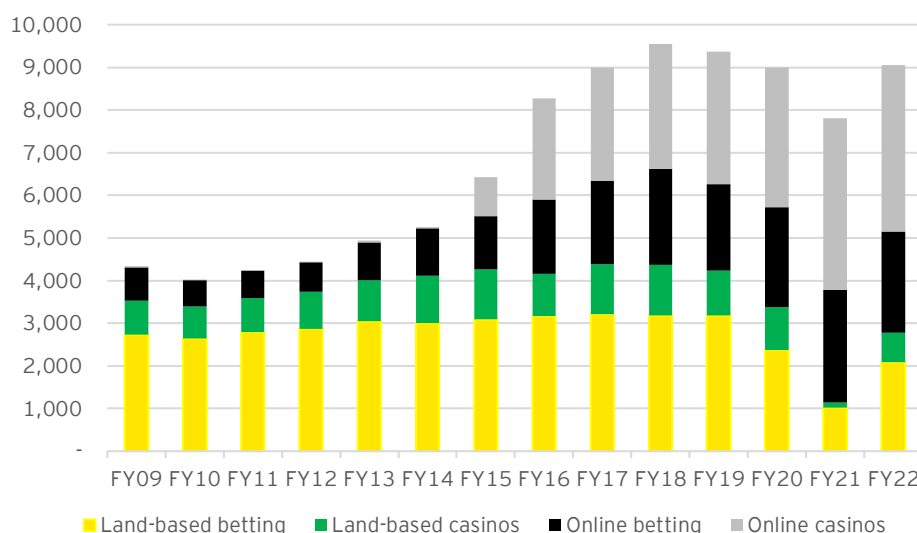
#### 3.1 Trends in the composition of GGY

GGY represents the income of a betting and gaming operator related to betting and gaming activities. It is defined as money taken in bets or stakes, net of the money paid out in prizes or winnings.

Total measured GGY for the industry grew from £4.5b in 2008/09 to a peak of £9.8b in 2017/18 (see Figure 2), with online betting and gaming growing faster than the land-based sector. The substantial increase in online casino GGY from 2014/15 onwards was a result of the Gambling (Licensing and Advertising) Act 2014, which required online betting and gaming operators serving British customers to have a licence from the Gambling Commission from November 2014. Prior to this date, it was not possible to estimate an accurate GGY for online operators.

Yields from land-based activities have been stable with GGY increasing at a relatively stable rate from 2012 to 2018 (2% p.a. average growth), with a small fall in 2018/19 (-3%) and a much larger fall of 21% for 2019/20. Following the changes to maximum stakes of fixed-odds betting terminals in 2019, there was a 41% reduction in machine revenues that contributed to this fall in overall land-based GGY.

Figure 2: GGY by sector (£ million)



Source: The Gambling Commission years to FY22. FY period covers the 12 months to 31 March

Betting and gaming GGY in FY21, i.e. April 2020 to March 2021, was significantly affected by the Covid-19 pandemic and the associated lockdowns. Total GGY fell by almost £1.2b (a decline of 13%).<sup>11</sup> Physical venues suffered, with land-based betting (LBOs) GGY falling by over 50% compared to FY20, and land-based casino GGY falling to almost zero. However, online GGY increased significantly in both betting and casino sectors, although not enough to offset the decline in land-based GGY.

<sup>11</sup> GGY totals based on Gambling Commission data up until FY21, except for land-based betting sector where on-course betting and pool betting have been removed based on published Gambling Commission data, so the remaining data just refers to the LBO sector. GGY in FY22 has been constructed from data supplied by BGC and its members.

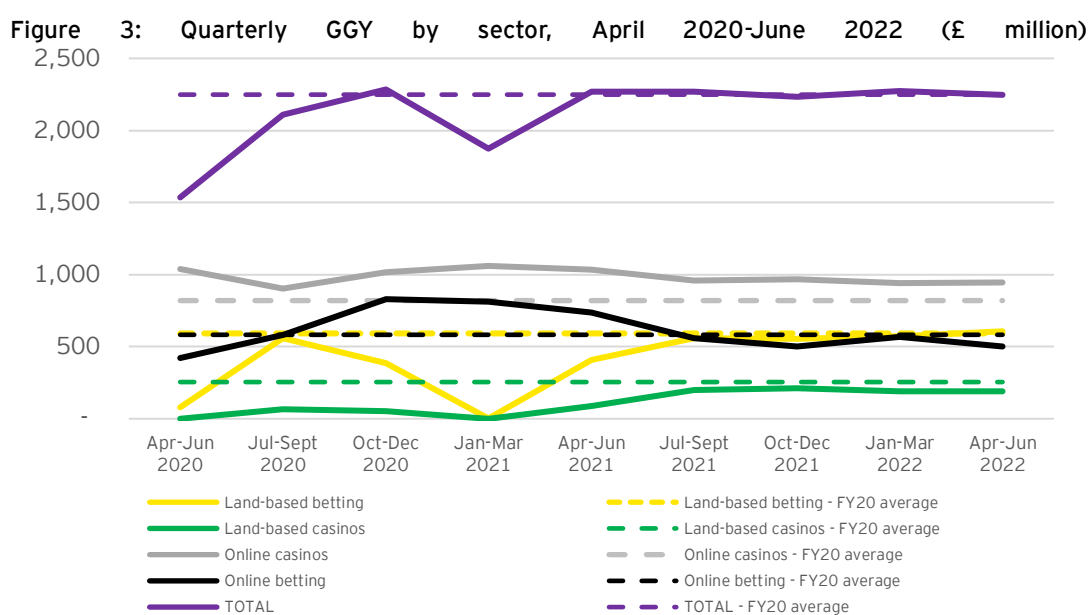


FY22 saw a recovery in the land-based betting and casinos sectors as venues reopened. However, both sectors remain below their FY20 (pre-covid) levels, with land-based betting (LBOs) £275m down and land-based casinos £326m down. Online sectors fell back slightly, as consumers returned to physical premises. Aggregate GGY for the four sectors was £9.0b, which was £52m above its FY20 (pre-covid) level, but still well below its FY18 peak of £9.5b. Adjusting for inflation, in real terms aggregate GGY in FY22 was 4.0% down on FY20.

### 3.2 Sector trends since 2019

As described in Section 3.1, the lockdowns in FY2020 and FY2021 saw a shift in betting and gaming activity from physical premises to the online sector.

Figure 3 shows the quarterly path of GGY over the period since the start of the pandemic across the different sectors and compared to its pre-Covid (FY20) levels.



Source: The Gambling Commission years to FY22, then EY analysis of BGC members' data for April-June 2022.

**Land-based:** The initial lockdown period saw almost zero revenues in the land-based sectors; LBOs and casinos. LBOs re-opened in the summer of 2020, before an escalating series of lockdowns saw their closure again in Winter 2021, followed by gradual re-opening in April 2021, almost coinciding with the re-opening of casinos, which were able to re-open in May 2021. Land-based GGY has still not recovered from Covid, with GGY for LBOs close to pre-Covid levels but GGY for casinos remaining well below (in the latest quarter nominal GGY in casinos is an estimated 25% below its pre-Covid average).

**Online:** Although land-based betting and online betting have had contrasting trajectories over time, online betting also faced challenges during the pandemic, such as during the second quarter of 2020 when there was very little sport. Online casinos have maintained a fairly constant level of GGY throughout the period.

The online sector has declined very significantly over the past year - GGY for online betting and gaming together in 2022 H1 was 19% below the levels a year earlier, and, in 2021-2022 as whole, was 15% below the levels of the previous year. This decline in the online sectors partly reflects a shift back to land-based betting and gaming, and also coincides with the gradual implementation of affordability checks

over the past 12 months, as noted in the interim financial reports of Entain, Flutter, William Hill and others.<sup>12</sup> We understand from operators that the downwards trend in online GGY observed in 2022 H1 has continued beyond June. This could in turn lead to leakage to the black market, i.e. operators offering remote (mainly desktop and mobile) gambling products that do not hold a UK Gambling Commission license for remote gambling.<sup>13</sup>

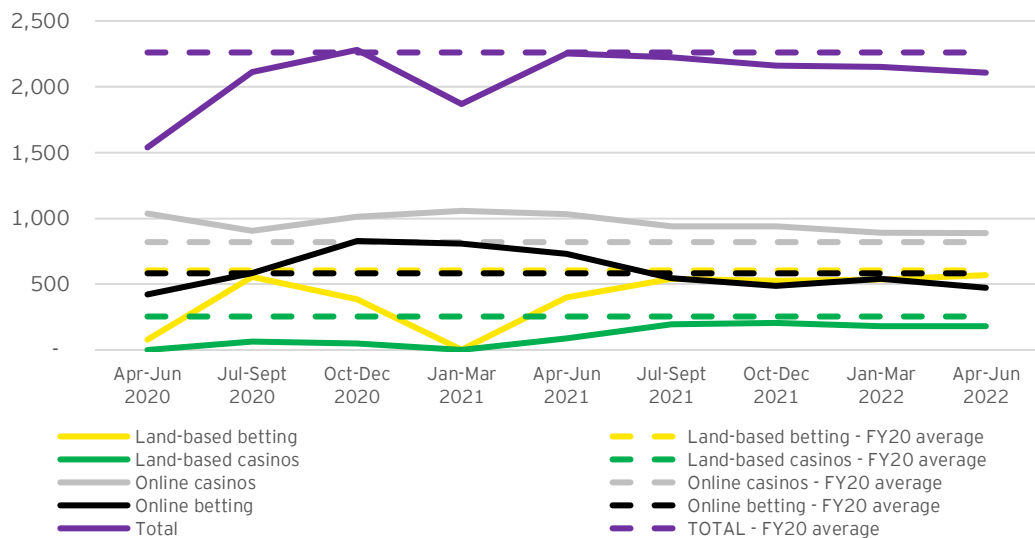
### 3.3 Recent trends in aggregate GGY

More recently, aggregate GGY has fallen across the industry since March 2022, as household real incomes have been squeezed by inflation reaching levels not seen since the early 1980s. Total GGY in April-June 2022 was £20m (1%) below its level of a year earlier, which may be the first signs of falling real terms disposable income hitting consumer spending on betting and gaming.

As inflation leads to declining real terms household disposable income, spending on betting and gaming is expected to decline. The latest (November) HM Treasury Comparison of Independent Forecasts shows an average forecast of a 2.1% decline in real household disposable income in 2022, and a further 1.3% decline in 2023.<sup>14</sup> Against that backdrop, the recent declines in GGY are to be expected, and are likely to continue for the remainder of 2022 and into 2023. In the most recent quarter, 2022 Q3, real consumers' expenditure fell by 0.5%, which is expected to be reflected in further falls in betting and gaming GGY.<sup>15 16</sup>

Figure 4 considers GGY over this period in real terms (i.e. adjusting for CPI inflation) across the sectors and compared to its pre-Covid levels.

Figure 4: Quarterly real terms GGY by sector, April 2020-June 2022 (£ million)



Source: The Gambling Commission years to FY22, then EY analysis of BGC members' data for April-June 2022; ONS data on CPI inflation

<sup>12</sup> Regulus Partners blog "UK: macro trends - growth plan 2023 or gambling on the future?" stated that "between them Entain, Flutter and 888-William Hill are down c. 15% YoY, with betting down a painful 26%" - <https://sbcnews.co.uk/features/2022/09/26/winning-post-growth-plan-2023-or-gambling-on-the-uks-future/>

<sup>13</sup> See PwC review: [https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK\\_vFinal.pdf](https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK_vFinal.pdf)

<sup>14</sup> Real Personal Disposable Income, independent average forecast, Table 3 and Table 6: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1118206/fore-comp\\_Nov\\_6.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118206/fore-comp_Nov_6.pdf)

<sup>15</sup> The most significant determinant of spending on betting and gaming is household consumption - OBR (2020), <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/betting-gaming-duties/>

<sup>16</sup> ONS GDP first quarterly estimate, UK: July to September 2022, published 11 November 2022.

By April-June 2022, GGY in online casinos was up on its pre-Covid level (i.e. the average of April 2019-March 2020), whereas GGY in online betting and land-based casinos was down on its pre-Covid level, and GGY in land-based betting (LBOs) was just in line with its pre-Covid level. The aggregate is just below its pre-covid level, indicating that the industry has lost business since the pandemic.

GGY in real terms in the latest quarter (April-June 2022) is £146m below its level 12 months earlier, a drop of 6.5%. This fall in aggregate industry GGY reflects the cost-of-living squeeze, as customers alter their spending patterns in the face of declining real incomes.

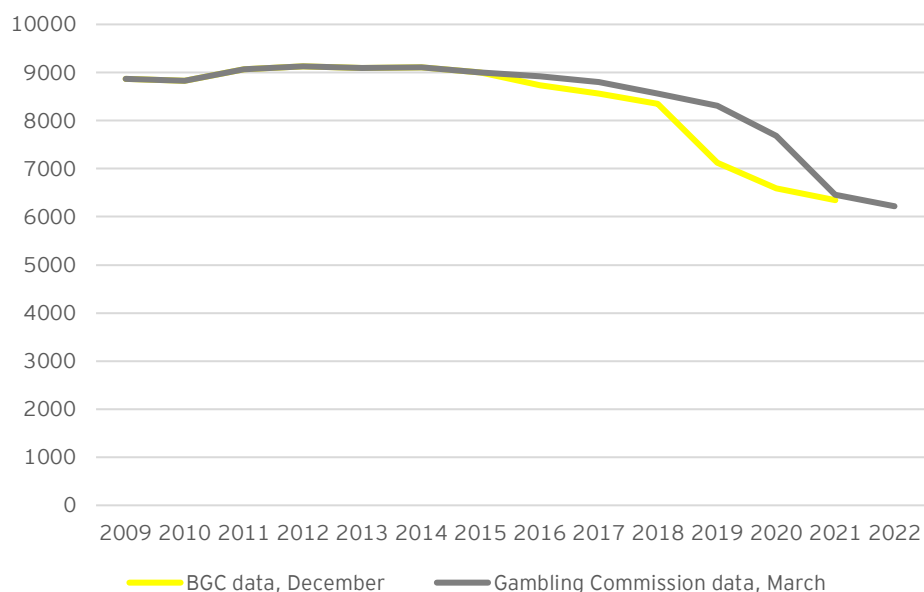
### 3.4 Number of LBOs

The number of operational LBOs has continued to decline. Figure 5 shows the number of betting premises operational as measured by the BGC and as reported by the Gambling Commission.

As at December 2021 there were 6,345 premises operating according to BGC member data.<sup>17</sup> The BGC member data shows a significant fall in the number of premises in 2019, coinciding with the restrictions on the maximum stakes on Fixed Odds Betting Terminals introduced in that year. There was a similarly large fall in 2020, likely as a consequence of the Covid-19 lockdowns. In total the number of LBOs has declined by over 2,000 since end of 2018 and by 2,766 since 2014, a fall of 30%.

Data from the Gambling Commission data shows a slightly different pattern of decline than data from BGC members, albeit they align at the end of the period, with the Gambling Commission data apparently showing a more severe impact (1,221 premises closed), between 2020 and 2021. The latest data shows a further fall of around 240 premises in FY22, with the Gambling Commission's measure of total active premises now standing at 6,219.

Figure 5: Number of active LBO premises



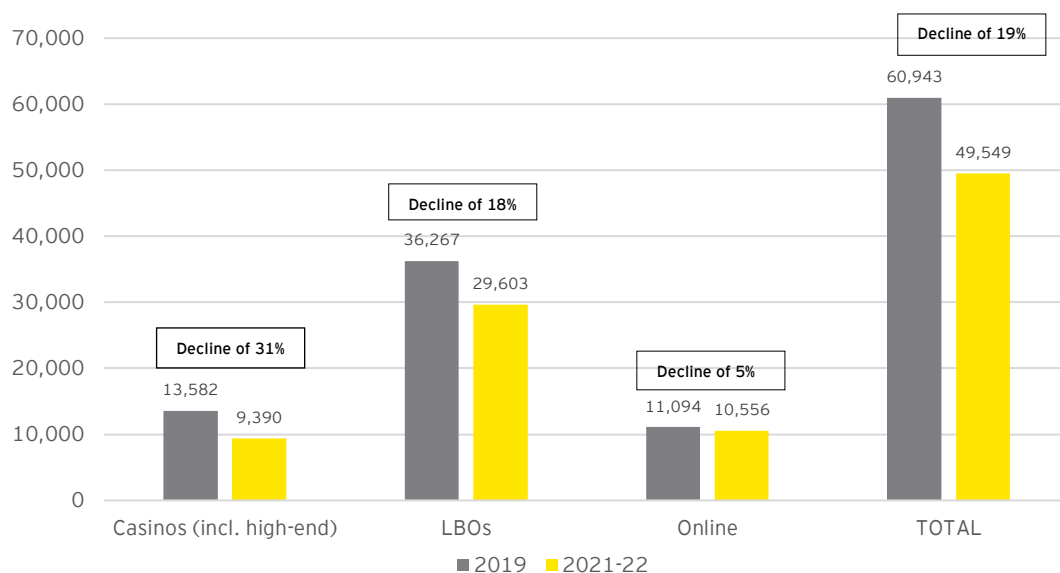
<sup>17</sup> BGC member data records premises active at the time of the survey, whereas Gambling Commission data records premises that have been active during the year.

### 3.5 Employment

The number of workers directly employed by the industry has suffered a decline, with a shift towards part-time jobs in some sectors. BGC members directly employ 50,000 people, but due to the increase in part-time roles, this equates to 44,000 FTEs (see Section 5 - Economic Footprint).

Considering the total number of workers in the industry (both full-time and part-time), the number of workers directly employed declined in each sub-sector between 2019 and 2021-22, as shown in Figure 6 below.<sup>18</sup> Casinos suffered the largest decline in percentage terms, but the number of workers declined most in LBOs, reflecting the trends set out in Section 3.4 above. Overall, the number of workers directly employed by the industry is estimated to have fallen by 19% between 2019 and 2021-22.

Figure 6: No. of workers directly employed (full-time and part-time without adjustment for FTEs)



Source: BGC members' data, EY analysis

### 3.6 The impact of inflation on costs

In addition to the impact of inflation on consumer demand, betting and gaming operators have also faced pressure on their margins from higher costs. In particular, energy prices (and hence costs faced by operators) have increased significantly since Autumn 2021 (although some of the reported year-on-year increase in total energy costs will reflect re-opening of venues).

Figure 7 and Figure 8 below illustrate the impact of rising costs on the operators over the past 12 months, based on the cost data that BGC members have supplied.

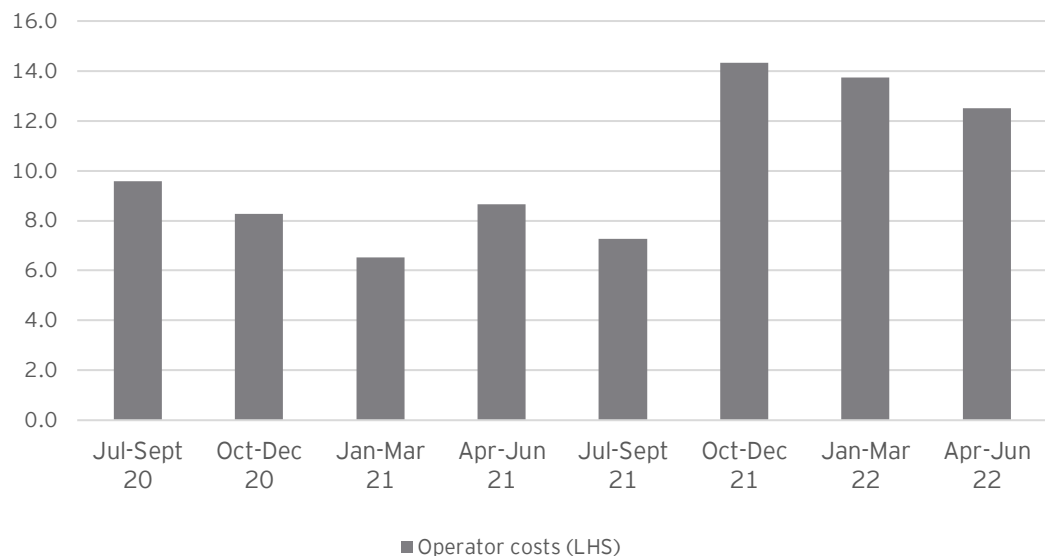
In Figure 7, operators' reported energy costs show an abrupt increase (almost doubling) in Oct-Dec 2021, and thereafter a slight decline. Over the latest three

<sup>18</sup> The part-time employment figures presented here have not been converted to FTE figures. The FTE equivalent figures are provided in the direct employment estimates in section 5.2.

quarters (Oct-Dec 21 to Apr-June 22) reported energy costs have averaged around £6m per quarter above previous levels (i.e. for the operators who reported quarterly cost data), which is an increase of c.70% on their previous levels. Over the latest four quarters as a whole (July 21 - June 22), the increase is 45% compared with the previous four quarters.

Some of the increase in energy costs over the past 12 months may be due to the re-opening of venues after the lockdowns. Focusing only on online operators, reported energy costs have increased by c.40% over the latest four quarters compared to the previous four quarters, indicating a steep increase in energy costs.

**Figure 7: Operators' reported energy costs (£ million costs per quarter)**

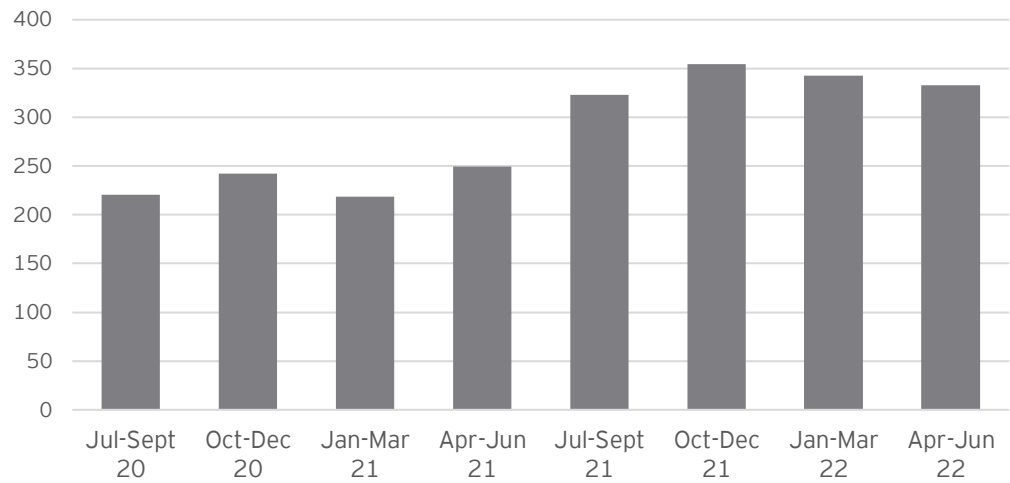


Source: BGC members' data, EY analysis

Figure 8 shows the rise in all other costs reported by operators. Non-energy costs increased by around 50% in Autumn 2021 compared to previous periods and have remained elevated ever since. Over the latest four quarters the increase is 45% compared with the previous four quarters. However, these increases are likely to partly reflect the re-opening of physical premises.

Focusing on costs in the online sector removes the impact of the re-opening of physical premises. Over the latest four quarters, the increase in non-energy costs is 9% compared with the previous four quarters, so broadly in line with current CPI inflation rates.

Figure 8: Operators' reported non-energy costs (£ million costs per quarter)



Source: BGC members' data, EY analysis

In summary, operator's costs have increased very significantly over the past year, with the increase in energy costs particularly significant. This could lead to further closures of land-based activities, LBOs and casinos, for whom energy costs are a greater proportion of total operating costs, as well as adding to cost pressures for other operators.

## 4 Betting and gaming excise duties

This section reviews trends in the excise duties paid by the betting and gaming industry to mid-2022 using HMRC statistics and other external evidence.

### 4.1 Betting and gaming duties

The betting and gaming industry makes a significant contribution to the UK Exchequer, with betting and gaming excise duty across the whole industry raising £3.1b in financial year 2021-22.<sup>19</sup>

The betting and gaming duties discussed subsequently in this report are limited to those listed in Table 2, which are most relevant for BGC members. Lottery duty, pools duty and bingo duty, which together account for around £1b of excise, are excluded because they are outside the scope of this report. The published monthly data is used to present these duties over the 2021-22 period (i.e. July 2021 to June 22), in line with the economic impact section of this report.

Table 2: Betting and Gaming excise duties, 2021-22<sup>20</sup>

Duty	Rate	Excise duty receipts	Proportion
Remote Gaming Duty	21%	£0.9b	43%
General Betting Duty	15%	£0.6b	29%
Machine Games Duty	5% to 25%	£0.5b	22%
Gaming Duty	15% to 50%	£0.1b	6%
<b>Total</b>		<b>£2.2b</b>	<b>100%</b>
<i>Less on-course betting &amp; MGD paid by arcades etc</i>		£0.2b	
<b>BGC members' total</b>		<b>£2.0b</b>	

Source: HMRC

The excise duties in Table 2 combined account for around £2.2b in tax revenue in 2021-22. However, this slightly overstates the duties paid by BGC members, as it includes the Machine Gaming Duty paid by arcades, adult gaming centres and bingo halls, and also includes on-course betting duty. Adjusting for these, the estimated total falls to around £2.0b.

### 4.2 Trends in betting and gaming duty revenues

Taxes on the industry have increased in recent years, with key betting and gaming tax changes including the:

- ▶ Introduction of Machine Games Duty in 2013.<sup>21</sup> This applies to net takings equivalent to GGY from slot machines, fruit machines, quiz machines among other types that give cash prizes on premises. Rates vary from 5% to 25% according to the type of machine
- ▶ Introduction of Remote Gaming Duty in 2014. This tax is paid on gaming provider profits linked to GGY from gaming played by a customer who usually lives in the UK. A tax rate of 15% was applied
- ▶ Increase in the Remote Gaming Duty rate from 15% to 21% after 1 April 2019

Consequently, betting and gaming tax revenues (excluding Lottery Duty and Bingo Duty) have risen sharply over the last decade (see Figure 9). Revenues have more than doubled from £0.7b in FY11 to over £2.1b in FY20, dipping to £1.8b in FY21

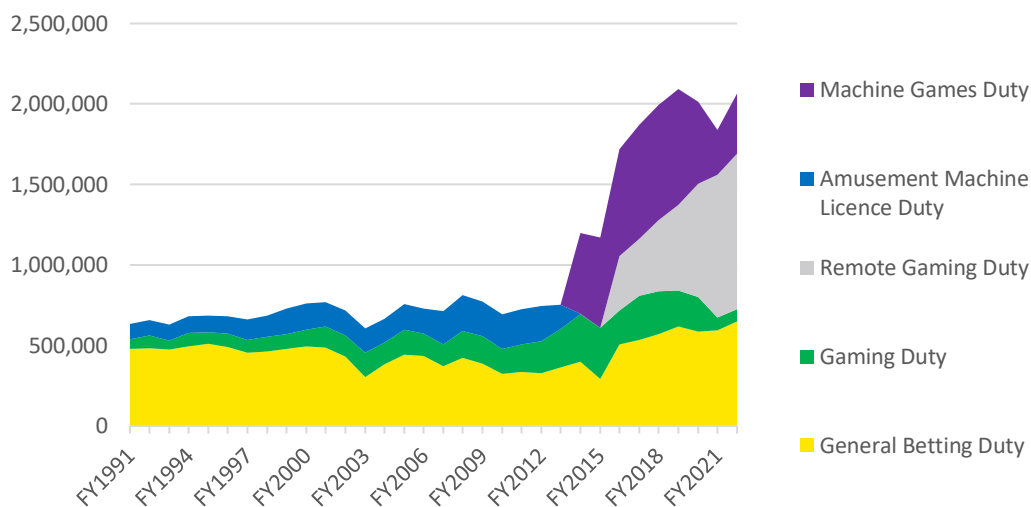
<sup>19</sup> HMRC UK Betting and Gaming statistics tables, April-Sept 2022.

<sup>20</sup> Stated rates exclude the duty on free bets. Free bets on sports have been taxed for many years, and duty was introduced on free bets on gaming in August 2017.

<sup>21</sup> This was part of a reform that removed AMLD / VAT as part of the reforms.

and returning to £2.1b in FY22<sup>22</sup> (equivalent to the £2.2b stated for July 2021 - June 2022 stated in Table 2).

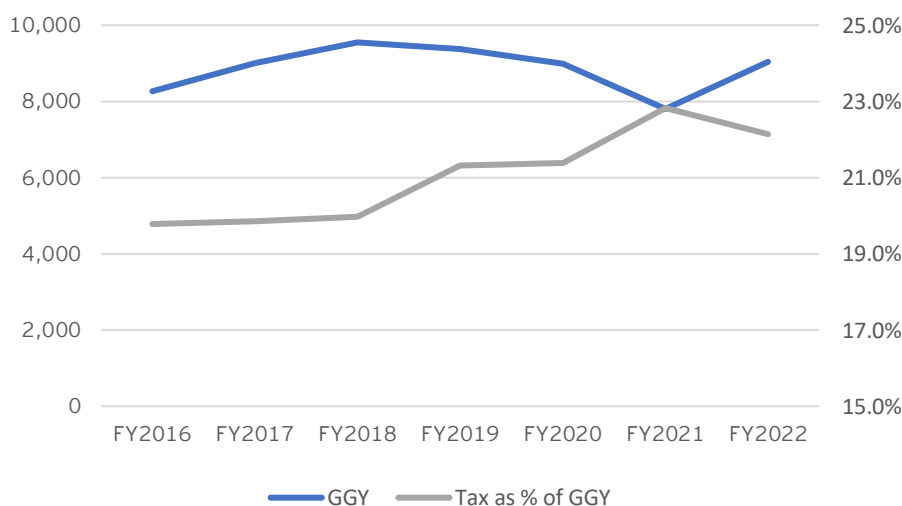
**Figure 9: Betting and gaming tax revenues (excluding Lottery, Pools and Bingo Duty), £000**



Source: HMRC

This increase in taxes in recent years can be seen in an increased share of GGY being paid in excise duty to the Exchequer (see Figure 10).<sup>23</sup> The slight decline in duty as % of GGY in FY22 reflects the change in the mix, with betting (which has a lower tax rate) recovering market share. The data also shows that the increase in excise paid as % of GGY since FY18 coincides with declining real terms GGY, suggesting that duty increases may be contributing to the decline in GGY since the peak in FY18.

**Figure 10: Betting and gaming excise (% of GGY)<sup>24</sup> vs real terms GGY (£ million, 2015 prices)**



Source: HMRC and Gambling Industry Statistics, The Gambling Commission

<sup>22</sup> The historical data is only available on a financial year basis, hence FY22 in Figure 8 differs from the period July 21- June 22 shown in Table 3.

<sup>23</sup> Effective rate includes the duty on free bets, which do not contribute to GGY. Free bets on sports have been taxed for many years, and duty was introduced on free bets on gaming from August 2017.

<sup>24</sup> Calculation includes MGD, Amusement Machines License Duty (AML), Remote Gaming Duty, Gaming Duty and General Betting Duty, and the denominator includes GGY from land-based and online casinos and betting, plus GGY from arcades. The timing of tax receipts and GGY do not entirely coincide, meaning the share each year is not necessarily the tax rate.



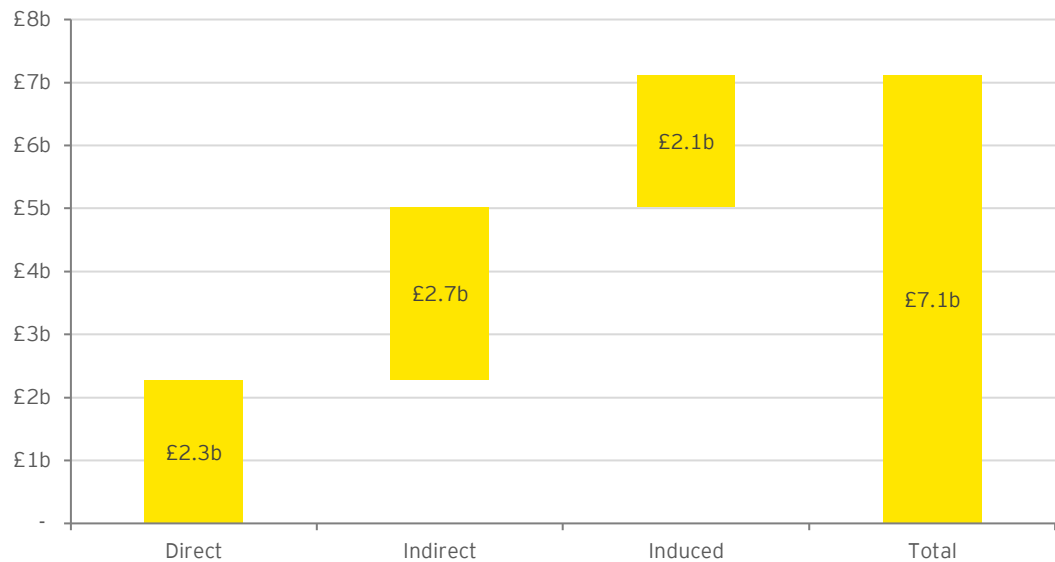
## 5 The economic footprint of BGC members in 2021-22

This section focuses on the 2021-22 economic footprint of the elements of the betting and gaming industry represented by the BGC.

### 5.1 GVA contribution

BGC members generated £7.1b in GVA in 2021-22. Of this figure, the direct contribution of BGC members is estimated to be £2.3b, with a further £2.7b of GVA coming from indirect (supply chain) activities, and £2.1b in induced activities arising from spending by those employed by BGC members and in their supply chain<sup>25</sup> (see Figure 11).

Figure 11: Economic impact (GVA) of BGC members in 2021-22



Source: EY analysis

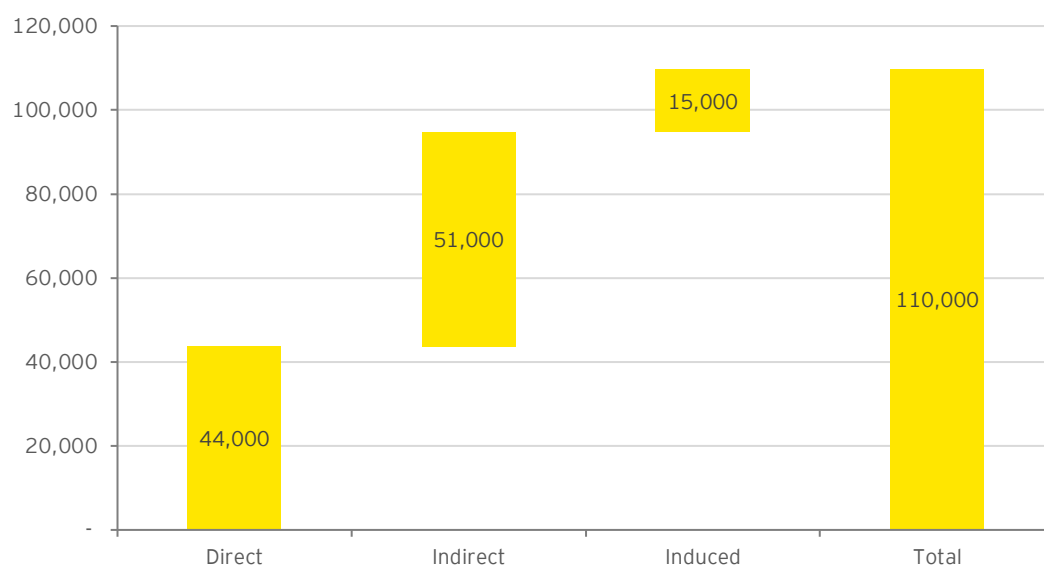
### 5.2 Employment contribution

Total FTE employment related to these activities was estimated to be 110,000 in 2021-22, with an estimated 44,000 direct FTEs<sup>26</sup>, 51,000 indirect FTEs, and 15,000 induced FTEs (Figure 12).

<sup>25</sup> The direct impact is relatively low in comparison to the indirect and induced impacts. This is a result of the generally low margins seen within the casino and LBO sectors, and some of the revenue from online operators apportioned outside of the UK. The indirect expenditure includes a high value of marketing spend to reach UK consumers relative to the direct output of the sector, this is required in order to operate competitively in the industry.

<sup>26</sup> The direct FTE employment figures in this section differ from the employment figure in Section 3.5 above, which shows the total number of workers in the industry (full-time and part-time) without conversion to an FTE employee figure.

Figure 12: Employment (FTE) impact



Source: EY analysis

### 5.3 Tax contribution

Tax contributions<sup>27</sup> were estimated using data provided by BGC members, and publicly available data from Her Majesty's Revenue and Customs (HMRC) and the Office for Budget Responsibility (OBR) on the total revenues for corporation tax, PAYE income tax and excise duties.

As per Section 4, BGC members paid £2.0b in excise duties in 2021-22. Besides excise duties, an additional £1.0b in taxes were estimated to be paid directly by the sector, including corporation tax, PAYE, and national insurance contributions. The total direct tax contribution was therefore £3.0b (see Table 3).

Table 3: Estimated taxes paid in 2021-22 by sector <sup>28</sup>

Sector	Betting and gaming duties	Other taxes	Total taxes paid
Online	£1.3b	£0.7b	£1.9b
LBOs	£0.5b	£0.2b	£0.8b
Casinos	£0.2b	£0.1b	£0.3b
<b>Total taxes paid</b>	<b>£2.0b</b>	<b>£1.0b</b>	<b>£3.0b</b>

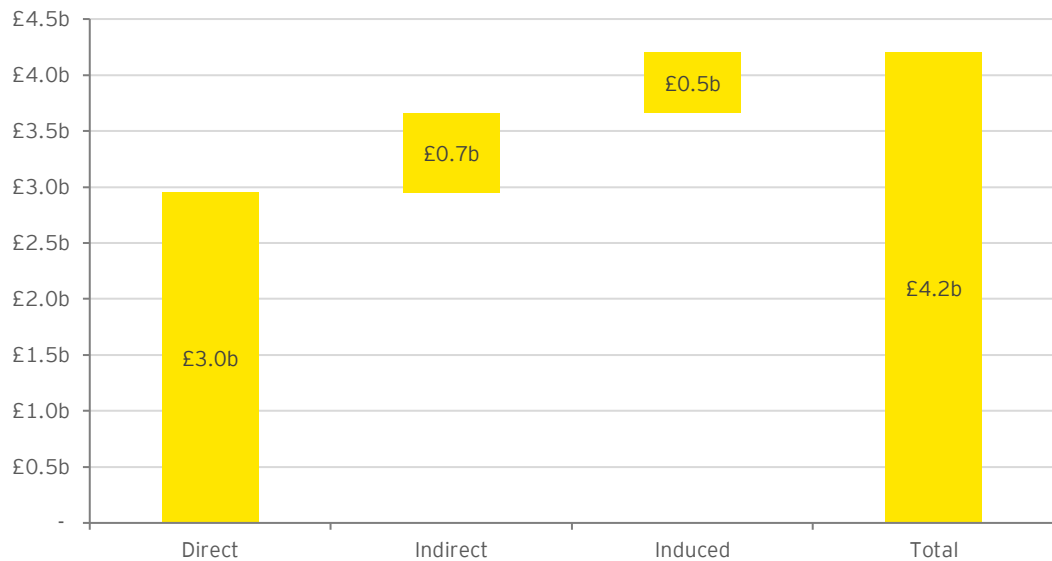
Source: EY analysis

Indirect and induced activities are estimated to contribute a further £1.2b in tax contributions. In total, BGC members and their supply chains are therefore estimated to have generated £4.2b in UK tax revenue in 2021-22 (see Figure 13).

<sup>27</sup> Taxes include income tax, employers and employees' national insurance contributions, corporation tax and other taxes (e.g. stamp duty). VAT is excluded from this analysis - most of the sector's activities are exempt, with VAT paid only on membership, admissions and refreshments, and VAT may be reclaimed on supplier costs.

<sup>28</sup> Figures may not sum due to rounding.

**Figure 13: Tax contribution of BGC members**



Source: EY analysis

BGC members' combined contributions to the Exchequer of £3.0b represent around 0.37% of total annual tax receipts. The direct contribution to GVA in 2021-22 was £2.3b, which is approximately 0.11% of total UK GVA.<sup>29</sup> The sector's tax contribution (as a % of total receipts) is therefore greater than its share of UK GVA.

## 5.4 Economic contribution by sector

This section disaggregates the overall BGC member economic contribution (GVA) totals presented earlier in Section 5.1 by sector, with findings summarised in Table 4.

**Table 4: Disaggregated economic impact by sector<sup>30</sup>**

Sector	Direct	Indirect	Induced	Total
Online	£0.9b	£1.8b	£1.3b	£3.9b
LBOs	£1.0b	£0.8b	£0.6b	£2.4b
Casinos	£0.4b	£0.2b	£0.2b	£0.8b
<b>Total</b>	<b>£2.3b</b>	<b>£2.7b</b>	<b>£2.1b</b>	<b>£7.1b</b>

Source: EY analysis

### 5.4.1 Economic contribution of online betting and gaming

Online betting and gaming, also referred to as remote betting and gaming, is the largest of the three sectors in the market, with annual GGY of almost £6b. While the customers are consuming the service in the UK, some of the operations of the larger firms in the market take place overseas, meaning that a portion of this economic activity does not take place in the UK. However, even allowing for this, the UK online betting and gaming sector activity accounts for around 55% of total UK betting and gaming GVA. Additionally, it is estimated that a large share of employees in the online sector (on average 70%) are based in the UK.

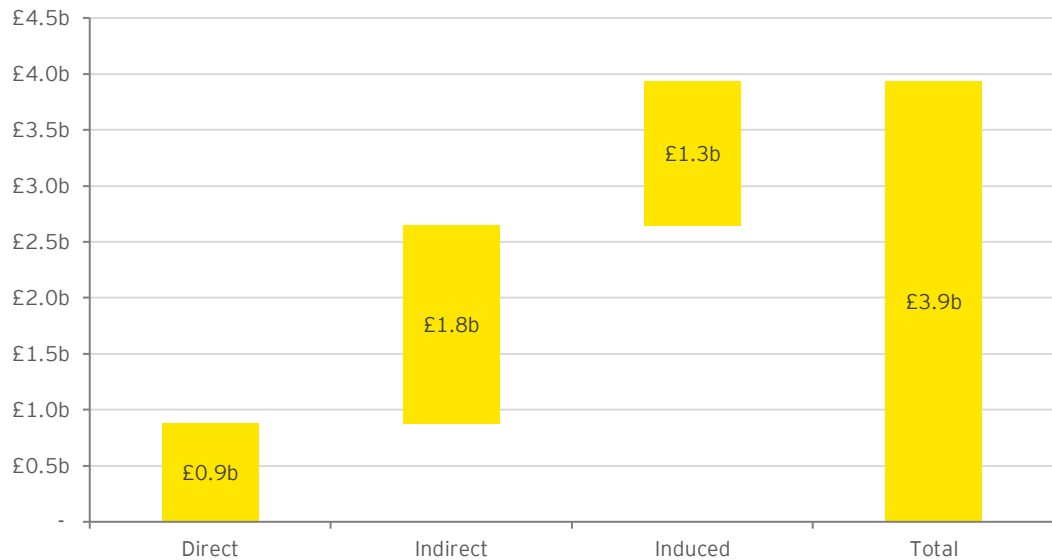
The direct contribution to GVA comes from earnings before interest, taxes, depreciation and amortisation (EBITDA) plus the compensation of employees in this

<sup>29</sup> Based on EY analysis and ONS data on UK GVA.

<sup>30</sup> Figures may not sum due to rounding.

sector. This is relatively low in comparison to the indirect and induced impacts (see Figure 14), reflective of some portion of the revenue being attributed to overseas operations, and the high value of marketing spend with UK suppliers that is required to operate successfully in a highly competitive market.

**Figure 14: Economic impact (GVA) of online betting and gaming**



Source: EY analysis

### 5.4.2 Economic contribution of LBOs

LBOs remain the largest employers amongst BGC members, with an estimated workforce of 24,300 at the end of 2021-22 according to operator data.

The high levels of external operational expenditure for LBOs, particularly on marketing and broadcasting, means that the indirect GVA contribution (£0.7b) is similar in scale to their direct contribution (see Figure 15).

**Figure 15: Economic impact (GVA) of LBOs**

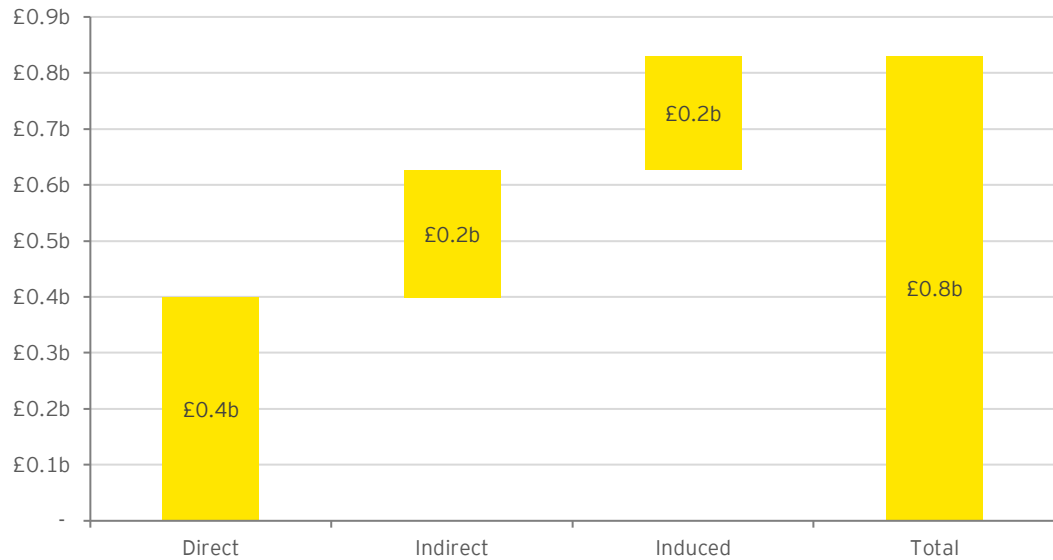


Source: EY analysis

### 5.4.3 Economic contribution of casinos

Casinos' total contribution to GVA was estimated to be £0.8b in 2021-22 (see Figure 16).

Figure 16: Economic impact of casinos in 2021-22



Source: EY analysis

In 2021-22 casino operators employed 8,800 full time equivalents. Casinos' total contribution to employment in 2021-22 was 13,500, encompassing a further 4,800 jobs generated in the supply chain, and through demand induced by BGC members.

# Appendix: Methodology and assumptions

## About economic impact assessments

Economic impact assessments (EIAs) require detailed sector information in order to understand the linkages that BGC members have with their suppliers, as well as the amount of value it adds to the economy.

A sector's economic impact is made up of three components:

### 1. Direct impact

This is the value added directly by betting and gaming, it requires data on the profitability and wages paid by BGC members, whether these are attributable to the UK or not, and data on the direct and indirect taxes paid, i.e. those that are not part of the price received by the operator, for example this includes gaming duties and VAT.

### 2. Indirect impact

This focusses on the impact that BGC members have on their supply chain, and therefore relies on relatively granular data on the suppliers for each betting and gaming company, so which sectors the companies are paying in order to operate and offer their services. This would include items such as payments of rent, payments to broadcast sporting events, spending on food and beverages to serve to customers in casinos, and marketing expenses.

### 3. Induced impact

This looks to identify the impact on the economy of the increased spending from the workers directly for BGC members as well as in the supply chain. As their jobs and salaries are attributable to activity in BGC members, their spending on other areas of the economy can also be classified as part of the economic footprint of BGC members.

## Data collection and grossing-up

To complete the EIA for this report, data were collected by means of a questionnaire sent to BGC members in autumn 2022. This questionnaire requested the financial data described above, for 2021 and 2022.

The data in responses was required to be collated and grossed-up to form a consistent view of the each of the sectors with the existing data on GGY from the Gambling Commission and with tax receipts from HMRC. This involved mapping the revenues and costs where available to comparable categorisations and using this information to estimate the values for those operators which did not provide data. The collation process was conducted separately for each of the sectors.

The EIA model uses the collated and grossed-up data from operators to estimate the economic impact of the BGC members. The revenues and tax payments are taken directly from the grossing up, and the operational costs are mapped to standard industrial classifications in order to calculate the multiplier effects of the spending.

In order to estimate the direct economic impact of BGC members, a GVA estimate must be calculated based on the data received. This first involves subtracting the indirect taxes - those that are not part of the price received by the operator, for example gaming duties - to convert the revenue from purchaser prices to basic

prices. Operational costs are then subtracted to move from the output of BGC members to the value added, which is equivalent to the compensation of employees and the gross operating surplus.

Many online operators providing services to UK based consumers are incorporated overseas, with employment split between the UK and its country of incorporation. The revenue generated by these companies is therefore apportioned between these two locations on the basis of number of employees. Some companies have a material proportion of their employees overseas, so revenue attributable to the UK is lower than the GGY reported by the Gambling Commission.

The indirect impacts are estimated by applying indirect GVA multipliers to the GVA of sectoral operational spending of the betting and gaming companies. The induced impacts are calculated as the GVA of operational spending multiplied by the induced GVA multiplier, less the indirect impact, plus the marginal propensity to consume multiplied by the post-tax compensation of employees.

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