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Gambling Taxation: Public Equity in the Gambling Business

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Abstract

Government's intrinsic role in sustaining a viable gambling industry, and its significant revenue stake in industry profitability, can make the public effectively shareholders in the industry. An important social cost of gambling is the potential for corruption of democratic processes through close industry and government links. Government can increase gambling revenues by expanding the tax base, rather than by raising tax rates. Gambling tax rates have fallen in recent decades, while revenues have increased dramatically. This paper analyses the forces encouraging governments to give excessive priority to protecting gambling revenues. It finds gambling taxation is regressive, and increasingly so as access widens. 'Children, madmen and fools' are significant to the market. The transition to a goods and services tax, along with the recent inquiry by the Productivity Commission into gambling, provides an opportunity for gambling policy to be made in a coherent social and economic framework, rather than as ad hoc and short-term solutions to State governments' revenue problems. Such an outcome rests on the Commonwealth government playing a leadership role.