Gambling in Russia

Context, markets, and policies

Virve Marionneau
CEACG, University of Helsinki
The Political Economy of Gambling (PolEG) project

SNSUS Tampere, June 5th 2019

Outline

1) Historical background

2) Policies and reforms

3) Markets and actors, a political economy perspective

4) Conclusions and summary

Historical background (1)

- Popularity of gambling in tsarist Russia (18th and 19th century)
- 1917 Revolution: Bolsheviks declared gambling a bourgeois activity: ban of gambling houses. Only horse racing and the lottery (or underground)
- 1976: Sportloto to fund Soviet sports
- 1988: EGMs in Intourist hotels
- 1989: First Soviet casinos in Tallinn and Moscow.

Historical background (2): After USSR

- 1991: The dissolution of the Soviet Union and the advent of capitalism
  - mushrooming of casino and EGM arcades: 6,300 licensed operations by 2006, about 60 % located in Moscow and St Petersburg.
  - uncontrolled lottery markets: about 3,000 lotteries by 2008.
  - increased problems, little state control over licensing or taxation

Moscow in 2005: ’A casino every 100 meters’.

Policies and reforms

- Gambling reforms:
  - ***EGMs and casinos***: ban in 2006 across the Russian territory, except 4 gambling zones. Federal law Effective as of July 1st 2009.
  - ***Private lotteries*** banned in 2014 -> State lotteries (2)
  - ***Bookmaking*** licensed market since 2014
  - ***Online gambling***: Also banned in the 2006 law. Only national lotteries and licenced bookmakers.

- Impacts of the restrictions
  - Tax revenue initially decreased in both federal and regional budgets
  - Opinion polls suggest decreases in gambling participation.

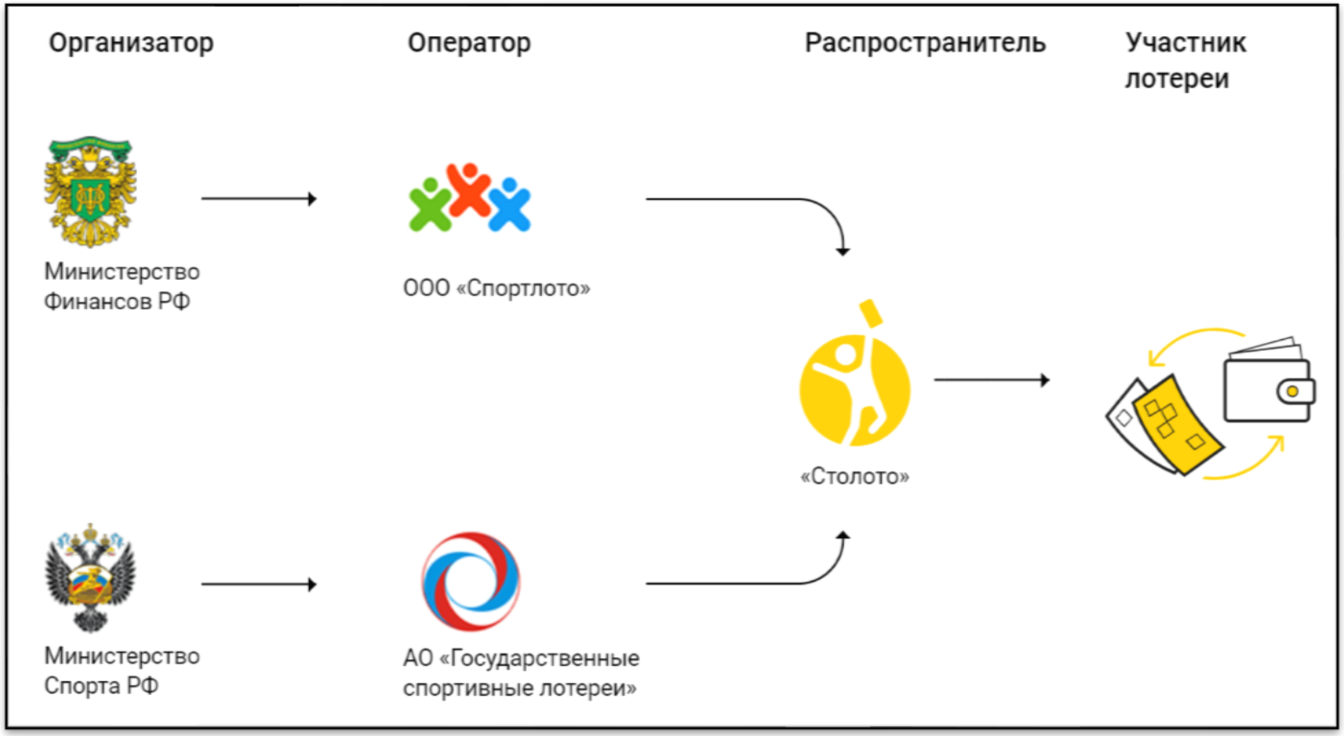
Markets and actors: Data and context

- Data and analysis based on the Political Economy of Gambling research project (Academy of Finland 2018-2022)
- The project currently compares gambling companies in eight European countries: Finland, Sweden, Norway, Russia, Hungary, Italy, France, Spain.
- The data is based on financial statements in annual reports (2017) to estimate provision costs, surplus to society and who benefit from gambling (surplus and connected industries, distributors etc.).

- The analysis on Russia focuses mainly on the actors present and where revenue generated by gambling goes.

Lotteries (1)

- Two state lotteries: Sportloto (6.5 %) and GSL (93,5 %).
- The distributor is Stoloto, online and over 60,000 offline desks.
- Regulated by the Ministry of Finance



Lotteries (2)

- Comparatively high distribution costs, low contributions to society, high share of operator.

- Main beneficiaries are sports via the treasury. 10 % of GGR is directed to these earmarked causes, and regional budgets via income taxation of winnings (13 %).

Casinos (1)

- Five casinos zones, four of which are operating in 2019.

HELSINGIN YLIOPISTO
HELSINGFORS UNIVERSITET
UNIVERSITY OF HELSINKI

Casinos (2)

- Tax income from gambling tables and EGMs in 2016 (Betting Business, 2017): The most popular zones were Azov City (Black Sea Shore) and Primorye (Vladivostok)

Casinos (3)

- Casinos are new and are not making much profit
- The zones were centrally set, not by request by regions. Initial resistance but later adaptation.

- Relatively low gambling surplus to society to but higher as of 2018 with the doubling of gambling taxes)

- The main beneficiary of the surplus are regional budgets. Both gambling tax and income tax (taxes on winnings) are regional tax
- Will of other regions to also operate gambling for revenue.

Gambling taxation in Russia

Taxation of gambling objects in Russia (nalog.ru, Law N 117-F3)

Type of game	Monthly tax 2004-2018	Monthly tax 2019-
EGM	1,500 – 7,500 RUB	3,000 – 15,000 RUB
Table game	25,000 – 125,000 RUB	50,000 – 250,000 RUB
Tote processing centre	25,000 – 125,000 RUB	50,000 – 250,000 RUB
Bookmaker processing centre	25,000 – 125,000 RUB	50,000 – 250,000 RUB
Tote betting point	5,000 – 7,000 RUB	10,000 – 14,000 RUB
Bookmaker betting point	5,000 – 7,000 RUB	10,000 – 14,000 RUB
Online gambling processing centre	n/a	2,500,000 – 3,000,000 RUB

Bookmakers (1)

- 29 bookmaking companies hold an official license for bookmaking in Russia (2019). 11 of these also accepts bets online (62 % of the market).
- “One of the fastest growing sectors in the Russian economy” (Reiting bukmekerov, 2017)
- Most popular online bookmakers (Betting Business, 2018):

Bookmakers (2)

Offline betting points and tax paid are highly concentrated in Western parts of Russia and particularly around Moscow:

Налоговые поступления от букмекерской деятельности, 2016

Bookmakers (3)

- In 2017, 1.9 % of Russians had placed a bet within the last 12 months.
- 60 % of bets were made in the legal markets, 40 % in the unlicensed markets. In online gambling, 65 % of bets made in the unlicensed market (Reiting Bukmekerov, 2017). The state loses an estimated 3 billion RUB a year in tax revenue due to the large proportion of unlicensed gambling

- Bookmakers pay gambling tax (regional) and winners pay income tax on winnings (also regional). 20 % profit tax is a federal tax.
- Since 2017, bookmakers pay 5 % on profits to professional and youth sports

Conclusions

- The legislative reforms since 2006 aimed at bringing gambling more tightly under state control. This appears to have partly succeeded.
  - Tax revenue from gambling has increased
  - State lotteries are becoming more popular
  - The gambling zones are developing (despite initial doubts)
  - The legal bookmaking industry is growing
  - Relatively strong means to control online gambling, including payment blocking and blacklisting

- But
  - A large underground and unlicensed market

Summary

Russian gambling market

Sector	Operation	Gambling surplus	Main beneficiaries
Lotteries	State (Ministries via public companies and private distributor)	10 % of GGR to earmarked causes (sports) Taxation of winnings to regional budgets	Regional budgets (taxes), Sports associations (contributions), Distributor (stoloto)
Casinos and EGMs	Private companies with licence (Russian and foreign)	Gambling taxes and taxes on winnings to regional budget. Taxes on profit to federal budget	Regional budgets and state (taxes), private profit (operators, investors)
Bookmakers	Private companies with license (Russian and foreign but with offices in Russia)	Gambling taxes and taxes on winnings to regional budget. 5 % on profits to sports	Regional budgets and state (taxes), Sports associations (direct contributions), private profit (operators)