

Treasury Committee

Oral evidence: Budget 2025: Gambling taxation, HC 1349

Tuesday 28 October 2025

Ordered by the House of Commons to be published on 28 October 2025.

[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Chris Coghlan; Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Catherine West; Yuan Yang.

Culture, Media and Sport Committee member present: Mr Bayo Alaba.

Questions 86-158

Witnesses

I: Dr Theo Bertram, Director, Social Market Foundation; Carsten Jung, Interim associate director for economic policy and AI, Institute for Public Policy Research; and Stewart Kenny, Co-Founder, Paddy Power (Retired).

II: Grainne Hurst, Chief Executive, Betting and Gaming Council; and Stephen Hodgson, Chair of Tax Committee, Betting and Gaming Council.

Examination of witnesses

Witnesses: Dr Theo Bertram, Carsten Jung and Stewart Kenny.

Chair: Welcome to the Treasury Committee on Tuesday 28 October 2025. We are here today to start one of a number of inquiries looking at issues that are being discussed ahead of the Budget on 26 November. Today, we are looking at the taxation of gambling, because there has been some speculation that this might be something being considered in the Treasury—although if we went on speculation, we would be here for a very long time looking at every subject.

I am pleased to welcome the first of our two panels this morning. Carsten Jung is the interim associate director for economic policy and AI at the Institute for Public Policy Research; welcome, Mr Jung. He is joined by Dr Theo Bertram, director of the Social Market Foundation, and by Stewart Kenny, the co-founder of Paddy Power. Thank you very much indeed for travelling from Ireland to be with us today, Mr Kenny. We really appreciate it.

Q86 Yuan Yang: Mr Jung, your organisation, the IPPR, has said that gambling is undertaxed. Last year, the effective levy across the whole gambling industry was 22%. Could you set out why you think that rate is too low?

Carsten Jung: The current tax system on gambling can be described as basically a replacement for not levying value added tax on gambling; the levies roughly make up for this. The key argument that we make in our report, building on some of the SMF's report, is that gambling is a social harm. We differentiate between types of gambling; some are more harmful than others. It has very high rates of addiction, especially among younger men, and it impacts their financial wellbeing and social life. It therefore costs the overall economy as well.

We tax other social harms more, from alcohol to tobacco. We recognise that these are not normal goods; they have a societal impact. That is why we propose some increase in gambling taxation, in order to make up for the social harm. To quickly run through it, we are particularly focused on remote gambling, not the bricks-and-mortar type. It is not the horseracing type, but people sitting at home and gambling, either with online slot machines or other types.

A remote gambling duty is one way of doing this—raising it from 21% to 50%. We could increase machine games duty, which again is slot-machine types—not necessarily things that have social interactions or big employment attached. We could increase that from 20% to 50%. Finally, we could increase the general betting duty from 15% to 25%. Overall, this would raise about £3.2 billion. Again, this would not be punitive taxation; it would just recognise the social harms that gambling exerts on society.

Q87 Yuan Yang: Dr Bertram, your organisation, the Social Market Foundation, also believes that gambling is undertaxed. You have made an estimate of the harm that gambling does through problem gambling. Would raising tax



HOUSE OF COMMONS

on gambling lower the social harms associated, and if so, how?

Dr Bertram: Yes. We agree with what Carsten has laid out. This industry is high growth and high profit, but it is also of high harm to the individual and high cost to society. That is why we think that they can afford to, and should, pay a higher tax. We are particularly focused on where the harm is highest; that is where we are raising the tax highest. Just to illustrate what we are proposing, may I pass something around?

Chair: No, we cannot take evidence now that the Committee has not seen before. You can submit it to us, though.

Dr Bertram: It just shows that multiple studies show that at the top of the rate of harm, you have slot machines and online casinos, as Carsten described. At the bottom, you have traditional betting on horseracing. The level of harm there is much lower, so not only are we proposing, as Carsten said, increasing the rate of tax on the highest form of harm, which is online slots; we are also proposing protecting horseracing.

Essentially, at the moment, horseracing is taxed at a level of 25%. The way it is taxed is that some of it goes to the Treasury, in the form of gaming duty, and some of it goes to horseracing, in the form of the horserace betting levy. There are essentially two taxes that combine; one goes to the Treasury, and one goes to horseracing. In line with what a lot of the horseracing industry has said, we think that more of it should go to horseracing and slightly less to the Treasury. We would keep the level the same, in terms of what you are taxing betting operators, but we would put more into the sport of horseracing itself.

The reason is that we see horseracing as less harmful than the more addictive online slots. To give you a sense of the growth in that industry, between 2016 and 2024 remote gaming grew by 84%. It absolutely boomed during covid. You have people sitting at home on their phones gambling, which is quite different from going to the races and having a bet. That is why we are distinguishing between those two things. We are focused on tackling harm.

Q88 **Yuan Yang:** Just to go a bit deeper, Dr Bertram, how would increasing taxation on online gambling decrease the social harms? What would be the mechanism, in terms of the price or market response?

Dr Bertram: One thing that we might expect to see is a change in the direction of what the industry chooses to do. Perhaps it can focus more on areas that are less harmful; perhaps it can also focus on decreasing higher-harm areas. An online casino, where you are on your phone, is many times more harmful and correlates with problem addictive gambling and all the costs that come with that.

What we would like to see is a principle in taxation that we are taxing harm in that way at a higher level. That is something that we do in other areas of our taxation system as well.

Q89 **Yuan Yang:** Mr Kenny, you have had a long career in the gambling



HOUSE OF COMMONS

industry, having co-founded Paddy Power several decades ago, and you have seen the growth of the industry. Do you also believe that different parts of the industry have different levels of harm? Do you think that there are some parts of the industry that are riper for taxation?

Stewart Kenny: If there is only one message that I get through to you today, it is that. Betting on horseracing or betting on the next general election is less harmful than betting on fixed odds betting terminals or online slots, mainly. There are two ways of seeing whether a product is highly addictive: how quick is it between investment and result, and how quickly can you repeat the dose?

I was part of the system. Although I have huge regrets, I am still a believer in the gambling industry as part of the entertainment mix. But this is what the bookmakers are doing at the moment. They started doing it in my day, so you can blame me as well; I am not trying to cop out on this one.

When you open an account to bet on the next general election or on Manchester United to win the premier league, you could be very young—remember that the frontal lobe of the brain does not mature until 26, so the very young people are most in danger. Within 24 hours, they send you free spins in the casino, for the online slots. That is taking somebody from the least addictive product to the most addictive product. It is rather like going into a bar for your first drink and having a shandy, and after you finish your shandy the barman says, “Why not have a triple-strength brandy on the house?”

With taxation, I know you want to raise money—I understand that—but if we can disincentivise bookmakers from sucking people from the least addictive product to the most addictive product, that is the most important thing.

Q90 **Yuan Yang:** As somebody who has run a gambling company, do you think that other managers in the industry now would react in the way that you described? Would they be less likely to put on those products if taxes were higher?

Stewart Kenny: I was on the board of Paddy Power and Paddy Power Betfair for 29 years. I have been a bookmaker, I am afraid to say, for too long. I was a bookmaker at school—there is many a story I could tell you about that—and I have been a bookmaker for over 55 years, so I have a bit of experience.

I want to say again that I regret some of the things that I did, but I resigned from the board—I had no choice but to resign—because they withdrew measures that were going to help gambling addicts. They withdrew advertisements like “Take a break”, which you can still see on YouTube, because too many people who had gambling problems were closing their accounts. I said, “Well, isn’t that the whole point of it?”, and so I resigned.



HOUSE OF COMMONS

I really believe that if there is one message I can give you, it is that the parts of the industry that have the most harm need to be taxed higher. We need to disincentivise the bookmakers from sucking people from the sports book into the online casino, because the online casino is a machine. They do not have to have odds makers and risk assessors, so it is not labour-intensive and it is much more profitable.

Yuan Yang: Thank you, Mr Kenny. You have been very clear.

Q91 **John Glen:** That was a really helpful characterisation of the different issues with different types of gambling. Thank you, Mr Kenny.

Mr Jung, I think it is fair to say that the case that you make is related to reducing child poverty. In your opening remarks, you made a case about the different levels of taxation, and how you replicate something similar to VAT. However, the Treasury is famously reluctant to have hypothecated taxes, so how do you get over the fact that it is a statement of principle? With no hypothecation, how will the money be spent—not just go into general taxation to deal with other issues, but actually be used effectively?

Getting my questions out quickly, the other part of it is that in terms of the elasticity of demand, you increase the essential cost by increasing the tax. What evidence is there that that will have a behavioural effect? I think that the most recent psychiatric survey, for 2023-24, shows that only three in 200 people have experienced harm. How do we know that the changes are going to positively impact the number of people who get into trouble, and that there will be spending in areas that will fix it?

Carsten Jung: I will start with your first question, which was about hypothecation. I work a lot on Budget and Treasury issues, so this is close to my heart.

There is, of course, no way we usually do this in budgeting—linking the revenue in one place to another issue somewhere else. The point is that hypothecation would basically be a political issue, where the Government say, “There is this very real social harm over here”—we will get into the elasticities—“and we have some room to tax it more and raise revenue. We are not at the revenue-maximising tax rate at the moment. Then, over there, we have another social harm.” Across the aisles, people agree that it is a disgrace for one of the richest countries in the world to have that level of poverty, which we could address overnight with a policy change. Because these numbers are in similar ballparks, it is a very strong political point that any party should consider making. Just to be clear, though, we are not suggesting any more formal hypothecation.

Q92 **John Glen:** So what you are saying is that you could raise extra money from this measure and deal with the two-child policy, but you could not actually fix the situation for the people who are problem gamblers.

Carsten Jung: It depends a bit—this gets into the elasticity point—on how much the increase in tax would reduce problem gambling. As we have just heard, to the extent that gambling becomes more expensive as a result, people might reduce their gambling, and it might prevent some people



HOUSE OF COMMONS

from becoming problem gamblers, on the margin. There is the so-called Pigouvian tax effect—you tax bad things such as cigarettes, and people do less of it—but the child benefit reduction is not related to that.

- Q93 **John Glen:** Given Mr Kenny's evidence about the addictiveness for people under the age of 26, and the development of the brain, is it certain that the increased tax would change behaviour?

Carsten Jung: Crucially, it depends on how much demand for gambling will be reduced as a result of the tax and how much people will be deterred. For instance, gaming machines and remote betting are fairly sticky, so you can raise the tax more and raise more money, but not everyone will be deterred by higher rates or poorer odds. On its own, I would argue that it is not a sufficient policy to address problem gambling. It does a bit—there will be a reduction in use—but probably not to the full extent that we would like. But there are ways to address this other than through the tax system.

- Q94 **Bobby Dean:** To continue on that theme, we will have the Betting and Gaming Council here in a moment, and they will probably point out to us that taxes went up in the Netherlands and revenue was reduced as a result. I just want to give you an opportunity to respond to that point, which they are likely to make in a moment. Perhaps I will start with you, Mr Jung.

Carsten Jung: Sure. I do not want to get too technical, but there is a different stickiness among users of gambling services. Online gaming, for instance, is more fickle in response to lower odds than gaming machines. For the stickier ones, companies will to some extent make up for the lost revenue from the higher tax or from the lost profit by lowering the odds for gamers and for people who are betting, in order to have a higher margin and restore their profit. That will deter some gamblers, but again, people are sticky and therefore we will still have some of the costs passed on to consumers.

For others, there is evidence that gambling companies might have room to improve the odds and attract more gamblers in that way. That is also the revenue-maximising strategy. For example, recently we have seen a slight improvement in the win rate and, none the less, an increase in the profits of gambling companies. The underlying economics depends a bit on the cost structure of how these companies work.

- Q95 **Bobby Dean:** I think it is clear that when we have these economic problems, the number of variables involved makes it quite hard to predict what the actual outcome is going to be. I guess this goes to the heart of some of our earlier questions: are we introducing these taxes to raise more revenue to help the Chancellor with her fiscal rules in the next Budget, or are we doing it to try and reduce harm? If we are too successful in reducing harm, we might end up reducing revenue.

Dr Bertram: You have asked an absolutely key question. The difference with this industry is that there is this big black market. One of the

questions is: if you increase taxes, does it drive people to the black market?

You are absolutely right that the industry will point to what happened in the Netherlands. In case you have not seen this, the Netherlands introduced a tax, traffic went up to the black market and the Netherlands did not recoup any money. That is an example that they will use—but it is the only example that they will use.

Let us look at the Netherlands, and then I will give you all the other countries and some of the research looking at this, because this comes on to your broader question about what happens when you tax. In the Netherlands, not only did they introduce tax, but they did a big bang moment. They did a whole load of other regulatory changes as well, which we are not proposing. We are simply proposing to raise tax.

There is another thing about the Netherlands. I worked for 14 years in the tech industry. I worked with law enforcement in this country, including the City of London police, who are excellent, and CEOP and IWF. They will tell you that the Netherlands is the worst place in the world for tackling criminal websites. It has a notoriously permissive culture, but it also has a very complex court process for enforcement. Fortunately, we do not have that in this country. We are much better and are seen as world leaders when it comes to tackling this sort of black market site. The way to do that is to go after the payment processors rather than after the sites.

We have also looked more broadly than the Netherlands. We have plotted, on the graph that I will show you now, all the different countries, their tax rates and their channelisation, which is how much of your market is in the legal market. If there was a correlation between the level of tax and the level of the black market, you would expect to see a nice graph where the lower the tax, the lower the size of the black market and where there is a higher tax, you would expect to see a larger black market. There is no such correlation. You can look at Estonia—they will not mention this. Estonia has lower tax and a lower share for the legal market; the Czechs have a higher tax and a higher share for the legal market.

One of the problems in this area is that it is very hard to measure, because you are trying to measure something that is a criminal activity—it is notoriously hard to measure. Also, most of the research in this area has, frankly, been funded by the industry. But a paper was published earlier this year that was not paid for by either the industry or people who I would paint as being anti-gambling. It was in the *Harm Reduction Journal* on 3 January 2025, and it was independently peer reviewed. It concludes, “Prior industry-sponsored reports have suggested that lower tax rates may be correlated with higher channelling rates.” In other words, lower tax means more legal market. “The results of our study suggest that higher taxation is unlikely to drive consumption to offshore markets.” So, it is not the case in the data, with the exception of the Netherlands—and I have explained why that is a unique case—that we see this drive. What matters most is tackling those illegal websites.



HOUSE OF COMMONS

Q96 Bobby Dean: Mr Kenny, I know you want to come in, but I guess what Dr Bertram is getting at is that there are other tools available to tackle the black market. We have had tax rises in the gambling industry in the past, probably in the time of your tenure. Can you tell us about the effects of the increases in tax on the gambling industry in the past? Did you see any potential for the black market to grow at those times?

Stewart Kenny: First, I will point out that in 2019, Ireland doubled its betting tax, and the take went from €52 million to €95 million. Ireland has all the UK companies, and it is a more typical market—it is basically the same market as the UK. There was no rise in black market activity. When I campaigned for the gambling industry, I always used to talk about black markets and job losses. We saw it again when the FOBT legislation was brought in: “Oh, this will close all the shops,” but it didn’t. It is a bit of scaremongering. All I can say is that my experience is that when Ireland doubled the taxation, the take nearly doubled and the black market did not grow.

Q97 Chair: Mr Kenny, I have Irish connections, and one of the things about Ireland is that sport is a national pastime and horseracing is very popular. Was the effect you described in part because a heavy weight is given to attending sporting events, or are you taking that into account? If you follow the horses, you are not necessarily the same person who is going to pop in to play on a fixed odds betting terminal. That generation and culture is very different, and it is so embedded in Ireland. Is it that people still wanted to go and have fun at the races?

Stewart Kenny: I think the UK and Ireland have about the same rate of interest in horses. In Ireland it is slightly bigger but, with urbanisation in Ireland, horserace attendances are actually falling. When you take taxation rates and regulation, Ireland and the UK are nearly akin to each other. The tax on turnover in Ireland is now effectively much higher than in the UK, and that doubling of tax virtually doubled the revenue.

Q98 Bobby Dean: Mr Kenny, I would like to talk about Gibraltar. I have seen a statistic that says that 75% of UK online betting takes place from Gibraltar. Can you explain that?

Stewart Kenny: I would have to say that I am not really qualified to answer, but if I am allowed to guess, I will. Originally, the companies moved to Gibraltar, and we looked to move to Gibraltar—we looked at Malta and numerous other places—to avoid betting tax. That was closed off and the corporate rates of tax were lower. Irish people can hardly lecture anybody on that subject, as we know, so I think it was corporate tax rates, but I want to stress that I am not totally qualified to answer on that.

Q99 Bobby Dean: Dr Bertram, you mentioned the corporation tax rate being lower, at 15%, and there being no VAT. Are these the simple reasons why people base themselves in Gibraltar, or are there other reasons?

Dr Bertram: You probably need to ask the next panel that question. Some of them will know much more intimately, but we did not require



HOUSE OF COMMONS

onshoring when we introduced the 2005 Act. We did not really anticipate it at that time. That was partially corrected in 2014 with some changes to remote gaming duty.

Q100 Bobby Dean: Can I instead ask you a question that you may be able to answer, then? In your opinion, is this an issue, or is the way that we tax gambling sufficient? Do we need to introduce further regulation that means these people are onshore so that we can tax their profits as well as through particular levies?

Dr Bertram: I am in two minds on this. I confess, I have worked for Google, and I know they have been in front of the Committee on this sort of thing, but it is very hard to organise globally to stop that movement of companies and to increase tax. It would be great if we could do that, but trying to solve it is clearly a herculean task—though not one that should be given up on. The second point I would make, on where it is perhaps more manageable, is that you have to have a licence to operate in this country. What are the conditions attached to the licence? That is how you can determine what those companies do.

Carsten Jung: I am glad you brought this up, because the other area where gambling is potentially undertaxed in this country is because of the offshoring of a lot of companies, for which corporation tax is a crucial factor in their doing so. That is another reason for moving on levies and taxes that we can increase domestically, so I agree that corporation tax is a key factor for location.

I also want to quickly answer Mr Dean's point on whether we can have it both ways on reducing gambling and raising revenue. In economic terms, it completely depends on the elasticity of demand. It gets a bad name, but the Laffer curve is the key way of thinking about this because it makes you ask, "What is the revenue-maximising tax?" If you are below the revenue-maximising tax, you can do both things—increase tax revenue while also slightly reducing demand.

For remote betting, my estimate is that the revenue-maxed tax rate is actually 67%. We are proposing 50%. That means, because of the stickiness, you reduce demand and gambling companies increase their margin, so there is a cost for those who still gamble because they get a poorer deal. It is like how the people who still smoke pay a lot more in tax, so there is this pass-through, but there is also a hit to company profits. On the economics of it, are we at the revenue-maximising rate? If we are not, we can increase the tax rate, increase revenue and reduce the incidence of gambling.

Bobby Dean: I believe colleagues want to come in on this point about Laffer curves. We are that type of Committee.

Chair: Going to our technical expert, John Grady.

Q101 John Grady: I am not sure I would say I am a technical expert. We have heard from Mr Kenny and Mr Jung that we could significantly increase taxes on online gambling and increase revenue. Is that your position as



HOUSE OF COMMONS

well, Dr Bertram?

Dr Bertram: Yes.

Q102 **John Grady:** Thank you. Mr Kenny, thinking about it from the punter's point of view, if we increase taxes on gambling, how will the gambling companies respond with a view to preserving their profit margins? Will they take a hit on their profits, or will they lower the odds so that the people gambling have a lower chance of winning?

Stewart Kenny: First, profits are exploding. I notice that the stock market is expecting my old firm, Flutter, to increase its profits by close to £1 billion this year. They have a lot of profits. I think it will be a bit of both, but when the tax was doubled in Ireland, profits still increased. Gambling profits are exploding. They might not increase by quite the same rate, but I see them increasing. I do not see the punters getting a really bad deal.

My interest is in disincentivising the bookmakers from enticing people into the highly addictive online casino, and in making it more worthwhile for them to get back to marketing betting on horseracing and on normal events, rather than pushing people, especially young people. As I said, the frontal lobe of the brain does not mature until 26—that is why it is such good fun to be a student. It is important to protect people, because if they are got to before then, their lives are destroyed.

Q103 **John Grady:** Constituents have come to see me who have got themselves into very serious financial difficulty and debt over a few days of online gambling. Is it your position, Mr Kenny, that the purpose of taxation should be to reduce gambling, and that revenue raising is secondary? We don't want to get into the detail of regulation, but is it also your position that we need tougher regulation to bear down on and restrict these online gambling activities?

Stewart Kenny: No, far from it. My position is, first, to try to raise revenue. The Government want to raise revenue, and this is the Treasury Committee. As I said, the doubling of tax in Ireland virtually doubled the revenue. My position is to encourage the bookmakers to act responsibly, through taxation, and to get them back to where they started. They should encourage people to bet on horses and normal events, and take them out of the more addictive forms of gambling. If the online casino became less profitable for bookmakers, it would push them back into raising revenue through gambling on horses.

I know they are going to say that I left eight or nine years ago, but I have looked at the betting industry, and they are pushing people more strongly now than they were then. I had a bee in my bonnet at the time—it is one of the reasons I resigned—but they are pushing people more strongly towards the online casino now than they were then. I won't buy that idea of, "It's all better now." They are much better at the PR and saying what they did—they are very good at that—but I was there. I saw it, and I know it still. They are not doing what they can do.



HOUSE OF COMMONS

At the end of the day, regulation is for the Government. I was on the board for 29 years. The vast majority of board members believe that this is a Government problem, that the Government must regulate and that it is an unfair pressure to put on boards. Their duty is to stay within the law.

Q104 Dame Siobhain McDonagh: Mr Kenny, what would you say to somebody who said that you had a Canutean view of these things, and that you were pushing away the future in a romanticism about the past? We perhaps both share a similar past of greyhound racing and horseracing as a great recreational activity for the whole family. When we were kids—you may have done this, Meg—we would go along to the dogs and the races and have a lovely day out. Is that over? With the nature of online banking, and using cards rather than cash, is gambling just part of that trajectory?

Stewart Kenny: I understand where you are coming from. I did not mean to come across as trying to pull it back to the past. I am a believer in the gambling industry—I have spent 55 years of my life in it. I think we can discourage things while still allowing it to flourish. The gambling industry is going to flourish. I am not trying to close down the gambling industry or prohibit anything. I am for opening up these things, but I think there are harms.

Remember the tax rates in nearly every other country—people are very happy to pay huge tax rates in the States, as high as 53%. There are huge tax rates. We are talking about tax. I am very happy for the gambling industry to flourish, but I do not see why young or vulnerable people should be pushed into the most addictive forms of gambling. There are bundles of other things that you can gamble on—the next general election, for example.

Chair: You keep saying that, Mr Kenny. Are you hoping for an inside track? I do not think any of us know.

John Glen: We went through that one last year.

Stewart Kenny: If you want the odds, I'll give them to you!

Q105 Dame Siobhain McDonagh: Betting shops were somewhere that everybody would go—men and women. As I left my office this morning, I got into a conversation about it, which is why I was late. Dee in my office said, "I used to love going to the betting shop to put a bet on a horse for the Grand National, or on high days and holidays. Betting shops are not a place for women these days." They attract drug dealing, drug taking and problem drinking in town centres. Are we seeing the marginalisation of gambling?

Stewart Kenny: Obviously, more than just betting, retail is suffering because of the internet. However, I am a believer in betting shops, and I believe that taxation on betting shops should be lower because, for people who do not drink, they can be social places to meet and have fun. What destroyed the betting shops were fixed odds betting terminals. The bookmakers should have seen that at an earlier stage, and so should the Government. Betting shops have a future but, like all high street



HOUSE OF COMMONS

businesses, they are going to suffer. Tax rates probably will not make that much difference, but I believe it would help if betting shops had a lower tax rate, if that is possible.

Chair: Thank you. I am delighted to welcome Labour MP Bayo Alaba, a member of the Culture, Media and Sport Committee who is guesting with this Committee today.

Q106 **Mr Alaba:** Mr Kenny, you just touched on retail and physical gambling. Earlier, we spoke about remote gambling. Mr Jung mentioned how it grew during covid. We said that there is no social interaction, whereas in the retail setting there is far more interaction, monitoring and things like that. There was a reference to protecting horseracing.

I want to think about family entertainment centres. I represent a Southend constituency, so I am thinking about traditional retail family entertainment centres and arcade venues, which are part of the British holiday. They employ people. They are monitored. There is a higher staff-to-user ratio. There is a mixture, including low-stakes gambling. They make an important contribution to seaside economies and tourism. My question to all three of you is: do you agree that any increase in gambling taxation should not harm seaside arcades?

Dr Bertram: I often go to the arcades in Margate. There are some great ones along there. When you go in, you basically have games. There are still things where you put in 10p and money comes out. And in a corner of the room, you have a slightly different bit that is really for over-18s, with big machines that you put money in. That is really no different from games you are playing on your phone. We want to tax that more highly. We do not want to tax those arcades out of business, but we want to tax more highly the things that are highest harm.

Q107 **Chair:** Mr Kenny talked about high harm being that short journey between making the bet and getting the result. Is that also what you mean by high harm?

Dr Bertram: Multiple studies have been done of the different types of betting. For slot machines, one study has put the rate of harm at eight times that of a single bet on racing. Another study looks at the prevalence figures for harm by activity. At the very top, you have betting on non-sports events, which is like me saying, "I'll bet you the next person who comes through the door is a woman"—that is the level of addiction of that betting—and second to that is online fruits and slots. It is a long way down the list before you get to betting on sports or in person, and bingo in person is even further down the list.

We are talking about having a tax system that tries to influence and address the rate of harm. At the moment, we have a gambling industry that grew 82% on that most harmful form—online slots—between 2016 and 2024, and we do not have a tax regime to address that. That is the change we are proposing. We want to protect not just your seaside resorts but horseracing itself. That is one of the reasons why in our proposals we exempt small operators on courses from the levy and the taxes. There are



HOUSE OF COMMONS

ways that we can make this tax address the harmful things, not the type of things you are talking about.

Mr Alaba: You mentioned Margate; I suggest you visit Southend as well.

Dr Bertram: I will.

Stewart Kenny: I totally agree with everything that Theo has just said—100%—so I will not repeat the same thing again.

Chair: Thank you, Mr Kenny. If only every witness did the same.

Carsten Jung: Just to add to this, and connect it to the previous question, one thing we are suggesting is increasing the tax on gaming machines or slot machines, including in bricks-and-mortar shops. There is a debate about where you set the cut-off for that to kick in. We are very much in favour of exempting the smaller-stakes bets, which would affect arcades and seaside towns, for example.

Linking it to the previous question, by taxing the most harmful types of machines in bricks-and-mortar shops, you hopefully would also, through the tax, change the composition of what those shops are made of. It is about not just, "Is it going up or down in aggregate?", but, "Are we incentivising, relatively speaking, the less harmful types of activity?"—that is an important one.

I think what you will be hearing from the industry—maybe we will get into this a bit more—is that they will close all the bricks-and-mortar shops because they are no longer profitable. Based on the data we have and the HMRC-commissioned report, that is unlikely to happen. It gets back into, "Will you kill the industry, but still raise revenue?" Based on the stickiness of customers, you are very much likely to see these shops continue.

An argument also made by the industry is that there will be lots of employment losses and customer pass-through. You can have both; if there is pass-through and high profits, then the activities, by definition, continue. The industry is also making the argument that by taxing remote gambling—online casinos—you will have lots of employee losses, but, as we have heard, there is a higher employment rate in bricks-and-mortar gambling premises. I think it is worth scrutinising that point when they come in. A lot of what we are talking about is remote gambling and taxing the most harmful machines in bricks-and-mortar shops, while the other activities are taxed much less, so the employment effects should be limited.

Q108 Dame Harriett Baldwin: This is very interesting. When you started your evidence, Mr Jung, you made a statement—a very sweeping statement, I thought—that gambling is a social harm. But the more evidence we have heard from the panel this morning, the more we have heard of what I observe as an MP for West Worcestershire, near Worcester racecourse and Cheltenham racecourse, with a range of betting shops on our high streets, and people who enjoy bingo and people who enjoy betting on football matches. As the evidence has gone on, you have surfaced that these sorts



HOUSE OF COMMONS

of things are very much part of the social fabric. Half the British population, probably, enjoy taking part in these activities and are not in any way socially harmed by them.

We were just getting to the point that Mr Kenny alluded to earlier. My question is about the points we have heard from the industry about, if taxation is changed in this sector, the level of harm it will do to people whose livelihood is horseracing, or running these shops on the high street or bingo halls or a pub where people come in and use some of these machines.

What you are effectively saying to the panel is that all of this is scaremongering. Is that true? It is what we have just heard from Mr Jung; it is what Mr Kenny said before. We would be very concerned if a lot of these activities from which people earn a living in our constituencies were affected by an increase in taxation.

Stewart Kenny: They said exactly the same about fixed odds betting terminals—if you over-regulate the fixed odds betting terminals, there will be massive unemployment and it will close every betting shop. It didn't happen.

Q109 **Dame Harriett Baldwin:** It is just scaremongering. That is your assertion.

Stewart Kenny: It is scaremongering. Look, who am I to say? I played that game. I was head of the Allied Betting Shop Association in Ireland. I played that game every time there was mention of a tax rise. They can say that the world has changed, but it hasn't changed that much. I was using exactly the same arguments 25 years ago. Betting businesses have exploded in profits.

Q110 **Dame Harriett Baldwin:** Are you saying that there would be no change in employment or physical premises in this sector if these changes were to be made?

Stewart Kenny: It is always hard to say definitely no, because other factors come into account, but I do not see any reason why betting shops or people employed in betting shops should go down because of the tax rises. Betting shops had been closing before these tax rises. They have announced that quite a few were closing in Ireland and the UK recently. That is long before any tax rises; it is just what is happening.

Dr Bertram: I think what is happening is that you effectively have two different forms of the industry, and one is wrapping itself in the cloak of the other. The betting industry wants to portray itself as the harmless bet on the Grand National and the flutter in the arcades that you are describing. What we are really focused on is this app where you are just sitting on it in your home and you are losing huge amounts of money in a very short space of time. It is an adversarial relationship between a bookie and a punter.

It may be when you are at the football or in an arcade, you get something out of that even if you lose. When I have taken my kids to the arcade,



HOUSE OF COMMONS

they have loved it even when I have come out going, “I’m £20 down and all we’ve got is this tiny little thing.” But when you are doing that on your app, there is nothing that you gain. What we are saying is that you have to raise tax on that. What I am also saying is that the number of jobs in that area is far fewer.

In our proposals, we are looking to protect those racecourses. That is why we are actually looking to shift the amount of tax that goes to the Treasury towards horseracing itself, through the switch from the gaming duty to the horseracing levy. We are also going to exempt small bookies on racecourses altogether. We are absolutely trying to do what you want to do, which is to protect those kinds of things where we see that, even if you lose money, there is something to be gained from it because it is a social activity.

Don’t let the gambling industry pretend to you that sitting on your phone, addicted to that app, losing thousands of pounds, is somehow putting more people in your constituency to work. Having one more person or 1,000 more people on that app is a negligible cost to them, whereas having 1,000 more people betting on horseracing, which would be good to see, is the opposite and would bring jobs to your constituency.

Dame Harriett Baldwin: Thank you. My takeaway from your panel this morning, which has been very informative, is that there is a subset you are particularly concerned about that is causing social harm, but it is not the wider sector. I am happy with the evidence on that.

Chair: Thank you, Dame Harriett. Jim Dickson—welcome to the Committee as a new member.

Q111 **Jim Dickson:** I have a final question on the potential economic damage caused by increased taxation. Is there a way of comparing the job creation activity and potential of the industry, and its gross value added, with other industries so that we can assess the claim that increased taxation will cause these harms in unemployment and loss of finance in the economy?

Carsten Jung: Is there a way of comparing it? Could you just restate your question?

Jim Dickson: How does the industry rate in job creation, compared with other industries? How does its GVA compare with other industries such as food, restaurants or other leisure sectors?

Carsten Jung: I would need to get back to you.

Chair: You can write to us after. Dr Bertram, anything to add?

Dr Bertram: No.

Q112 **Chair:** I think Mr Jung will write to us on that. Finally, Mr Kenny, you have been in the business for 55 years. Do betting companies cross-subsidise from their online activity? Are they run as separate businesses? If Paddy Power has an online system, and it also has shops, does it take profits from the online side to bolster the high street presence?

Stewart Kenny: No. The high street is useful for promoting the online presence, because you see the actual bricks and mortar. Remember, when you go online—this is a question about the black market—you are lending your bank card. We all know the scams, so seeing somebody's presence on the high street gives you trust. That is why the vast majority of ordinary consumers will not lend their bank card to unlicensed operators that they get no comeback from.

Dr Bertram: I would also say that what you can do, which we have learned from tackling the copyright issue with pirated movies, is go to the payment processors—Visa and Mastercard and so on; there are not that many that people actually trust—and work with them to pull the funding from those sites, because you can identify those sites and then stop that access. If someone then wants to go and bet there, they will need to go with another form of currency, which could happen in the form of Bitcoin and so on. Again, you have just raised the threshold for how difficult it is to access the black market.

Chair: I thank our witnesses very much. There are a lot of layers to this. We have illegal gambling, online gambling, fixed odds betting terminals, traditional walking into a betting shop on the high street, or betting on horseracing and bingo. There are lots of layers to this, and I think the industry has been in the room listening to what you have to say, so thank you all very much indeed. Please send any information that you would like us to consider on the record, including the graphs. I think we may have seen those graphs, Dr Bertram, but if we could have them, it would be very helpful. I encourage you to stay if you wish to hear the next panel. Thank you very much indeed.

Examination of witnesses

Witnesses: Stephen Hodgson and Grainne Hurst

Chair: Welcome back to the Treasury Committee on Tuesday 28 October 2025, where we are continuing to discuss the issue of the taxation of gambling. For our second panel, I am delighted to welcome Grainne Hurst, who is the chief executive of the Betting and Gaming Council, and Stephen Hodgson, who is the chair of the Betting and Gaming Council's tax committee. They are very knowledgeable on this subject. You had a bit of a roasting from the people who feel that gambling should be taxed more. Yuan Yang will ask you to put forward your points in response to that.

Q113 **Yuan Yang:** We heard from the previous panel how the effective average betting levy across the industry as a whole was 22% last year. The industry is exempted from VAT. UK corporation tax is 25%, and the industry is effectively paying less than that. Why is the industry paying so little?

Stephen Hodgson: The industry is actually paying a much higher effective tax rate than that, so I am not quite sure how that number was calculated. The effective tax rate that we see when we look at the whole range of taxes that are paid by businesses in this industry is in excess of



HOUSE OF COMMONS

65%—often in excess of 80%. That is because we have, as you mentioned, the taxes that all businesses pay, such as corporation tax, business rates, employer's national insurance—some of which have increased recently—irrecoverable VAT and a range of gambling excise taxes, such as the general betting duty, machine games duty, remote gaming duty and several others. There is also the economic crime levy and the statutory levy that was introduced earlier this year. When you add all those taxes up, and when you take into consideration that many of those taxes are applied to gross profit, so at the very top of the P&L, rather than at a net profit or taxable-profit level further down the P&L, which is what you'd expect for corporation tax, that is why you end up with a very high effective tax rate for this industry.

Q114 Yuan Yang: The different duties that you have just mentioned, such as the remote gaming duty and so on, are the taxes that are taken into account in this calculation. You are saying that there is a difference between the 22% effective rate, based on all those different gaming and gambling duties, and what you are claiming is the effective rate. What is the difference there—what are the rates that are missing?

Stephen Hodgson: I am not quite sure where the 22% has come from, but if that is just looking at taxes on the bottom of the P&L—so if that is corporation tax—then that would probably explain it. If it was corporation tax, and that was at 22%, there would be myriad reasons why that might be the case. Most businesses benefit from various different reliefs that mean that their effective corporation tax rate is a bit less than the headline rate. I think the most important thing is that effective tax rate, because the vast majority of tax paid by businesses in this industry is through the gambling excise duties. The other taxes, while adding to the burden, are a much smaller piece of the story.

Q115 Yuan Yang: I will state that the 22% comes from adding up all of the different gambling and game-related duties together and dividing by the revenues. But we will leave that, as it is quite a technical conversation. Moving to Ms Hurst, we heard from the previous panel about the different harms from different parts of the gambling industry. In particular, we heard from Stewart Kenny, the co-founder of Paddy Power, about the harm of online and app gambling. Do you acknowledge that there are different social harms associated with different parts of the industry?

Grainne Hurst: The first thing to say is that I completely disagree that any gambling product forms part of social harm. Look at the fact that 22.5 million people like to have a flutter every month on products with BGC operators, and that BGC members employ around 109,000 people across the country, in high streets and constituencies across the UK, and also in high-tech jobs regionally. If you look at the statistics, the majority of people gamble safely and responsibly as part of their leisure. The Gambling Commission—the independent regulator—published a survey recently that showed that 72% of customers actually gamble because it is fun. So I would completely disagree with the previous panel that it causes social harm.

Q116 **Yuan Yang:** Is your statement that because it is fun it does not cause social harm?

Grainne Hurst: The vast majority of customers who engage with our products do so safely and securely as part of their leisure and entertainment. Only 0.4% of them have a problem with their gambling. The industry has implemented a range of measures—I am not sure this was picked up in the previous session—to drive up player protection standards. We now operate to the highest ethical standards. The Gambling Act review White Paper, which the industry fully supported, had 62 additional work streams in respect of additional regulation to keep players playing safely in the regulated space. We can talk about that a bit later.

Q117 **Yuan Yang:** I acknowledge that you are stating that you believe the previous panel over-exaggerated the harms caused by gambling, but within the industry we have heard about horseracing, and betting at physical shops, and we have heard about online gambling. Do you see different kinds of harm in the different sectors, or do you just see it as the same overall, with no differences between sectors when it comes to harm?

Grainne Hurst: The important thing to note is that customers engage with products differently. The average gambler uses probably three accounts, and we know that problem gamblers use about five different products. The most important thing is the way the customer interacts with the products. The industry now has a lot of regulation in place, both mandatorily from the Gambling Act review White paper, and also voluntarily through the Betting and Gaming Council, to raise standards.

In terms of online, we are now using things like AI and BI to track behavioural triggers in customers, such as whether they are playing late at night, chasing their losses or playing with different payment methods. A whole raft of additional measures is in place to make sure that we keep players playing in the regulated space, where there are protections, rather than pushing them into the illegal market, where there are zero protections.

Q118 **Yuan Yang:** Given all the different research you have mentioned, have you found that there are different kinds of problem gambling in different parts of your industry?

Grainne Hurst: As I say, problem gamblers use a range of products, so there will be different product risks for different customers. But the key point to note is that the industry has a range of measures in place to monitor what customers are doing, and therefore interact with them where we see that they might be facing any harm.

Q119 **Yuan Yang:** You are both former employees of the gambling group Entain and were both working there in 2017 when it paid almost £600 million to settle an HMRC bribery inquiry. A number of the executives who served alongside you currently face criminal charges including bribery, fraud, cheating the public revenue and tax evasion. Has this inquiry damaged your ability to advocate for and to be seen as a neutral advocate for your industry?



HOUSE OF COMMONS

Stephen Hodgson: First, as you note, neither of us is here in that capacity. You are referring to a historical issue that relates to a period before either Grainne or myself worked for that business. I understand that it is a live issue because there have been ongoing investigations much more recently, but it relates to a period much before I was in the business and, I think, much before Grainne was in the business as well.

Q120 **Yuan Yang:** Are you saying that although that inquiry was in 2017, when you were working there, the behaviour was from a historical period?

Stephen Hodgson: That is right. If you look at what has been considered by the authorities, you will see that it relates to a period between, I think, 2011 and 2017. In 2017 I was working at a business called Ladbrokes Coral, which was a different business from the one you are referring to that has been subject to that investigation.

Q121 **Yuan Yang:** Was it a different business from Entain, which owns that business now?

Stephen Hodgson: Yes—look at the history of the M&A. I accept that Entain is an amalgamation of lots of different businesses, which is quite common across the industry because of the way businesses have come together, but I do not think it would be fair to say that something that happened in a business that Entain happened to acquire and that was a business I was not part of has any bearing on Entain, and it is not a business I work in any more.

Grainne Hurst: I am in the exact same position as Stephen, in that I was not working at the company during that period.

Chair: I welcome Catherine West to the Committee.

Q122 **Catherine West:** Thank you very much, Chair.

We understand from the previous panel that the average effective betting levy is 22% in the UK, and 53% was cited as the effective levy in the US. That is quite a big gap for a society and economy that is quite similar to the UK. Were the Chancellor to be looking to gain revenue from somewhere, perhaps the levy could come up closer to that, because the gap is quite big. How do you think the industry might manage if it went from 22% to 44% or 50%, given that the other choices on tax, including income tax, VAT and council tax, are tricky decisions to make politically?

Grainne Hurst: I will respond on behavioural change, and then maybe Stephen can come in on the effective tax rates. There is absolutely no doubt that customers would change their behaviour if there were any further increase in tax on the industry. We know that the black market is already a really serious threat to the regulated sector in the UK. Frontier Economics published a report showing that 1.5 million Brits are already using the black market, before any additional changes to tax. They are staking £4.3 billion in it, which is already starving the Treasury of £67 million a year because, obviously, the black market pays no tax. It also does not provide any player protections.



HOUSE OF COMMONS

We know that if there are additional tax increases on the industry, the regulated operators have three levers open to them: price, promotions and products. We would see costs increase for the customer, the odds would get worse, the offers would get worse and the return to players would be reduced. Customers are price-savvy and price-sensitive and would obviously notice the change. They would still want to bet on things as part of their hobby, but would go somewhere far more attractive that is already in the black market.

We need to be really careful about any additional tax rises on the industry, because we know that if you tax something more, you get less of it, and customers would change their behaviour.

Stephen Hodgson: Grainne is absolutely right that operators' response to such a tax increase would be to pull all those levers, which would make the offering less competitive with unregulated businesses.

On the question about higher tax rates in other places, what you really have to focus on, in respect of those other markets, is whether those tax rates are effective in terms of raising revenue and keeping customers in the regulated market. The evidence is that they are not. If we look at countries in Europe and some states in the US with significantly higher tax rates, we always see a much higher black-market component. That has two consequences: first, the Exchequer raises less revenue, and secondly, consumers are gambling in the black market, where they do not benefit from any protections. It would be completely counterproductive to raise taxes to those kinds of levels.

Q123 **Catherine West:** Who paid for the Frontier Economics research?

Grainne Hurst: The Betting and Gaming Council.

Q124 **John Glen:** Can I return to the problem of the segmentation of betting? We have all expressed some enthusiasm for the occasional flutter on the horses and various other activities that are occasional and benign in terms of social and individual impact. I found the evidence from Mr Kenny quite compelling in respect of the terminals and the online activity that is highly addictive for a segment of the population. Ms Hurst, you consciously refer in your answers to the range of risks, which I understand, but surely you have to accept that there is a different set of behaviours, with vastly different outcomes for those individuals. Is it not a bit disingenuous not to acknowledge that? For us as politicians, wanting to see that tax is executed and influences behaviour, you must surely recognise that, so that we can have an honest conversation about the different problems that exist.

Grainne Hurst: Yes. Apologies if I seemed disingenuous—I was merely trying to make the point that there are different levels of risk for different customers. If we are talking about online, you could make the argument that there are better protections online than there may be in the retail sector, because online you are able to track your customers' behaviour. As I said, the industry has come on leaps and bounds in terms of what we call



HOUSE OF COMMONS

markers of harm, whereby operators are able to look at what a customer is doing in terms of the way they interact with a variety of products.

Q125 John Glen: I am aware of the mechanisms to evaluate behaviours, but what do you actually do to stop people getting into problems? We all know the data on the very small number of people who have problems, but those problems are pretty intense and transformational to their life outcomes. What is the industry doing to stop people who have a problem? You can certainly use the argument that they go off into the black market, but what is the industry doing to stop it, not just measure it using AI and so on?

Grainne Hurst: The industry already has a range of measures in place, some as a result of the Gambling Act review White Paper, which the industry fully supported, and some that we are doing voluntarily. Probably the most recent development in this space, which we are most proud of, is something called GamProtect. We have been working with the Information Commissioner's Office to make sure we get the sandbox right to roll it out. If there are customers who we know are at the highest risk of harm, we are able to share that information with other operators in the system and make sure that people are not jumping from one operator to another.

Q126 John Glen: But you and your members don't block them.

Grainne Hurst: Yes, we absolutely would. We would block those customers and then make sure that they are also blocked from the other operators that are part of the scheme. At the moment, this is a voluntary measure that the BGC has instigated. We would like to see it become a licensing condition, so that more members are part of the scheme and we can protect players more than we currently can. We are innovating all the time, voluntarily, to make sure that we reduce those instances.

Q127 John Glen: Okay. Can we turn to the effect of tax? We have discussed how the odds would change, and how the rational economic behaviour of a betting person would be to go somewhere where they get better odds. Can you say more about the evidence from other jurisdictions where taxes have increased? Obviously, the behavioural effects are usually contested, so how do you justify your position on that?

Stephen Hodgson: We can point to a few examples. It is an important question, because it comes to the crux of everything. You can increase tax rates and end up with less tax and fewer consumers in the regulated market. You heard from the previous panellists about what has happened in the Netherlands; there is no doubt that there has been an effect there. The tax rate was increased by a few percentage points earlier this year, and the authorities themselves say that that has had a negative impact on the amount of customers in the regulated market, with knock-on consequences for tax revenue, which is significantly below what the Netherlands forecast this year.

There are examples in other countries. Having spent most of my career in and around this industry, I can tell you that we have seen a direct



HOUSE OF COMMONS

relationship between how sensible tax rates are and the number of customers in the regulated market. We continue to see that effect today.

Closer to home, you could look at how things have changed in response to previous regulatory change in the UK. The previous witnesses mentioned the restrictions on FOBTs. Grainne might correct me or make this a bit more accurate, but I think that since then we have seen 2,500 betting shops close, with between 10,000 and 15,000 jobs lost on the high street. That is a direct consequence of that kind of change.

There are behavioural changes. The most recent one in the UK is probably what has happened with alcohol duties. The alcohol duty regime was reformed and duties were generally increased, particularly on wines and spirits, and the Treasury has since said that alcohol duty receipts are down since those increases. We see that kind of response.

Q128 Mr Alaba: I want to come back to the physical aspect of this equation. Ms Hurst, you mentioned that 109,000 people are employed in the sector and that standards are high. Do you see a difference between online and physical standards in terms of how we monitor and support users?

Grainne Hurst: The first thing to say is that the BGC represents both. We represent high street betting shops that have been family-run businesses for decades, land-based casinos and bingo, and also the great British business success stories that you see in Ladbrokes Coral, William Hill, Bet365 and so on.

Our role as the standards body is to continue raising those standards in both the online and the retail sector. We have various work streams for both. I have talked about some of the behavioural triggers in the online sector. In the retail sector, staff are trained to spot any potential signs of harm in customers. There is interaction training so that they know how best to have a conversation with people they might see getting into difficulty. Both the online and the retail sector in the regulated space have the highest possible standards.

Q129 Mr Alaba: I represent a seaside constituency that is full of seaside arcades. We understand their connection to the industry—we are talking SMEs and long-standing organisations embedded within the community. My concern is the disproportionality of the effects of taxation. Seaside arcades are in a unique and nuanced position in which they cannot necessarily put up prices. Do you agree that changes in gambling taxation should take that into account?

Grainne Hurst: The first thing I have to say is that we do not represent seaside arcades at the Betting and Gaming Council. That is for a different association. But your point remains the same: there is a circular economy, and lots of these businesses will be reinvesting the money they make in one part of their business into another, so if we see any further tax increases on any part of the sector, it is likely to have an effect on the retail side of businesses, which obviously employs lots of people in your constituency and other Members' constituencies around the country. That is what the BGC is trying to avoid.

Q130 Chair: So you are saying that if you tax the online part of a business, it will have an impact elsewhere. Could you explain that to bring it to life a bit?

Grainne Hurst: To give you a real-life example from one of our members, in its latest financial results the Rank Group, which is one of the biggest casino and bingo providers, concluded that, while they made £44 million in profit after tax, they actually paid £188 million in taxes and duties. That is one P&L that the Rank Group have, and that is obviously going to hinder its ability to invest in different parts of the sector. That is really important: these businesses operate as one profit and loss, so we cannot have specific carve-outs because any further tax increases will have an impact on any part of the business.

EY looked at some of the proposals from the previous session, and its modelling predicted that there could be 40,000 potential job losses if we were to see the proposals come into force. The black market would grow by another £8 billion of staking, and there would be a huge hit to the GVA of the industry. The BGC's role is to highlight to the Committee and the Treasury the negative impacts of any additional tax rises on the whole of the betting and gaming industry and the jobs it supports.

Stephen Hodgson: To echo that point, these businesses are operating in an integrated manner. If you were to increase remote taxes and leave land-based taxes untouched, you would still see a consequence on the overall ecosystem. If you look at some of the larger businesses that the BGC represents, they are quite integrated. That is how they manage to achieve economies of scale and become the large and successful businesses that they are. They will look at costs across the board; they do not look at bits of the business in isolation. That just would not make sense.

Q131 Dame Siobhain McDonagh: I think we are involved in a giant game of whack-a-mole in the run-up to the Budget, where everybody whacks the tax increase that they could get in order to whack it on to somebody else.

Ms Hurst, you said that we all know if you tax more, you get less. Now, I don't know that; I think it depends on the tax and how you do it. I am just a bit concerned that what we are hearing, which is your job, is "If you tax more, you get less, and if you tax the really lucrative bit of our industry, it will have an impact on the mainstream gambling that you are not against."

There is a wider group of people who are affected by what has happened to the betting shop on the high street. Traditionally, men and women went there to meet and have a cup of tea. Today, the experience of betting shops on the high street is quite different. They have tended to attract more customers with drug problems, alcohol problems or behavioural problems that put fear into people on our high streets. Personally, as a constituency MP, I have found some of the businesses that you represent unwilling to take that on.



HOUSE OF COMMONS

Grainne Hurst: I guess I would make a couple of points in response to that. When I said that if you tax something more, you get less of it, I was really drawing on something that Dame Harriett asked a previous panel in the session you had two weeks ago with the IFS, the Resolution Foundation and others. The panel was asked—I am paraphrasing—“Do you agree that if you tax something more, you get less of it?”, and there seemed to be unanimous agreement that that is the case because of behavioural change. Obviously, customers change their behaviour. That is something that we would certainly agree with; we have seen it happen in other markets, as Stephen referred to earlier.

Q132 **Dame Siobhain McDonagh:** Could you address the point about the Irish tax increase? Do you disagree with what Mr Kenny said: that the money going to the Treasury has doubled, with no downturn in participation?

Grainne Hurst: I will hand over to Stephen, as he is the tax expert.

Stephen Hodgson: I am really glad that you have asked that question. I was sat there listening to Mr Kenny, and I honestly could not believe what I was hearing. I am very familiar with those changes to the tax rates in Ireland, and the first thing to say is that they have had a dramatic impact on the retail landscape in Ireland. Since that tax increase in, I think, 2019, we have seen over 120 betting shops close in Ireland. In the Irish context, that is quite a lot: it is over 15% of betting shops.

Q133 **Chair:** There has also been covid and other things in between. How can you isolate the impact?

Stephen Hodgson: There has, and there is a mixture of factors, but that is definitely one of them. We continue to see betting shops in Ireland struggling today. That is just a matter of public record.

If you go and look at some of the stories about how that industry is performing right now, it is not a happy story, sadly. I think the tax increase is a large part of that. If you speak to Irish bookies who are actually working in bookmaking today in Ireland, they will tell you how tough it has been since those tax increases. Mr Kenny himself volunteered that he has been a long time out of the industry. I know that Ireland is a bit beyond the remit of this Committee, but if you were to go there and speak to some of those businesses, they would tell you a very different story, I think.

There are two other things that I would point out about the Irish system. It is quite different from the UK system. Traditionally, for betting, it has taxed the stake rather than the gross profit of the business. That is something that the UK used to do about 25 years ago; it creates a particular friction for the customers, and it creates a more expensive regime. It is not a great approach, and not one that I would recommend. In most countries that apply the tax at the stake level—the amount you hand over—it does not work particularly well.

The other thing worth noting about Ireland is that it taxes online gaming at a lower rate than the UK. Mr Kenny talked about the Irish regime as



HOUSE OF COMMONS

something to look to, as an example of where you can double the tax on betting. I do not think that he commented specifically on gaming, but gaming is taxed at about 18.7% of gross profit in Ireland, which is lower than the 21% that we have in the UK.

Grainne Hurst: Can I come back in quickly on the betting shops point? That is not a characterisation that I see or find when I go around visiting the betting shops.

Dame Siobhain McDonagh: Would you like to come to Mitcham town centre with me?

Grainne Hurst: Yes, I would love to.

Dame Siobhain McDonagh: Right. We will take you on a tour.

Grainne Hurst: I would love to do that. When I go around the betting shops—I would encourage as many parliamentarians as possible to engage with our Grand National charity bet every year—what I see is shops that are at the heart of their community. I have also spent time working in shops shadowing colleagues who work incredibly hard and have to deal with lots of—

Dame Siobhain McDonagh: Oh God, yes. I think they have a dreadful time. I am not criticising them in any way.

Q134 **Bobby Dean:** We have heard quite a lot of conflicting pieces of data this morning, so I want to ask a couple of preliminary questions for clarification. I have the profit margins of some of your members here: Entain plc had a profit margin of 25.3% in 2024-25, while Flutter, Bet365 and Evoke plc were all above 16%. Are those the kind of profit margins that you recognise? Does that sound about right to you?

Grainne Hurst: I will hand over to Stephen in a second—

Bobby Dean: But, just as a quick preliminary, are they in the right ballpark?

Grainne Hurst: Over the last two years, we have seen the industry grow at about 4 to 6 percentage points.

Q135 **Bobby Dean:** So those profit margins are probably about right. We have also seen quite a hefty increase in gambling yield since the pandemic: about 10%. We see a lot of that in the revenue for HMRC, via the remote gaming duty. Is it true to say that a lot of the growth has been driven by the rise of online gambling since the pandemic?

Grainne Hurst: I think the industry has changed a lot since the pandemic. If you look at land-based, the shops are down about 30%. If you look at land-based casinos, we have had about 25 closures.

Q136 **Bobby Dean:** I am going to take that as a yes. Basically, the industry has made quite a lot of profit, and quite a lot of it in recent years has been driven by online gambling.



HOUSE OF COMMONS

This brings me to the point I really want to come to. You said earlier that the vast majority of your customers enjoy gambling responsibly, enjoy a flutter and so on, which I think I accept. But a House of Lords Committee report said that the vast majority of profits come from a very small number of prolific gamblers. In fact, they estimate that around 60% of the industry's profits come from just 5% of customers, many of whom probably have a gambling problem or are at risk of having a gambling problem. Do you accept, when people make the point about harm, that there is a tension here for your industry, because most of your profit is generated from the people who are most at risk of harm?

Grainne Hurst: I do not recognise that. If you look at the statistics, actually 0.4% of the population have a problem with their gambling.

Q137 **Bobby Dean:** That is where your profits come from. Just to be really clear, my point is not about the proportion of your overall gamblers, but about the proportion of where most of your profits come from. The figure I have here is that 60% of industry profits come from 5% of customers, so we are not talking about the population as a whole. Do you recognise the fact that most of your profits come from a handful of customers?

Grainne Hurst: With any high-volume, low-margin business, we are going to have regular customers who are engaged with us. We obviously would not make much money on the person who has a flutter on the Grand National once a year, but that is like any other business that has engaged customers. They bet with us regularly and recreationally. We see from the statistics that the majority of people gamble with us responsibly, and only a small fraction of those get into harm. In the regulated industry, we have all the protections in place to make sure that we are spotting any of those potential harms, so I do not recognise those statistics.

Bobby Dean: Okay. You do not recognise those statistics.

Q138 **Chair:** Can I just check something? You have talked about 0.4% of the population. What percentage of the people who gamble are caused harm? You are diluting that figure, potentially, by taking the whole population.

Grainne Hurst: It is 0.4% of the population, which is about 280,000 people.

Chair: Okay. We would have to do the maths on that. Thank you.

Q139 **Bobby Dean:** I asked those questions because we are looking to tax the harm that I think you accept does happen in the gambling industry. People do suffer harm in the gambling industry; that is why you take measures to try and tackle that harm. I guess the Government's assessment is "Where is that harm still happening? Do we need to go further? Could tax be one of the tools?" Your riposte to that is about the black market. Do you trust the Gambling Commission and the tools at its disposal to manage the legal market and ensure that a black market does not grow?

Grainne Hurst: I think the Gambling Commission has been doing an increasingly good job on the black market. It has been one of its key focus areas for the last couple of years. There is always more that could be



HOUSE OF COMMONS

done. I invite the Committee to go on Google in your own time and type in “non-GamStop casinos”. You will see pages and pages of black market operators coming up. This is not some kind of dark web that you need secret passwords to get into; it is freely available on search engines and providers.

I think there is more that can be done to stop access to these sites, and there is more that can be done on the payment providers, but enforcement is only one element. We also need to stop sending people to the black market. The best way to do that is to keep the regulated sector attractive and competitive so that people are not looking elsewhere for better odds, offers and promotions.

Q140 Bobby Dean: You have already alluded to the wide range of tools that you can use to tackle the black market, whether it is blocking payments, blocking domains or doing something with licences. Your argument that the tax increase will drive people over there does not seem to stack up, particularly given the evidence that we heard from the previous panel, comparing some other countries’ black market share and tax regimes with our own. We had the example of Estonia, which has a big black market for gambling but quite a low tax regime for gambling. Conversely, the Czech Republic has a very small black market for gambling but quite a high tax regime compared with the UK’s. Do you accept that the link you are trying to make is quite weak?

Grainne Hurst: No, not at all. There are lots of other jurisdictions that we could talk about. We talked about the Netherlands in the previous session. If you look at Germany, 50% of its market is black market. The key point is that we should not be sending customers to the black market, where we know that there are no protections.

If you look at how, in the UK specifically, the black market has grown, and you look at the tax take from the regulated sector, you can see the parallels. The black market has doubled in the last couple of years. It is still a low percentage, I am pleased to say, but it is growing from about 2% to 4%. As I said, 1.5 million people are gambling in it, staking about £4.3 billion. If you look at the tax receipts and revenues from the regulated sector, in 2018-19 we were generating £5.5 billion in tax and £7.7 billion in GVA. That has gone down in 2024-25 to £4 billion in tax and £6.8 billion in GVA. You can see that as the regulated sector has become more tightly and rightly regulated as a result of the White Paper changes, more people are using the black market, and the tax yield from the regulated sector is shrinking. That is not something that we want to see continue.

Q141 Bobby Dean: Mr Hodgson, we spoke earlier—I think you were in the room for this—about how 75% of UK betting takes place with bookmakers registered in Gibraltar. Can you explain that for us?

Stephen Hodgson: Yes. There has been a long-standing relationship between this industry and Gibraltar. It has grown up over the last 30 years or so, having started in the ’90s. At that time, when we had the

beginnings of remote betting and gaming, we saw businesses looking for opportunities where they could obtain a licence to allow them to serve markets around the world. Gibraltar was one of the first jurisdictions in the world to offer that kind of regulatory regime. It has evolved since, and of course other countries have evolved since then.

As a consequence, since the '90s and into the 2000s, a large sector has grown up in Gibraltar in this industry. That territory has now become, essentially, an international centre of excellence for this kind of activity. One of the witnesses in the first session talked about stickiness. That was in a different context, but if you think about stickiness in the context of Gibraltar, that is why the industry continues to be very prominent in that particular place.

As you will no doubt be aware, businesses in Gibraltar and other places outside the UK, as long as they are regulated and UK-licensed—and of course businesses in Gibraltar are dual-licensed between Gibraltar and the UK—all pay UK gambling taxes. That is the situation we have had for more than 10 years. The most important thing is that we ensure that businesses remain in that licensed, regulated sector where they contribute to the UK Exchequer.

Q142 Bobby Dean: So they are in Gibraltar because of a historical relationship and it being a centre of excellence. They obviously pay no VAT and a lower rate of corporation tax. Has that got anything to do with it?

Stephen Hodgson: That is a really good question. I am glad you asked about VAT, because I have seen lots of myths and misconceptions in the press on the subject recently. The reality is that VAT is not applied to betting and gaming, because excise duties are applied instead. That is the situation in almost all of the world. There are good, practical reasons for that. VAT does not lend itself particularly well to betting and gaming, because you have no obvious buyer and seller, and you do not know the value of the transaction until you know the outcome of the bet.

If you wanted to apply VAT on betting or gaming, there would be a number of practical difficulties. If you went down to the racecourse and wanted to put £10 on a horse, and the bookmaker said, "Thanks for the £10. Now put £2 in this bucket over here for HMRC," and then you won the bet, went back to the bookmaker, he paid you your winnings and said, "I need to grab into this bucket from HMRC and give you some money back," it would be really impractical. That is why most of the world does not do it.

With respect to corporation tax, the businesses in this industry have operations all over the world. What we tend to find, because the UK has been a global success story in betting and gaming, is that we have lots of businesses headquartered in the UK, paying UK corporation tax, but with operations in a number of other jurisdictions, like Gibraltar, and paying local corporation tax in those places. But because those subsidiaries in other jurisdictions tend to be part of a bigger global group, there will also



HOUSE OF COMMONS

be inter-company activity that results in more corporation tax being paid in the UK, because they are part of a multinational family, essentially.

Q143 Chair: I want to go back to the point I was asking Mr Kenny about. Ms Hurst, you mentioned something about the cross-subsidy. You are saying that you have businesses that will work together. Just to be clear, are shops being subsidised by online revenue?

Grainne Hurst: There is one ecosystem. If a business has shops and online, then that is the ecosystem that is working together. Some shops will be close to not making any profit. Obviously, we are concerned that if there were additional tax rises, we would see shop closures. You may have seen in the press recently that Betfred said that if there were additional tax rises, it would close its 1,300 shops as a result.

Q144 Chair: We know that there is a proliferation of betting shops on our high streets, but that often, if they were stand-alone, they would be quite marginal businesses. Picking up the point that Dame Siobhain raised earlier about making them more enticing places, I remember when they started serving coffee, but they have reduced staff. Many years ago, people said, "If there's only one member of staff, they can't chat to customers." They were social places for a lot of people. Do you think the industry may have undermined its own shops by making them less welcoming places?

Grainne Hurst: No, I think shops are great places on the high street. You mentioned proliferation. As Stephen said, there have been 2,400 shop closures over the last five years, so we are seeing a reduction, not an increase, in shops. They are inviting places. Lots of the staff in the shops know their customers and talk to them; I have been in many shops when they have been talking about their families, weddings and birthdays. The people who work in the shops are really diligent and hard-working. They could get an easier job in which they do not have to work out how to lay the bets and work under pressure when somebody comes up really quickly before the race goes off, but they choose to work in them because they are passionate about what they do. We also know from a previous study that 80% to 90% of people who come to visit the bookmakers go on to spend money on their local high street, so we are bringing footfall into high streets with the shops.

Q145 Chair: In other industries you can have ringfencing of different types of activity. Is that something you have considered at the Betting and Gaming Council, so that you can have online treated in one way, even though the businesses operate as one? Would you consider ringfencing so that you are taxing things on different bases?

Grainne Hurst: They are already taxed slightly differently. I will bring Stephen in on that, but there are different rates.

Q146 Chair: But they are not ringfenced, and you have been very clear that there is very much one business model: money from online will help—

Grainne Hurst: Correct. There is one ecosystem.



HOUSE OF COMMONS

Chair: So have you considered what impact ringfencing would have on the industry?

Grainne Hurst: I think that would be difficult for operators to do. Obviously, they will be reinvesting some of their profits back into particular areas of the business where they think it is needed. If they were to ringfence particular elements of their offering, that would be quite difficult and would probably lead to a reduction.

Q147 **John Glen:** Surely the point is that if you ringfenced these very high margin, highly addictive online entities, where the vast majority of the social ills and individual problems are, you would expose the fact that they are extremely profitable, but you would avoid the cross-subsidy, and what you are basically saying is that there would be a detrimental impact on the high street. The point is that it would expose the fact that you have some businesses that are fine, not damaging but low profit, and some that are highly damaging but are hidden within that ecosystem, as you call it. That is the reality, isn't it?

Grainne Hurst: I wouldn't accept that different parts of the business are more problematic, as you put it.

Q148 **John Glen:** You wouldn't accept that highly addictive online gambling is not the same as going and putting 10 quid on the Grand National?

Grainne Hurst: No, I think gamblers interact with products in different ways. There will be customers—

Q149 **John Glen:** But surely that basic point is true: going and putting a £10 bet on the Grand National is very different from an 18 or 19-year-old man sitting in their bedroom, addicted to problem online gambling. Surely that distinction is one you have to make.

Grainne Hurst: What I am saying is that customers will interact with products differently.

Chair: You keep saying that phrase, but I do not know what it means.

Q150 **John Glen:** Absolutely. When I go to the horses in Salisbury and put on a 10 quid bet, I am very different from a 19-year-old young man who is online with a problem and in enormous debt. I accept that there is a difference, but surely the industry has to come to terms with the fact that the Government and Members of Parliament do not want that social ill to continue, and want to get to the heart of taxing it appropriately. Surely that is a reasonable proposition for us to bring to you, and for you to acknowledge and do something about.

Grainne Hurst: I am disagreeing that there is a social ill with gambling—I think that is probably the difference. I fully accept that there will be customers who go in and put a £10 bet on the Grand National, and there will be customers who are playing online. Lots of customers are doing both—I think that is an important point to note.

Q151 **John Glen:** You have helpfully set out what the industry is doing to deal



HOUSE OF COMMONS

with the very small number of people, which I acknowledge, who have a problem with intense addiction to online gambling. What we are trying to get at, and why this issue has become pertinent in the run-up to a Budget, is that people, and the Government, are frustrated that something that has a significant social ill for those individuals is not properly addressed in our tax system.

Grainne Hurst: Again, I would disagree that there are social ills as a result of gambling. I think it is properly taxed in the system, which Stephen can come in on in a moment, but there are different taxations for different products—we already have that in the system. Sports betting is currently taxed at 15%; remote gaming duty is taxed at 21%. It is important to note that the industry is already absorbing £1 billion-worth of costs from the Gambling Act review White Paper, which the industry fully supported, and many of the measures in it are obviously the right thing to do to drive up standards. But that is an additional cost that the industry is having to absorb, so any further tax rises now will put jobs, shops and sports sponsorship at risk. That is not something the industry wants to see happen, which is why we are making that case to the Treasury.

Q152 **Chair:** Just to be clear, because you have been quite open with this statement, do you think there are any social ills associated with gambling?

Grainne Hurst: No. I think there are people—

Q153 **John Grady:** Why is your industry taking measures, then?

Grainne Hurst: I think there are people who will have problems with their gambling, but that is 0.4% of the population. Obviously, we are doing everything we can.

Q154 **Chair:** Not of the population of people who gamble, just to be clear about that statistic, which keeps being repeated. Are you saying that there are no social ills from gambling?

Grainne Hurst: I am saying that some people have harm from their gambling.

Chair: So it is down to the gambler, not the industry.

Grainne Hurst: No, the reason the industry is taking so many steps is because we want to make sure that people continue to enjoy the products safely and responsibly, like the vast majority of people do. I do not think it is right to categorise the gambling industry as creating social harms.

Q155 **Chair:** Are there any social harms or ills that come from gambling?

Grainne Hurst: There will be people who get into difficulty with their gambling.

Q156 **Chair:** Once again, Ms Hurst, you keep saying that it is the people, not anything to do with the industry, yet you do have measures to stop and block people from gambling, while on the other hand offering free bets and spins.



HOUSE OF COMMONS

Grainne Hurst: It is definitely the role of the regulated industry to ensure that customers are protected when they use our products. The industry has invested a lot of time and money into voluntary measures that we have put in place, as well as the Gambling Act review White Paper, in order to increase those protections. I am happy to go through some of those, if the Committee wants.

Q157 **Chair:** We know what some of those are and have had evidence on that. To be clear, do you have any independent evidence supporting the position that the industry is not creating social ills, but rather, it is down to how individuals choose to interact with it?

Grainne Hurst: That is not what I am saying. I am saying that the industry has a role to play in making sure that we mitigate any harm that could be caused.

Q158 **John Grady:** If I understand your position correctly—and I am not very clever, so help me with this—you do not think that there are any social harms caused by online gambling, but you do think that some people interact badly with it. I can tell you as a constituency MP that I see terrible harm, with people getting into debt. Despite the fact that there are no social harms, you have taken steps to prevent social harms, and you cannot point to any independent, peer-reviewed evidence to support that position. I just don't understand. Help me out.

Grainne Hurst: My point is that the industry is doing everything it possibly can to mitigate any harms that may be caused by our products. That is the right thing for the regulated sector to do. The vast majority of customers enjoy our products as part of their leisure. We know from the Gambling Commission's own survey that 72% of customers say they do it because it's fun. But the industry is rightly taking additional measures to make sure that, for the small minority of people who are at risk, we mitigate those harms. There are a variety of measures, including the GamProtect scheme, which I talked about earlier. We have obviously seen stake limits on online slots reduce recently as a result of the White Paper. Affordability checks are coming into force to ensure that customers are better protected. The industry is taking a range of measures, which is right for the industry to do. You do not get any of that in the illegal market, and that is what we do not want to push customers to. That is the point I am making.

Chair: I think we would all agree on that final point. I thank our witnesses, Grainne Hurst and Stephen Hodgson from the Betting and Gaming Council, very much indeed. The uncorrected transcript of this session and the previous panel will be online in a couple of days. We will then consider how we put this to the Treasury, although I am sure they have been tuning in to the discussion—well, I hope they have. Thank you very much indeed.