

The Rt Hon Rachel Reeves, Chancellor of the Exchequer
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Budget submission and Response to Treasury Consultation on
'Tax Treatment of Remote Gambling'

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Dear Chancellor,

I am writing with a Budget submission in response to your consultation on child poverty and on the *Tax Treatment of Remote Gambling* to highlight a critical opportunity for this Government: to raise an additional £3bn through fairer taxation on the gambling industry and to propose that revenue be hypothecated to take the first step in the war against child poverty.

It is to your and Keir Starmer's credit that within days of entering power, you set up the [child poverty review](#) with a remit 'to reduce child poverty during this parliament'. Here I set out how you might start to finance action against the biggest cause of social division in our country today and take the first 500,000 children out

of poverty –without breaking any fiscal rules or without having to drop manifesto commitments.

I sympathise greatly with this government's fiscal inheritance, and this autumn, as growth is hit by external factors- tariffs and trade restrictions- and the fiscal position comes under pressure as we come to terms with a history of low productivity, the window for long-promised social improvements might appear to have narrowed.

But in responding to the government's invitation to submit evidence to both the child poverty review and to the recent [gambling taxation](#) consultation – and helped by recent reports from the [Social Market Foundation](#) and the [IPPR](#) a number of sources of revenues can be identified to address child poverty, the first of which is fair taxation of the gaming and betting industry. And this can be achieved without affecting lotteries and bingo, while positively helping the horse racing industry and allaying any fears about its future

Context

I am surprised that when reading The Treasury's consultation document on gambling tax it is so narrowly framed as an exercise in harmonisation of online taxation, a repetition of the previous Conservative administration's desire for liberalisation without taking account the very big variations in profitability especially from online gaming and also the very big variations also in the degree of social harms. This leads to major public spending costs,

for example in NHS treatments and employment disruption through mental stress which are not fully addressed by the new £100m initiative which started to be negotiated under the previous government. The consultation document seems out of line with this Labour government's commitment to reducing gambling harms through supporting damaged communities and seems unrelated to the state of our public finances.

Betting and gaming is a £11.5bn sector (according to Gambling Commission figures excluding lotteries) which currently incurs only [£2.5bn in tax](#). These duties are the equivalent of just 0.3% of all tax receipts. Cigarettes are taxed at 80 per cent on the sales price and spirits like whisky at around 70 per cent, with both industries paying corporation tax and VAT; but betting and gaming at just over 20 per cent of profits, without them paying VAT and without corporation tax being paid in most cases, given the location of many companies in offshore tax havens.

Of the total revenues, around £1.03 billion (42%) has recently come from Remote Gaming Duty, £0.65 billion (27%) from General Betting Duty, and £0.59 billion (24%) from Machine Games Duty. Gross Gambling Yield has increased year on year: 2024 showed a 5.7 per cent increase on April 2022 to March 2023 and a 13.5 per cent increase on the last pre-lockdown period of April 2019 to March 2020. Indeed, receipts have more than doubled in cash terms since 2010, including a strong recovery in the last two years after a Covid-related dip in 2020–21.

The UK taxes gambling at much lower rates than other countries. Online casino profits are taxed at 21% in the UK but at:

- **40% in the Netherlands,**
- **54% in Austria, and**
- **57% in Delaware (a small US state often seen as a tax haven).**

Last week a [report](#) from the Social Market Foundation (July 29) showed the government could raise an extra £2 billion in one area alone:

- **Increasing Remote Gaming Duty (RGD) to 50% (still lower than Delaware),**
- **Raising General Betting Duty (GBD) to 25%, while exempting small businesses through a small profits threshold,**
- **A carve-out for horseracing and bingo to protect these industries. Indeed, the horseracing community would benefit from the detailed recommendations included in the proposals, without lowering the £2 billion raised.**

While the SMF restrict their work to two taxes, they make it clear other revenues are also available, and the IPPR will shortly report that, in total, £3 billion can be raised without again affecting lotteries, bingo or horseracing.

- **To harmonise with online slots, as research from the IPPR suggests, raising Machine Games Duty (MGD) from 20% to 50% could bring in nearly £880 million in 2026–27. This would apply to the highly**

profitable slot machines in arcades, casinos, and adult gaming centres.

- **Low-prize seaside machines (category D) would keep their current low 5% rate.**

In total, the revenues that come from these changes and raise £3 billion annually are:

- **RGD from 21% to 50% → £1.7 billion**
- **MGD to 50% (excluding D machines) → £0.9 billion**
- **GBD (excluding horseracing) from 15% to 25% → £0.5 billion**

The reports make it clear that, unlike other harmful industries like tobacco and alcohol, gambling, while linked to addiction, debt, and other serious harms, is not taxed to reflect its social costs. We know that taxes on gambling are far lower than those on oil, gas, cars, or tech companies.

There is an additional case for a licensing regime, charging companies who operate in the UK but are based abroad a substantial licence fee. This would charge them for the privilege to operate in the UK while registered offshore, outside the UK, and would also raise substantial revenues.

Conclusion

Ahead of the budget, and with tightening public finances, there is a critical opportunity to reform the taxation of gambling in this country and to go beyond the narrow consultation paper that does

not address the issues at stake. Taking the actions set out above to apply fair levies on the gambling industry would mean that the Government would not only have £3 billion to reduce child poverty but would start to improve the status and contribution of an industry which, often based in tax havens to escape UK corporation tax, uses transfer pricing to hide its profits, and is, unlike almost all other businesses, exempt from VAT, and whose most addictive practices are held by official government sources to be responsible for a degree of social harm that costs the NHS and other services more than £1 billion a year.

Despite the claims we already hear from the very well-financed propaganda and lobbying organised by the industry, the evidence available on employment and illegal gambling from the experience of far higher tax regimes abroad is that applying these fair levies in the UK would not have the detrimental impact alleged on British jobs, the British economy, or drive gambling to the so-called black market. Instead, we would be able to raise revenues for one of the Government's most publicised but as yet underfunded objectives – to reduce the shocking levels of child poverty, now the worst in recent history, which, while the inheritance from Tory austerity, would, without action in the budget, remain a stain on the soul of our country.

Yours sincerely

Gordon Brown