

**SUBMISSION TO**  
**THE PRODUCTIVITY COMMISSION INQUIRY**  
**INTO**  
**AUSTRALIA'S GAMBLING INDUSTRIES**

**Joint Submission from:**

Fundraising Institute Australia – Inc  
PO Box 642  
Chatswood NSW 2067

Ph: 02 9411 6644  
Fax: 02 9411 6655  
Mobile: 0412 370 441  
e-mail: [wclarke@one.net.au](mailto:wclarke@one.net.au)

**and**

Third Sector Management Services Pty Ltd  
PO Box 204  
Margate Beach Qld 4019

Ph: 07 3880 2999  
Fax: 07 3880 2166  
Mobile: 0415 749 637  
e-mail: [tedflack@powerup.com.au](mailto:tedflack@powerup.com.au)

## **CONTENTS**

- 1. Introduction to Fundraising Institute – Australia Inc**
- 2. Introduction to Third Sector Management Services Pty Ltd.**
- 3. Background to Charitable Gambling:**
  - **Traditional monopoly for not-for-profits;**
  - **Types of Charitable Gambling;**
  - **Regulation of Charitable Gambling;**
  - **Extent of Charitable Gambling in Australia.**
- 3. Role of Charitable Gambling in Fundraising:**
  - **Fundraising and Building Social Capital;**
  - **The Role of Benefit Funds etc.**
- 3. Competition Issues:**
  - **Competition with the Regulator?**
  - **Barriers to Entry into Charitable Gambling Markets**
- 3. Charitable Gambling and the Proposed GST.**
- 7. Recommendations.**

## **1. Introduction to Fundraising Institute – Australia Inc.**

Fundraising Institute – Australia Inc. was initially formed in Melbourne as The Australasian Society of Fundraisers (ASF) in 1968. Over the next two years, the constitution was revised, culminating in the birth of The Australasian Institute of Fundraising (TAIF). In 1992, TAIF changed its name to Fundraising Institute – Australia Inc (FIA), and now operates from its National Secretariat in Sydney and has Chapters in most States of Australia.

FIA is a Foundation member of the World Fundraising Council which consists of national fundraising bodies from the USA, Canada, France, England, Mexico, South Africa and Australia and is recognised world wide among professional fundraisers.

In 1999, FIA has 1050 members, (estimated to be about half of all professional fundraisers in Australia) who, as in 1968, are engaged substantially, if not wholly in the profession of fundraising, are united for their mutual benefit, for the benefit of their profession and for the good of those they service in the community at large. They share a common bond in their commitment to their profession and philanthropy as a whole.

FIA members work for and with not-for-profit organisations within the charitable, medical, arts, educational, religious, community and welfare service and sporting or social fields, or in the capacity of consultants providing fundraising services to such organisations. Many of FIA's members hold senior management positions within their organisations and assist in raising approximately \$5 billion of funds throughout Australia each year.

Members of FIA are bound by the Institute's Code of Ethics and Code of Professional Conduct and pledge their commitment to observe and promote its objectives.

The purposes of the Institute are:

- To encourage high standards of performance and productivity in fundraising;
- To encourage the sharing of professional knowledge and skills amongst its members;
- To encourage and provide formal and informal education in fundraising;
- To define, foster and review adequate ethical standards and practices in fundraising;
- To be an advocate in the wider community for the voluntary sector and its fundraising functions;
- To provide members with opportunities for fellowship with others who share and understand their professional interests and concerns.

The business and affairs of the Institute are managed by a National Council comprising of members elected by and within each of the State Chapters. As a professional body,

FIA is recognised by Government and business alike as the official voice and support network of the fundraising profession in Australia.

The Institute assists its members in their professional endeavours by providing:

- Consultation with Government representing the profession's interests within the Government area;
- Membership of consultative committees considering fundraising legislation;
- national and state conferences,
- approved training courses;
- FIA Accreditation Program;
- professional development seminars,
- monthly meetings;
- annual awards for the best fundraising projects in a range of categories;
- fundraising of the year;
- assistance with entry to professionally-developed training programs at recognised tertiary institutions;
- researching, developing and disseminating relevant information;
- library services
- bookshop providing the latest titles on fundraising practice;
- accreditation schemes;
- access to information regarding similar overseas bodies, publications, research and statistics;
- fostering ethical standards for the management, direction and counselling of fundraising programs;

FIA also produces:

- "Fundraising Australasia", a quarterly magazine of informative news and views, plus in-depth articles on aspects of fundraising;
- "Who's Who in Fundraising?", an annual listing of FIA members, plus other valuable reference information;
- Monthly Chapter newsletters;
- Ongoing promotion of philanthropy to corporations and the public.

## **2. Introduction to Third Sector Management Services Pty Ltd.**

**Third Sector Management Services Pty Ltd**, which was founded in 1992, is a management consultancy which specialises in "Third Sector" organisations.

It's Principal, Ted Flack, B.Ec., FFIA, CFRE, JP (Qual). has twenty-three years experience in the management of charitable organisations, having held a number of both fundraising and general management positions with Sydney's Wesley Central Mission, The Benevolent Society of NSW, Endeavour Foundation, Paraplegic and Quadriplegic Association of Queensland and the Australian Spinal Research Foundation.

Ted Flack is a Fellow of the Institute and a Certified Fundraising Executive and has been a member of FIA since 1976. He has served as a past National Council Member, a past President of the Queensland Chapter, past National Treasurer and past Chairman of FIA's Working Group on the Industry Commission's Inquiry into Charitable Organisations.

Ted Flack acknowledges the critical value and importance of FIA in professional education and training and commends membership of the Institute to all those who work in fundraising.

Ted Flack is also a Member of the Board of Directors of Australia New Zealand Third Sector Research (ANZTSR), a frequent speaker on non profit management topics for FIA, the Australian Society of CPAs, government and community organisations.

Third Sector Management Services Pty Ltd has assisted a wide variety of not-for-profit organisations including:

### **Charitable:**

- Life Line Brisbane
- Life Line Queensland State Council
- Royal Children's Hospital Foundation
- Australian Red Cross Brisbane
- Burdekin Community Association
- Society of St Vincent de Paul
- Queensland Homicide Victims' Support Group Inc
- Homicide Victims' Support Group Australia Inc
- National Federation of Blind Citizens Associations
- Royal Blind Society of Queensland

### **Research:**

- Australian Spinal Research Foundation
- Australia New Zealand Third Sector Research Ltd
- Australia New Zealand Forensic Science Society Inc

**Educational:**

- Queensland University of Technology Development Office
- Contract Lecturer – QUT School of Social Science
- Marist College Ashgrove
- Mount Alvernia College

**Sporting:**

- Australian Society of Sports Administrators
- Women's Hockey Association
- Canoe Australia
- Queensland University Rugby Union Club
- Royal Queensland Golf Club

**Cultural:**

- Musgrave Park Cultural Centre Inc

**Professional:**

- Chiropractors Association
- Aromatherapy Association
- Beenleigh Chamber of Commerce Inc

**Environmental:**

- Greening Australia Inc

**Other:**

- Queensland Department of Families and Community Care
- Air Sea Rescue Association of Queensland Inc
- Queensland Health – Statewide Health Promotion Team
- Queensland Police Pipe Band

**Third Sector Management Services Pty Ltd services include:**

- Analyses of community needs;
- Planning and conduct of community consultation processes;
- Strategic Planning Seminar facilitation;
- Mission Analysis Seminar facilitation;
- Organisational Reviews;
- Business Plans;
- Training of members of Boards of Management (Directors);
- Development of Change Management Strategies;
- Fundraising planning;
- Fundraising Audits;
- Public Relations Audits;
- Development of Quality Management approaches;
- Develop Policy and Procedure Manuals;
- Accountability Audits;
- Management Information Audits;
- Fundraising Information Audits;
- Analysis of not-for-profit opportunities for collaboration in Asia Pacific;
- Information technologies for not-for-profit organisations;
- Training for Boards and staff in Risk Management Techniques;
- Professional Association Secretariat Services;
- Staff training – design, delivery and evaluation.

### **3. Background to Charitable Gambling:**

#### **Traditional Charity Monopoly on Community Forms of Gambling.**

In Australia, and indeed many former British colonies, minor forms of gambling have, until relatively recently, been permitted only when conducted for social, civic, community or not-for-profit purposes.

In Britain, the Parliamentary Act 1698 prohibited all lotteries not authorised by parliament for State and certain public purposes.<sup>1</sup>

In Australia, 'Art Unions' or Raffles have been conducted for charitable purposes since the 1860s.<sup>2</sup>

The introduction of State Lotteries such as Tattersals and the Opera House Lotteries were accompanied by Legislation which 'earmarked' the proceeds for civic or charitable purposes like hospitals, construction of the Sydney Opera House etc. There seems to be a moral objection to the notion that people should be able to make bets at extremely long odds unless the proceeds are for a good cause.<sup>3</sup>

#### **The Introduction of Poker Machines.**

Even the early legislation introduced by the New South Wales Government allowing poker machines was framed in such a way so as to ensure that only not-for-profit organisations such as Rugby Leagues Clubs, RSL Clubs, Bowling Clubs etc could take advantage of this form of gambling.

Again there seems to be a moral objection to the introduction of poker machines unless they are operated for social profit rather than for private profit.

The proliferation of poker machines and casino games to establishments run entirely for private profit such as pubs, bars and casinos, is partly excused by recent policy makers by the imposition of higher levels of state taxation on these outlets and the creation of various forms of charity funds to be used to distribute some of the taxes collected.

#### **Types of Charitable Gambling.**

Throughout the last 40 years, as gambling products have become more and more available in the community with the introduction of off course horse racing betting (TABs), poker machines, state lotteries, casinos and lucky number games ("scratch

---

<sup>1</sup> Good Cause for Gambling, by John A Kay for the UK Home Office 1992

<sup>2</sup> History of the Benevolent Society of NSW unpublished manuscript in State Library of NSW

<sup>3</sup> Good Cause for Gambling. Ibid

its”), charitable gambling has continued to provide an important source of fundraising income for not-for-profit organisations.

## **The Major Charitable Gambling Products are:**

Major Art Union or raffle tickets	Lotteries for cars, boats, luxury homes, major travel prizes etc.
Minor Art Union or raffle tickets	Traditional chook raffles, meat trays etc.
Bingo tickets or Housie tickets	Social Bingo, Major Bingo or High Roller Bingo.
Lucky Numbers tickets	Break open tickets, scratch it style tickets, punch boards, lucky number vending machines.
Sweeps and Calcuttas	Melbourne Cup Sweeps etc
Gaming Functions	Card and dice games (minor activity, legal in some jurisdictions only)
Two-up on ANZAC Day	Betting on the toss of two coins or tokens (minor activity, legal in some jurisdictions only)

## **Regulation of Charitable Gambling.**

The various forms of charitable gambling are regulated in each state and territory in Australia under different legislation in each jurisdiction as follows:

NSW	Lotteries and Art Unions Act 1901
ACT	Lotteries Act 1964
VIC	Lotteries Betting and Gaming Act 1966
SA	Lottery and Gaming Act
WA	Gaming Commission Act 1901
NT	Gaming Control Act (In force 1996)
QLD	Art Unions Act 1992
TAS	Racing and Gaming Act 1952

## **The Extent of Charitable Gambling in Australia.**

The extent of charitable gambling in Australia is difficult to determine accurately for two major reasons as follows:

- (a) The State regulatory authorities do not keep comprehensive databases on the value of charitable gambling products sold, return to prize winners or gross margins to the charitable operators;
- (b) Many minor forms of charitable gambling are exempt from the requirements to submit returns to the state regulators (“private raffles”, “social bingo” “sweeps” etc.)

There are various fragments of data available from which it is just possible to draw some very general conclusions as follows:

**Ref A** In a survey conducted in 1995 of 148 charitable organisations in all states of Australia, 38 or 25.67% stated that they obtained income valued at 14.5 million from lotteries/art unions/calcuttas. The median sum raised (net proceeds) were \$64,000 and the average sum raised was \$382,000.

**Ref B** In 1989 (before the introduction of poker machines) a survey of major bingo games in Queensland revealed that the total market for bingo in 67 major bingo venues conducted by Associations was \$285 million representing a return to the charitable operators of approximately \$5 million.

**Ref C** In 1993 as a part of a social impacts research project conducted for the Department of Family Services and Aboriginal and Island Affairs on the Impact on Charitable Fundraising of the Introduction of Poker Machines, the researcher found that the 29 respondents to a survey (selected in various regions of Queensland) received the following income from charitable gambling in 1992.

	<u>Total</u>	<u>Mean</u>	<u>Median</u>
Minor Art Union (Net)	\$199,072	\$2,690	\$ 1,130

**Note:** In 1989, the Queensland Justice Department published a Green Paper on the proposed changes to the Art Union and Amusements Act 1976 in which, on page 5, it was stated that there were then 16,700 Approved Associations that have minor art union permits.

**Ref D** In submissions to the study referred to in Ref C, several charitable organisations drew attention to the effect of the introduction of poker machines on “lucky envelopes”. From interviews with Bingo Sales Pty Ltd, a major manufacturer of both Bingo cards and Lucky envelopes (numbers) it can be shown that the value of the lucky numbers market in

Queensland prior to the introduction of poker machines was approximately \$4.5 million.

**Ref E** In a Report entitled “Report of the First Year of the Study into the Social and Economic Impact of the Introduction of Gaming Machines to Queensland Clubs and Motels”, published by Department of Family Services and Aboriginal and Islander Affairs, 1995, it was stated that (page 42) per capita spending on minor gaming was \$41.19 in 1992-93.

ABS Statistics on population for 1993 shows that there were 3,116,000 residents of Queensland at that time.

Using these two figures it is possible to estimate “minor gaming” in Queensland in 1993 at \$128,348,040.

### Summary of available data on Charitable Gambling:

It is difficult to make accurate judgements about the size of the charitable gambling market in Queensland, however, it would not be unreasonable from the available data to estimate the market as follows:

	<b>1993</b> (\$ millions)	<b>1998</b> (\$ Millions)
Bingo	\$ 285 - \$ 400	\$ 200 - \$ 300
Major Art Unions	\$ 85 - \$ 100	\$ 100 - \$ 200
Minor Art Unions	\$ 100 - \$ 150	\$ 80 - \$ 130
Lucky Numbers	<u>\$ 2.5 - \$ 5</u>	<u>\$.5 - \$ 1.5</u>
	\$472.5 - \$ 655	\$385 - \$ 631.5
<b>Net profit (33.3%)</b>	<b>\$ 175 - \$ 218</b>	<b>\$ 128 - \$ 210</b>

Even if these estimates are in error by a factor of \$100%, it is clear that the productivity Commission's estimate of \$300 million for the total value of the charitable gambling market in Australia is likely to be a major underestimation.

If one were prepared to estimate that Queensland's share of the market represents one third of the Australian market, then the total of charitable gambling sales must be in excess of \$600 million. It should be noted that no estimates for sweeps, calculttas, gaming functions and charitable two up are included in the above calculations.

If it is assumed that on average all forms of charitable gambling earn the rate of return to the operator required by the legislation, then it can be estimated that charitable gambling provides a minimum return of \$200 million per annum to charities around Australia.

## 4. Role of Charitable Gambling in Fundraising:

### Fundraising and Building Social Capital

Not-for-profit organisations depend largely on the goodwill of their supporters. They are founded by volunteers who decide to gather together and get organised to do something about the cause for which the not-for-profit organisation is formed.

Although the donations of money, goods in kind and volunteer labour are invaluable, the committed few soon tire of bearing the financial burden without outside help.

One of the first responses in many such organisations is to conduct a raffle or sell lucky numbers amongst supporters and their families. Books of tickets are distributed and sold and often an energetic supporter will take a book of tickets to their place of work or to a social function to sell more tickets.

The process of organising a raffle in a community organisation provides many opportunities for the development of social capital. The recruitment of ticket sellers, the asking for donations as prizes, approaches to local businesses for places to sell tickets, the arrangements for a table outside the local bank on pension day etc., are all part of the creation of networks of mutual obligations and trust in a community. The simple raffle is a powerful means of building social capital.

The database of ticket buyers created by the raffle 'butts' is a valuable fundraising resource for many years to come.

It is important to note that the sale of tickets is the primary aim, but a secondary objective is also being accomplished in that each time a request for a ticket purchase is made, information about the not-for-profit organisation and its cause is also distributed. "What are you raising money for?"

(In 1986, Endeavour Foundation conducted market research in Brisbane and two regional centres [total sample 7786], to obtain information about levels of awareness of the organisation and its work with people with intellectual disabilities. In response to a question "*what does Endeavour Foundation do?*", the third highest response after "don't know" [39%] and "help the handicapped" [27%] was "sell raffle tickets" [21%]. This response underscores the importance of the role of raffle tickets in positioning of a charitable cause in the minds of the general public.)

Research conducted by large charitable raffle (art union) providers such as Endeavour Foundation and Paraplegic and Quadriplegic Association of Queensland revealed that the primary motivation for the purchase of charitable raffle tickets is the prospect of winning the prizes offered. The qualitative research showed that a strong "secondary benefit" in the purchase was the notion that the purchaser believed "even if I don't win – it's all in a good cause."

For the not-for-profit volunteer management committee or the not-for-profit manager the proceeds of charitable gambling activities are very important in that these surpluses are discretionary funds and may be applied to any purpose within the organisation's objectives.

Very often donations are received with either explicit or implicit limitations on the uses to which they can be put. Donors may have been solicited in a manner which indicates donations will be used for a particular purpose or donors may specify that their donation is made on the basis that a special purpose trust has been agreed to by the not-for-profit receiving the donation. It is unheard of for the purchaser of a raffle ticket or the bingo player to attempt to impose conditions on the use of the surplus from their purchases.

In summary, charitable gambling has an important role in the fundraising mix of many not-for-profit organisations as follows:

- it provides a useful predictable income stream;
- it provides 'outreach' opportunities to promote the cause for which the promoters stand;
- it helps to create social capital and networks of support for the organisation in the community;
- it provides important unrestricted funds which can be applied to the less attractive expenses of the organisation such as the electric light bill.

Great care must be taken by policy makers to ensure changes to legislation which impact on charitable gambling do not have unintended adverse consequences to these important activities for not-for-profit organisations.

## **The Role of Benefit Funds**

In recent years as State Governments have expanded opportunities for commercial gambling operators, special funds have been established from a levy on commercial gambling operations. These funds have been established with the twin objectives of providing funds to assist problem gamblers and to provide a fund from which to provide grants to a variety of not-for-profit organisations.

Many not-for-profit organisations have benefited from the grants made available by such funds, however, there are several not so well understood disadvantages of such a system.

The policies to guide the disbursements from these funds reflect the values of the trustees (and any directions they might get from government) and such policies do not necessarily reflect the values of the organisation being funded. Examples include the requirement to acknowledge the Fund on the side of a vehicle for people with disabilities, or that the funds for the vehicle were approved when a grant for public

transport fares would not have been successful but may have been more beneficial to the clients of the service.

Secondly, Benefit Funds like to give 'one off' grants and rarely approve multi year funding. The effect of this is that programs that are supported by grants from such funds have little security of funding with the known undesirable effects on staffing, skill development, corporate knowledge etc.

This dependency relationship contrasts sharply with the not-for-profit organisation which is able to maintain discretion over the continuing stream of surpluses generated by its own charitable gambling promotions.

## 5. Competition Issues:

### Competition with the Regulator?

From market research undertaken by the Australian Spinal Research Foundation in 1995, the following were the major competitors to the Foundation's "Giant Raffle" (tickets \$2.00) the major prize of which was a medium sized motor vehicle:

- Other charitable \$2.00 raffles for cars;
- \$1, \$2 and \$5 "Scratch it" type tickets offered by the Queensland Government;
- \$2 and \$5 State lotteries;
- Poker machines;
- Casinos.

It was noted that after "other charitable raffles for cars", "scratch it types tickets" and "State Government lotteries" were the next most important competitors for sales in this \$2.00 price bracket of the raffle ticket market.

It is interesting to note that the regulator of charitable gambling in Queensland, the Queensland Treasury, is also the operator of the State Golden Casket lotteries. There is some evidence in Queensland that this conflict of interest (and the influence of the Club Industry) may have adversely effected the Golden Casket's charitable gambling competitors as follows:

- introduction of legislation to ban the sale of art unions at venues which also sold Golden Casket tickets (newsagencies were an important outlet for charitable lucky number games and charitable lotteries);
- introduction of legislation to restrict the maximum price of lucky envelope tickets to 50c at a time when the Scratch it tickets were introduced at a price of \$1.00
- no amendments to legislation which restricted the maximum value of bingo jackpots at a time when poker machines were allowed to offer much more attractive prizes;
- no amendments to legislation which prevented charitable bingo being conducted on licenses premises – after the introduction of poker machines in clubs – thus ensuring that Bingo Clubs could not be developed in Queensland
- no amendments to legislation which restricted the availability of subsidised meals, free buses, lucky door prizes etc in Bingo premises but made no such restrictions on clubs in which poker machines were approved.

## **Barriers to Entry into Charitable Gambling Markets**

There are a number of barriers to entry into the charitable market as follows:

- The legislative requirement in some states for a minimum percentage of maximum available ticket sales to be returned as profit to the charitable operator creates a significant barrier to entry for new charitable gambling promoters. This regulated minimum means that the charitable gambling operator must make a surplus on the first promotion and does not allow a new operator to plan to run several promotions at breakeven or a loss in order to establish a recurrent customer base and so generate subsequent surpluses. There is no such requirement on commercial gambling operations.
- The eight different jurisdictions in Australia, each with different legislation and regulations creates significant barriers to competition 'between charitable gambling promoters' in different states. In most jurisdictions, it is an offence to offer a foreign art union for sale; 'foreign' meaning a raffle which has a permit from another state. Yet it is not possible to obtain permits from several jurisdictions for the same lottery, lucky envelope, game or sweep. No such restrictions apply to State Government lotteries.
- In most jurisdictions, state regulators will not issue trade promotion permits to charitable organisations and yet such permits are available to commercial gambling operators. (Trade promotions are a useful mean of developing a database of likely customers for mail order products such as lottery tickets.)
- In offering bingo jackpots, charitable bingo operators are required to build up a provision for such jackpots from the prize pool of a particular permit. The effect of such regulations is to make it difficult for a new bingo operator to compete for players who are attracted by the size of jackpots being offered.

These restrictions are not imposed on commercial gambling promoters and discourage new promoters.

The combined effect of unresponsive regulatory regimes, conflict of interest by the regulator and barriers to entry for new charitable gambling operators has been that this form of fundraising has been unable to successfully compete with commercial gambling promoters.

Unless the regulatory framework for charitable gambling in Australian jurisdictions is modernised and liberalised, charitable gambling will eventually become a part of a rather quaint social history of Australia.

## **6. Charitable Gambling and the Proposed GST:**

In the New Tax system –White Paper, Chapter 2<sup>4</sup> the government's proposal to apply a GST to charitable gambling products such as raffles, art unions, bingo, lucky numbers etc is set out as follows:

### **“Gambling and lotteries**

Gambling and lottery activities will be included in the tax base. The GST will apply to the operation's margin of these activities, not to the prizes paid out. That is, the tax will apply to the difference between total 'ticket sales' or 'bets taken' by the operator of the gambling or lottery activity and the value of the prizes or winnings paid out. However, operators cannot always adjust their prices because these are often set by the rules of the game or by State government legislation relating to levels of payout. As the States already tax gambling highly there may need to be corresponding reductions in State gambling taxes. This will be possible because, under the proposed arrangements, the States will receive the proceeds of the GST, including the GST on gambling.”

The imposition of a GST on the gross margin between the total ticket sales of charitable gambling products and the total of the prizes paid is a direct tax on this form of gambling. The burden of the new tax is on the charitable organisation, not on the purchasers of the gambling products.

Since all profits from the conduct of charitable gambling products by existing State legislation, are required to be applied to the Charitable or community purpose of the promoters, the proposed GST is a tax on the income of these charitable or community purposes.

In policy terms, this is a major departure from the pattern of income tax exemptions for such organisations in place at present.

The rationale for the imposition of the GST on charitable gambling appears to be that such equal treatment with other for-profit gambling products is desirable on competitive neutrality grounds. Since the GST on charitable gambling is not likely to be passed on to the purchasers of tickets etc., there does not appear to be valid competitive neutrality argument.

There are a number of issues that should be considered in weighing the arguments for the imposition of this GST on charitable gambling as follows:

---

<sup>4</sup> The New Tax System – White Paper Chapter 2 page 19,  
<http://www.taxreform.gov.au/whitepap/ch2.htm>

- Many minor raffles, social bingo and sweeps are conducted amongst members of associations and clubs in circumstances where the principal of ‘mutuality’ should be considered.
- Many forms of charitable art unions, raffles, lotteries, bingo, lucky numbers, calcuttas etc are forms of gambling that are legal only when conducted for charitable or community purposes and therefore the question of competitive advantage may not apply as there is no direct commercial market equivalent.
- In most jurisdictions in Australia the charitable gambling regulators have imposed legislative limits on the proportion of prizes to ticket sales, costs to ticket sales and minimum levels of surplus. The imposition of a GST on the gross margin will require amendments to legislation in every jurisdiction in Australia.
- The distribution and sale of minor forms of charitable gambling products is largely an activity undertaken by volunteers. The cost and impracticality of compliance will be a major incentive to smaller promoters to make administrative arrangements so as to remain below the \$100,000 threshold for registration as a collector of GST and to bear the costs. This incentive will have the same effect as if the not-for-profit were to be taxed 10% on all of its inputs to charitable gambling and have its current input tax exemptions removed.

## **7 Recommendations:**

### **It is recommended:**

- 1. That the proliferation of new forms of minor gambling to commercial interests be halted and that only governments and not-for-profit organisations be permitted to promote minor forms of gambling in the future.**
- 2. That existing gambling products promoted by private commercial interests be taxed at a higher level to maintain the link between minor forms of gambling and community purposes.**
- 3. That common legislation regulating charitable gambling move to be enacted in all Australian jurisdictions.**
- 4. That the proposed imposition of GST on charitable gambling be abandoned.**
- 5. That the regulation of charitable gambling be vested in an independent Commission at arms length from the State Treasury departments and other State controlled gambling interests.**