EXPLANATORY MEMORANDUM TO

THE GAMBLING LEVY REGULATIONS 2025

2025 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Culture, Media and Sport and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Baroness Twycross, Parliamentary Under Secretary of State at the Department for Culture, Media and Sport, confirms that this Explanatory Memorandum meets the required standard.

2.2 Sarah Fox, Deputy Director for Gambling at the Department of Culture, Media and Sport, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Muneeb Hafiz at the Department for Culture, Media and Sport (telephone: 07500 672445; email: muneeb.hafiz@dcms.gov.uk) can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the instrument

4. Overview of the instrument

What does the legislation do?

4.1 Section 123 of the Gambling Act 2005 ('the Act') provides the Secretary of State with powers to impose an annual levy on the holders of operating licences issued under the Act. The Regulations use those powers for the first time to introduce a statutory levy, which applies to all classes of operating licence issued by the Gambling Commission.

4.2 The Regulations require all holders of operating licences to pay an annual levy to the Gambling Commission. The Commission will, with the consent of the Treasury and the Secretary of State, expend money received by way of the levy for purposes, or by providing financial assistance for projects, related to (a) addiction to gambling, (b) other forms of harm or exploitation associated with gambling, or (c) any of the licensing objectives. Such projects need not be undertaken by the Commission itself, but the Commission could fund others (including other public sector bodies) who are undertaking projects connected with problem gambling.

4.3 After the Regulations come into force on 6 April 2025, operators are required to make levy payments by 1 October each year. The amount due is calculated by reference to an operator's actual incomings and outgoings in each levy period. Levy periods run in general from 1 April one year to 31 March in the next; however, the first levy period for most operators[1] will be the nine month period beginning with 1 July 2024 so as to reflect the way that the Gambling Commission collects the relevant data. Necessary

[1] But not the holders of a lottery operating (society) licence.

operator data used for calculating levy amounts is collected through quarterly returns which all licensed operators are required to send to the Gambling Commission[2].

4.4 The Regulations set out that the amount of levy is calculated for non-lottery operating licences as a proportion of an operator's yield (stakes and other proceeds minus prizes and winnings paid out), ranging from 1.1% to 0.1% depending on the nature of the licence. Society lottery operators pay the levy as a proportion of the proceeds retained after good causes and prizes are paid, and External Lottery Managers as a proportion of fees charged to society lotteries minus prizes paid.

4.5 Section 123(4) of the Act provides that any sum due by way of levy must be treated in the same way as a sum due in respect of annual fee. This means that if the holder of an operating licence fails to pay a sum in accordance with the Regulations, the Gambling Commission must revoke that operating licence unless the failure can be attributed to administrative error (see section 119(3) of the Act).

Where does the legislation extend to, and apply?

4.6 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales and Scotland.

4.7 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales and Scotland.

5. Policy context

What is being done and why?

5.1 In April 2023, the previous Government published a white paper[3] following its review of the Gambling Act 2005, setting out plans to modernise regulation of the gambling sector. The white paper outlined a comprehensive package of measures to introduce robust new protections against gambling-related harm, and to prevent harm as early as possible. A key proposal in the white paper was the introduction of a statutory levy paid by operators and collected and administered by the Gambling Commission under the strategic direction of government, replacing the current and controversial system of voluntary contributions from gambling operators. Levy funding will provide ring fenced funding for research, prevention, and treatment for gambling-related harm.

5.2 The statutory levy puts the independence of funding arrangements beyond doubt and ensures sufficient government oversight on the effective use of funds raised through the levy. The aims are to improve the provision of high-quality, independent research on gambling, ensure there is a comprehensive approach to prevention activity across Great Britain (broadening out the previous focus on education) to raise awareness of harms before they occur and intervene as early as possible, and also align support and treatment services commissioned by the NHS or the third sector, so as to ensure those experiencing gambling-related harms are able to access the right help they need when they need it.

What was the previous policy, and how is this different?

5.3 Arrangements for collection and management of industry donations have changed in recent years. By section 3.1.1(2) of its Licence Conditions and Codes of Practice (see footnote 2), the Gambling Commission currently requires operators to make an annual

[2] See Operating Licence Condition 15.3.1 of the Gambling Commission's Licence Conditions and Codes of Practice: https://www.gamblingcommission.gov.uk/licensees-and-businesses/lccp/print.

[3] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1153228/1286-HH-E02769112-Gambling_White_Paper_Book_Accessible1.pdf.

financial contribution to one or more approved organisations which deliver or support research into prevention and treatment of gambling-related harms, harm prevention approaches, or treatment for those harmed by gambling. The amount is not specified, as this is a Gambling Commission licence requirement rather than a levy. In practice, the amount individual operators voluntarily contribute varies widely.

5.4 The mandatory statutory levy introduced by these Regulations requires all licensed gambling operators to make an annual financial contribution to research, prevention and treatment. This will guarantee funding, substantially improve trust, independence and integration across the system given the statutory nature of the funding arrangement, and will provide ring fenced funding for research, prevention (beyond the previous focus on education) and treatment of gambling-related harms.

6. Legislative and legal context

How has the law changed?

6.1 The Gambling Act 2005 sets out how most commercial gambling is regulated in Great Britain (gambling policy is almost entirely devolved to Northern Ireland). The Act created the Gambling Commission (replacing the Gaming Board) as the sector's principle regulator, giving it responsibility for licensing, monitoring and, where necessary, taking enforcement action against gambling operators.

6.2 The Act was amended by the Gambling (Licensing and Advertising) Act 2014, so as to extend the Act in 2014 to operators based anywhere in the world who offer remote gambling to customers in Great Britain. The change created a 'point of consumption' regulatory regime, meaning that any gambling company which transacts with British consumers has to have a licence from the Gambling Commission and comply with the licence conditions.

6.3 These Regulations introduce an annual financial levy payable by the holders of all operating licences issued by the Gambling Commission, explain how to calculate the amount due from each holder of a gambling operating licence in each annual levy period (which amount varies depending on the type of operating licence held), and set out the date before which the levy must be paid in respect of each annual levy period.

Why was this approach taken to change the law?

6.4 Even under the current funding arrangements where licence conditions on gambling operators require them to make an unspecified annual financial contribution to harm prevention, many operators pay as little as £1. Using the powers in the Act is the most efficient and effective way of changing the law in this area.

7. Consultation

Summary of consultation outcome and methodology

7.1 As part of the previous government's Review of the Gambling Act 2005, DCMS ran a 16 week call for evidence which specifically asked for evidence on the barriers to high quality research to inform policy and regulation, and how best to recoup the societal and regulatory costs of gambling, including through levies. A number of the 16,000 call for evidence respondents addressed these issues, and specifically supported the

introduction of a statutory levy on gambling operators. These views were summarised in the Gambling Act Review white paper[4].

7.2 From 17 October 2023 to 14 December 2023, the Department for Culture, Media and Sport ran a public consultation on proposals for the introduction of a statutory levy on gambling operators[5]. The consultation invited views and evidence on the structure, distribution and governance of the statutory levy.

7.3 The consultation received 163 responses, including 29 individual respondents and 131 from organisations. Respondents ranged from industry stakeholders representing a number of gambling sectors, stakeholders from charities and campaign groups, clinicians and academics, other interested organisations such as parliamentary groups and individual members of the public.

7.4 Respondents were overall supportive of the majority of the government's proposals on the levy and the proposed approach was welcomed as an important change to funding and commissioning arrangements. Industry responses frequently highlighted the need for the structure of the levy to take into account the complex licensing regime and operational pressures on businesses, particularly on the land-based sector still recovering from the Covid-19 pandemic. By contrast, respondents from representatives of public health, clinicians, treatment providers, academia and the third sector, emphasised that while greater funding than proposed was needed to genuinely tackle the scale of gambling-related harm, the proposed approach represented significant progress. There was also broad consensus that it was essential for the government to ensure the transition to the levy is managed effectively and that new commissioning arrangements do not undermine the crucial work that has been and is being delivered by the industry-funded third sector in recent years. A range of respondents also called on the government to provide greater evidence on the level of funding needed in order to address gambling-related harm and provide the right projects and services to tackle it.

7.5 The Government published a response to this consultation on 27 November. The response confirmed that the Government will introduce a statutory levy charged to all licensed gambling activity at varying levels depending on the sector and nature of the gambling activity to ensure impacts are proportionate while guaranteeing all licensed activity pays its fair share. The response also confirmed that the levy will be collected and administered by the Gambling Commission under the strategic direction of the UK government. Appropriate governance arrangements will be also established under the new regime, consisting of a Gambling Levy Programme Board for government to monitor the health and impact of the levy system, and a Gambling Levy Advisory Group to provide informal advice to central commissioners regarding strategic and funding priorities.

8. Applicable guidance

8.1 The Gambling Commission intends to publish guidance on the calculation, payment, collection and enforcement of the statutory levy in advance of the Regulations coming into force on 6th April 2025.

[4] See especially section 3.5 (from page 128) and Annex B (from page 243): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1153228/1286-HH-E02769112-Gambling_White_Paper_Book_Accessible1.pdf.

[5] https://www.gov.uk/government/consultations/consultation-on-the-statutory-levy-on-gambling-operators.

Part Two: Impact and the Better Regulation Framework

9. Impact assessment

9.1 A full Impact Assessment has not been prepared for this instrument because a levy is not a regulatory provision under the Better Regulation Framework[6]. Provisions and their impacts are out of the scope from the definition of Regulatory Provisions where they are in connection with "imposing, abolishing, varying or in connection with any tax, duty, levy or other charge".

Impact on businesses, charities and voluntary bodies

9.2 While acknowledge that there will be some impact on businesses, we think that this is necessary and proportionate, and will likely be minimal. We think the introduction of the statutory levy will predominantly impact licensees in scope, the Gambling Commission, those bodies responsible for commissioning research, prevention and treatment, and charities within the current system.

9.3 The main impact on businesses (operating licence holders) will likely stem from the increase in payments compared to current annual financial contributions to research, education and treatment under licence conditions. We estimate that the structure of the levy will raise an estimated £90-£100 million each year (based on current industry data), an increase of c.£40 million on donations raised through the current voluntary funding arrangement. The largest four operators provide the vast majority of funding through previous funding arrangements. In 2023/24, the largest charity GambleAware received £49.5 million, of which 94% was provided by the largest four operators. We are ensuring proportionate impacts on businesses by setting rates according to evidence of harm and operational costs, so smaller, land-based businesses will pay less than large online operators. However, increased costs of the policy for businesses are likely to have a disproportionate impact on smaller gambling operators given the low level of contributions made through the current previous funding regime. Other operator costs include the administrative costs of familiarising themselves with the new levy regime such as costs associated with calculating and paying the levy each year.

9.4 We expect the main impacts on charities and third sector organisations to derive from the significant changes to commissioning arrangements following the introduction of the levy. The majority of activity across research, prevention and treatment has historically been conducted by charities and organisations in the wider third sector which have received donations either directly from gambling operators or from other charities funded by industry. Some organisations may see a reduction in funding after the government's appointment of commissioning leads for research, prevention and treatment. However, it is expected that new commissioning arrangements will see activity in the third sector expanded, particularly for treatment, and so it is likely that some organisations benefit from the new regime.

9.5 There will also be impacts on the public sector. The Gambling Commission is likely to incur some minor costs associated with collecting, administering and enforcing the levy. Commissioning leads will also incur set-up and administrative costs associated with the introduction of the new regime and the future commissioning of projects and services.

[6] https://assets.publishing.service.gov.uk/media/65420ee8d36c91000d935b58/Better_Regulation_Framework_guidance.pdf

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 DCMS and the Gambling Commission have jointly procured a supplier to deliver a monitoring and evaluation plan for the Gambling Act Review. This will set out the approach to monitoring and evaluating the Review as a whole as well as individual measures. This approach aims to understand the outcomes and impacts associated with the implementation of the levy, including possible unintended consequences, and to capture learning to inform the implementation of future policy changes. This will include an assessment of the extent to which the introduction of the statutory levy achieved the intended outcomes. The department expects to publish an interim evaluation report in Autumn 2025, and a final evaluation report in Autumn 2027.

10.2 As part of monitoring and evaluation, there will be future opportunities to review and if necessary adjust the levy. The instrument does not include a statutory review clause.

Part Three: Statements and matters of particular interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Parliamentary Under Secretary of State at the Department for Culture, Media and Sport has made the following statement regarding Human Rights:

"In my view, the provisions of the Gambling Levy Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").