FairfaxDigital NEWS | MYCAREER | DOMAIN | DRIVE | FINANCE | CITYSEARCH
member centre | login | register

smh.com.au

Addiction to gambling tax: it's a losing bet

By Mark Coultan and Matt Wade
November 27, 2004

The states have been warned they cannot rely on ever-increasing revenue from gambling taxes, setting the stage for a budgetary crisis as the population ages.

Unless they are willing to tempt people into new forms of gambling, there will be even more stress on public finances, according to the Productivity Commission. Its analysis suggests other taxes will have to rise or services will have to be slashed.

And tax experts say this is likely to mean raising the rate of income tax or the goods and services tax - or imposing the GST on items that are now exempt, such as food.

States' revenue from gambling has been rising rapidly for two decades but this will halt with the ageing population and cannot be expected to climb again, according to the commission.

Contrary to popular perception, young people spend the most on gambling. After the age of 55, people's spending on gambling decreases rapidly.

Each person between 18 and 24 on average spends $345 on gambling a year, while those over 70 spend only $130. The Productivity Commission's report says 27 per cent of the $4 billion collected in 2002-03 came from the 18-29 age group, while the 60-69s accounted for 10 per cent and those over 70 only 6 per cent. The commission predicts an overall budget shortfall for the state and federal governments of 7 per cent of gross domestic product in 40 years, requiring an average rise in tax rates of 23 per cent to bridge the gap.

The most important source of state revenue, the GST, is likely to shrink as a share of the economy because more will be spent on GST-exempt items such as health. And the ageing population will put health finances under growing strain.

Chris Richardson, a director of Access Economics, said indirect taxes such as the GST were relatively low in Australia compared with other developed countries. "No one likes to talk about the elephant in the room - which is the need to raise taxes - but there will be no escape. I'm certainly not going to be surprised if we are ultimately looking at higher rates of indirect taxes like the GST."

Average income tax rates are also likely to rise.

State governments have come to rely heavily on gambling taxes. Research by CommSec shows average per capita spending on gambling has doubled in the past decade to $15.50 a week.

Most of this is spent on poker machines, casinos and lotteries, which are heavily taxed by the states. Betting on racing averaged just $2 a week.

Gambling accounts for 3.4 per cent of the average weekly household budget, up from just over 2 per cent 12 years ago. But it may have hit saturation point. The commission notes it has plateaued at 3.4 per cent since 1998-99, suggesting any new forms of gambling will only cannibalise existing gaming revenue.

It points out the Federal Government has tried to restrict internet gambling.

The states could lift the rate of gambling tax, as NSW is doing with poker machines, but, for the purposes of its study, it assumed tax would remain the same over the next 40 years.

There is political and social pressure on the states not to milk gamblers with even more tax.

The commission found that if gambling tax rates did not change there would be little change in gaming revenue as a ratio of gross state product over the next 40 years.

Until now, however, gambling has been one of the few sources of revenue that the states could rely on to keep rising.

More news

- Child killer's sentence too harsh: lawyer
- James Hardie hints at extra funding
- Gang rapist given 40-year sentence

Home > National > Article

Copyright © 2004. The Sydney Morning Herald.