

MGA's New Streamlined Tax & Fee Structure

What You Need To Know

On the 12th July 2017, the Malta Gaming Authority (MGA) published a White Paper launching a consultation process in connection with an overhaul of the current legal and regulatory framework applicable to gaming activities in Malta. The major reforms being proposed aim to repeal all existing legislation and replace it with 'The Gaming Act', a singular primary Act to be complemented by subsidiary legislation covering key areas of regulation and various regulatory directives and guidelines. The current 'multi-licence' system will be replaced with a system comprising two different types of licences – a B2C licence and a B2B licence, thereby addressing the increased product and technology convergence between online and land-based gaming.

The new licensing gaming duty framework streamlines taxation into one flow with two main layers; licence fees shall be made up of *fixed* (License Fee) and *variable* parts (Compliance Contribution).

The new structure is particularly attractive to B2Bs, who will benefit from significant fiscal incentives. Start-ups are also set to benefit greatly from the new structure with a twelve-month moratorium on Compliance Contribution for start-ups fulfilling the criteria considered in the Gaming Licence Fees Regulations, making it easier for them to increase their offering and innovate.

Gaming Type 1: Casino-type games and online lotteries whereby operators manage their own risk on repetitive games.

Compliance Contribution for Licence Period	Rate
For every Euro of the first €3,000,000	1.25%
For every Euro of the next €4,500,000	1.00%
For every Euro of the next €5,000,000	0.85%
For every Euro of the next €7,500,000	0.70%
For every Euro of the next €10,000,000	0.55%
For every Euro of the remainder	0.40%

A *fixed Licence Fee* for Type 1, 2 and 3 of €25,000 shall fall due every twelve months, in advance, operators providing solely controlled skill gaming services (Type 4) are subject to a fixed Licence Fee of €10,000. The *variable* component, known as 'Compliance Contribution', is calculated according to gaming revenue, further varied depending on gaming type. Gaming types shall be four, and each type has been allocated a sliding scale of variable licence fees that will be due in addition to the aforementioned fixed licence fee.

The fixed License fee for Class 4 Licensees (B2B Operators) has increased from the €8,500 under the current regime to a fee range of €25,000 to €35,000 per annum, depending on the level of revenues earned over a year under the new regime. However, under the New Licence Fees Regulations, Class 4 licensees will no longer be required to pay a monthly gaming tax, 'Compliance Contribution', for every operator they supply licensed in an EEA jurisdiction (other than Malta) or another jurisdiction.

Gaming types shall be four, pursuant to the Gaming License Fees Regulation 2017:

Gaming Type 2: Fixed-odds betting, whereby operators manage their own risk on events based on a matchbook.

Compliance Contribution for Licence Period	Rate
For every Euro of the first €3,000,000	4.00%
For every Euro of the next €4,500,000	3.00%
For every Euro of the next €5,000,000	2.00%
For every Euro of the next €7,500,000	1.00%
For every Euro of the next €10,000,000	0.80%
For every Euro of the next €10,000,000	0.60%
For every Euro of the remainder	0.40%

Minimum Variable Fee €25,000 and Maximum Variable Fee €600,000 p/a

There will be a transitory period between 1 January 2018 and 30 June 2018, both dates included, for current licensees to continue paying in accordance with the current legal framework until 30th June 2018. New licensees will be subject to the requirements of the new taxation framework during the transitory period.

A reconciliation will be carried out for all current licensees to calculate the difference between the fees paid under the old regulations for the first six months of 2018 and the fees to

be paid for the remaining six months under the new regime. Class 4 licensees (B2B License) will receive a credit for the grand total of dues they incur in excess of the provisions of the New Licence Fees Regulations during the transitory period.

Excess amounts provisionally paid shall be carried forward and available for set-off against any amount payable in terms of the Regulations for reference months July 2018 to December 2018 and any subsequent licence period.

Gaming Type 3: Games of chance not played against the house and wherein the operator is not exposed to gaming risk, but generates revenue by taking a commission or other charge based on the stakes or the prize: player games such as poker, bingo, betting exchange etc.

Compliance Contribution for Licence Period	Rate
For every Euro of the first €2,000,000	4.00%
For every Euro of the next €3,000,000	3.00%
For every Euro of the next €5,000,000	2.00%
For every Euro of the next €5,000,000	1.00%
For every Euro of the next €5,000,000	0.80%
For every Euro of the next €10,000,000	0.60%
For every Euro of the remainder	0.40%

Minimum Variable Fee €25,000 and Maximum Variable Fee €500,000 p/a

Gaming Type 4: Controlled Skill Games

Compliance Contribution for Licence Period	Rate
For every Euro of the first €2,000,000	0.50%
For every Euro of the next €3,000,000	0.75%
For every Euro of the next €5,000,000	1.00%
For every Euro of the next €5,000,000	1.25%
For every Euro of the next €5,000,000	1.50%
For every Euro of the next €10,000,000	1.75%
For every Euro of the remainder	2.00%

Minimum Variable Fee €5,000 and Maximum Variable Fee €500,000 p/a

B2B Platforms License Fees	Rate
Games of Chance per annum	€
€ 1 - €5,000,000	25,000
€ 5,000,001 - € 10,000,000	30,000
€ 10,000,001 - and above	35,000

B2C License Fees	Rate
	€
Type 1,2,3	25,000
Solely Type 4	10,000