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THE ACCOUNTING AND TAX PRACTICE OF GAMBLING

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Abstract. *Lately, gambling activity attracts an increasing number of users, which inevitably leads to a growing turnover for these operators. The purpose of this paper is to analyze the accounting and tax practices related to these activities so different from the rest of the exploitation activities but also determined by the fact that they are exposed to a high level of tax evasion.*

Key words*: gambling, tax evasion, accounting policies*
JEL: *M 41, H26*

Introducere

Gambling is not an invention of the modern world, they exist for more than 2,500 years old. The biggest spread was the dice game. The very word of chance refers to the dice game because it comes from the Arabic word alzar, which translates as a "dice game".

According to Article 3 of OUG no. 77/2009, gambling means the commercial activity that meets cumulatively the following conditions: material gains, usually money, as a result of the organizer's public offering of a potential gain and acceptance of the bid by the participant, with the perception of a direct or disguised participation fees, winnings being attributed to the random selection of the results of the events that are the subject of the game, regardless of how they are produced.

In antiquity, the dice game was the most popular gambling being associated with divinity and having a ritual character. The Middle Ages banned gambling, considered by the church a capital punishment. In Greece and also in the Roman Empire, the aristocrats spent their holidays in specially arranged resorts for them, where they could relax, including playing gambling, becoming a current practice of the high society of those times (Ofrim, 2012).

The most definitive definition of gambling, which has already become classical, offered by the Cambridge International Dictionary (1996) identifies gambling as those games aimed at earning money or other rewards.

What differentiates regular play from casino gambling is "adrenaline adventure" or the desire to increase the adrenaline of a passionate player and give color to the game, implemented by money-mediation, the act of playing with at the beginning an uncertain and crescendo result, unfavorable to players

Gambling and betting in Contemporary Society is a form of socially accepted entertainment, but the risk that their practice will degenerate into an uncontrollable habit with many negative consequences, a risk of a fairly high probability, has transformed gambling into recreational activity, in the economic activity bringing great profits to the organizers and even in the subject of study statisticians, psychologists and sociologists (Rizeanu, 2012, p. 8).

According to Blaszczynski (2002), any gambling is a leisure activity that includes a minimum of five essential components:

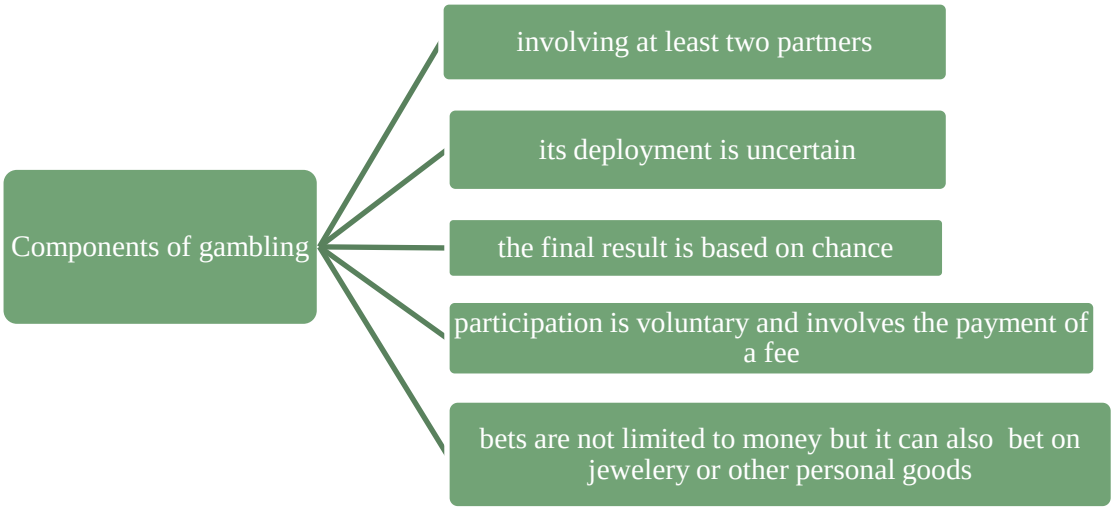


Figure 1 - The essential components of gambling

Source: Adaptation after Blaszczynski A., Nower L. , 2002, pp. 487-4499

According to a press release (ROMBET, 2014, p. 1), in the last four decades the social impact of gambling on the population increased. The gambling industry contributes to Romania every year with hundreds of millions of euros to the state budget, directly assuring tens of thousands of jobs being one of the most fiscalized economic activities in our country, with the level of taxation Europe's highest gaming industry. In addition, the main fees for this area (license fee and license fee) are paid in anticipation, the non-payment of which may lead to the revocation of the gambling organizer's license.

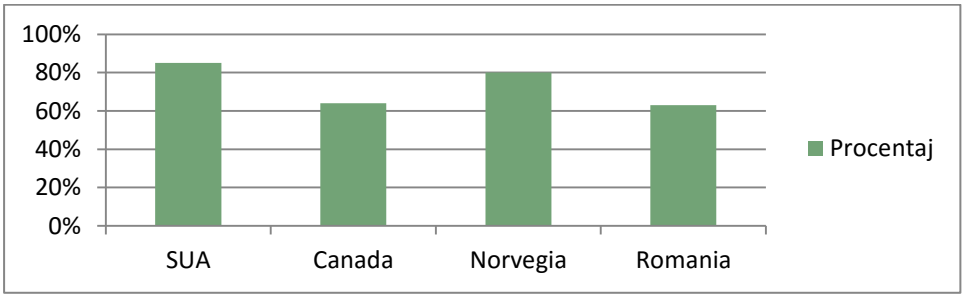


Figure 2: The gambling population

Source: National Council on Problem Gambling

According to the study, only scarce resources and very low incomes have prevented a population coverage comparable to the maximum. We are dealing with a gradual increase in the categories of people who practice gambling, and the highest level of coverage is recorded for young teenagers who spend more and more time in gaming rooms or in the company video games.

The results of the Insomar survey (Bucur, 2000) indicated the following ranking of Romanians' preferences for practicing gambling:

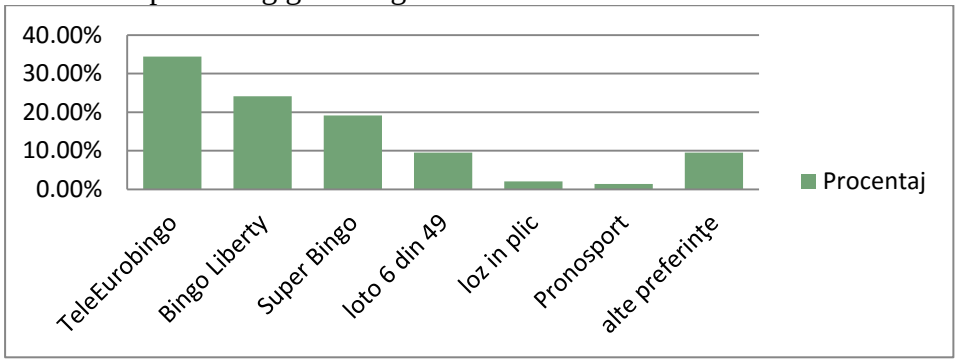


Figure3: Romanians' preferences for gambling

Source: Insomar, 2000

As a result of a survey carried out in our country at the level of 2002, on a specific segment of the population and the market, which generally has lower incomes but owns access to the income of all other members of the household, it was found that gambling most frequently practiced by Romanian adolescents are the following:

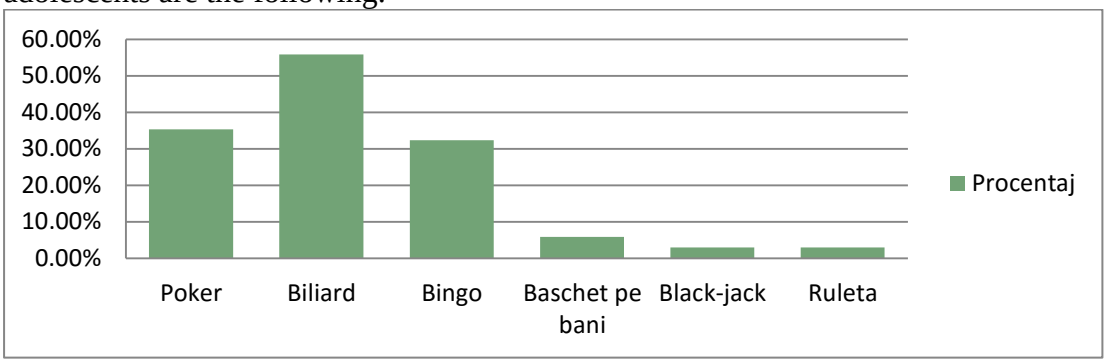


Figure 4. Gambling frequented by Romanian teenagers

1. Gambling accounting and taxation

1.1 Organization and operation of gambling (OUG nr.77/2009)

In Romania, the development of casinos can only be discussed after 1992, when foreign investors appeared. The peak was reached between 1995 and 1997, when 10,000 gaming licenses were issued. In 1997, Bucharest was the third city of gambling after Las Vegas and Monte Carlo, the casino industry registering a 40 million dollar profit in Romania.

Between 1990 and 1997 Romania was the "tax haven" of the companies that owned casinos. They were legally assimilated to the same foreign investors, enjoying tax incentives, and the absence of money laundering legislation allowed the introduction and removal of large foreign currency amounts without any customs declaration.

The five-fold increase in casino fees, which came into force at the beginning of 1998, through the introduction of Law No. 251/1999 regulating the conditions for the authorization, organization and operation of gambling, as well as the anti-money laundering law made the casino market fall sharply. Currently, only 23 casinos work, including 13 in Bucharest. 98% of businessmen in the Middle East, which offshore companies run businesses with a turnover of 150-200 million dollars annually and only two casinos with majority Romanian shareholders.

The organization and operation of the gambling activity on the territory of Romania is a state monopoly and is carried out under the conditions of the Government Emergency Ordinance no.77 / 2009 on the organization and exploitation of gambling games. The State may grant the right to organize and operate the gambling activity under a gambling licensing license for each type of activity and authorization to operate gambling, nominal and limited in time documents to be exploited directly by the licensee.

The activity of authorizing the organization and operation of gambling is carried out by the Ministry of Public Finance through the Gambling Authorization Commission. The operation of gambling can be done jointly by two organizers between which there is an association agreement concluded under the terms of the law, the administrative responsibility being shared by both partners.

The gambling organization license is granted to the economic operator who fulfills the conditions for organizing the activities covered by GEO No. 77/2009 and is valid for five years from the grant date, subject to the payment of the annual authorization fee.

The authorization to operate gambling is valid for one year from the date of the grant, as follows:

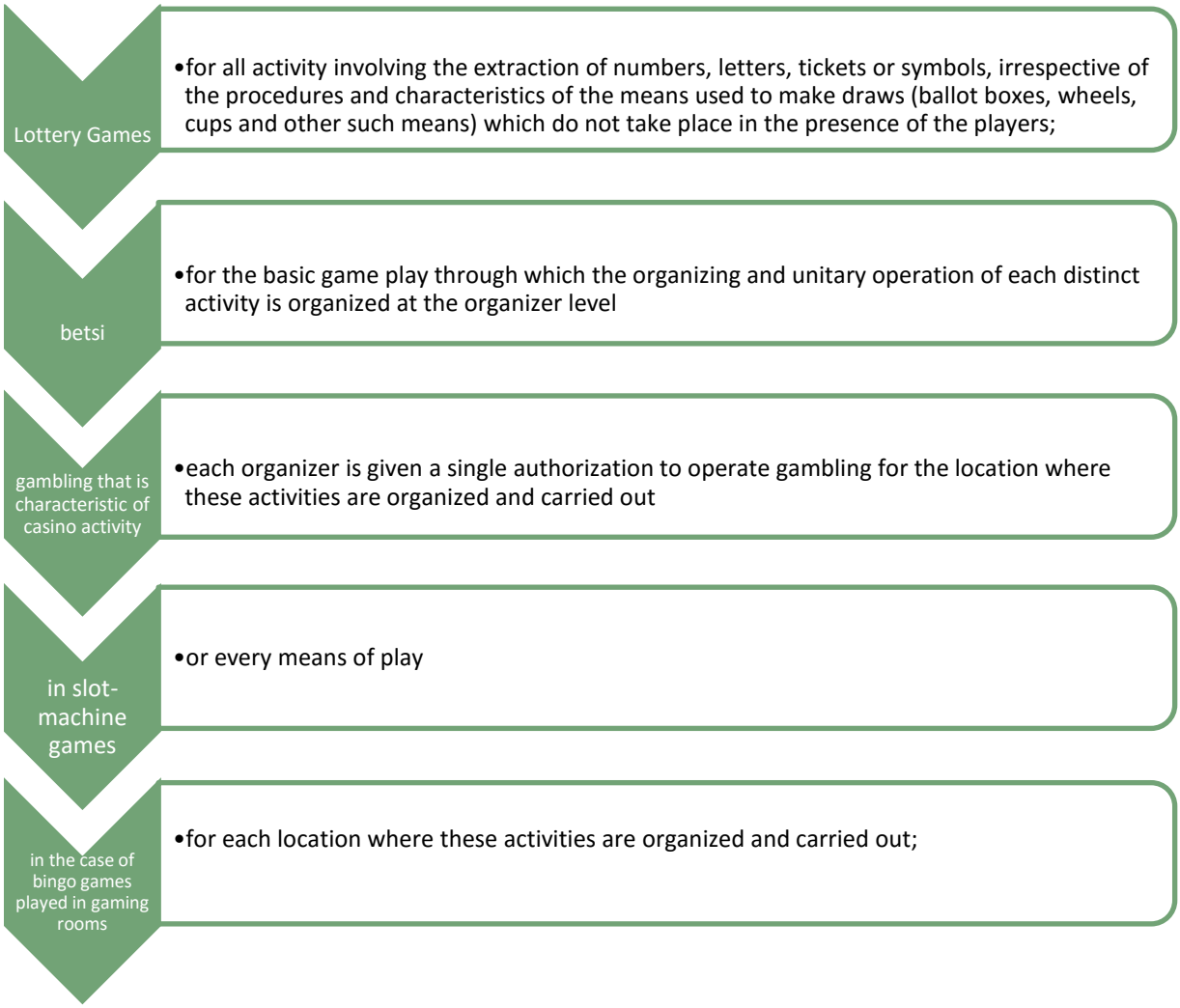


Figure 5 - Cases of validity of gambling authorization

Source: Adaptation after OUG Nr.77/2009

1.2 Practical examples of accounting procedures in gambling activities

A. Fee and prize collection

i. Gambling specific betting operations

Recording the receipt of the vouchers issued by the approved betting slip in the Home or Bank Registry in the form of a participation fee

5311 "House in lei" or 5121 "Accounts with banks in lei" =%
"70401 - 05 - Fixed commission"
46201 "Sports betting fee"
46202 "Lottery bets"
46203 "SixBalls Betting Fee"
46204 "Live Betting Fee"
46205 "Virtual Betting Entry Fee (etc)

Registration of awarded prizes, after validation of winning tickets:

46201 "Sports betting participation fee" =%
46211 - "Sports betting prizes"
7041- "Vendor Income from Variable Fee"

46202 Lottery lottery participation fee =%
46212 - "Lottery Bets Awards"
7042 - "Vendor Income From Variable Fee"

46203 "RiverSixBalls betting participation fee" =%

46213 - "SixBalls Betting Awards"
7043- "Vendor Income from Variable Fee"

46204 "Live betting participation fee" =%
46214 - "Live betting prizes"
7044 - "Variable organizer income"

46205 "Virtual betting participation fee" =%
46215 - "Virtual Betting Awards"
7045- "Vendor Income from Variable Fee"

If the prizes are greater than the collected participation fee, the revenue from the organizer's variable commission is recorded in red.

ii. Slot-machine specific slot operations

Registration of the registration fee in the Home Registry

5311 = 46201 "Slot-machine participation fee"

Registration of awarded and established prizes

46201 Participation fee game betting slot machine =%
46202 - "Slot Machine Awards"
46203 - "Jack-pot slot-machine"
7041- "Vendor Income From Variable Fee"

If the prizes awarded are higher than the collected participation fee then the organizer's income is recorded in red.

iii. Bingo-specific gambling operations

Receipt of tickets to be put into play:

53281 = 4621 - "Bingo participation fee" = ticket x price

Registration of tickets received by operators on the basis of tickets with accompanying tickets:

4611 "Operator" = 53281 "no. tickets x price lei "

On the basis of the documents evidencing the deposition of the money resulting from the sale of the tickets, the debit settlement is registered:

5311 "House in lei" = 4611 "tickets sold x price"

Based on the bingo game bingo and party bingo game closure, as well as the organizer's award decision

4621 "Bingo participation fee" =% c / v total tickets sold
4622 - line
4623 - bingo
4624 - bingo accumulated
4625 - "reserve fund"
7041- "Vendor Income From Variable Fee"

Based on the Decision of the organizer of the establishment of the reserve fund from its own sources:

6588 = 4625 "reserve fund"

Based on the listing of the game edition printer, the special prizes are recorded:

4625 =% rewards fund prizes
4626 - "special prize"
4627 - "special prize"

On the basis of the dactyls attesting cancellation of tickets

53281 = 4621 Item no. X price - in red

Based on the prizes awarded and based on the prize settlement, the net prize payout

% = 5311
4622 - "Line - Net Value"
4623 - "bingo - net worth"
4624 - "bingo accumulated - net worth"
4626, 4627 - "special prizes - net value"

B. Granting bonuses, from their own sources

Bonus - the benefit that can be earned extra by the player, without any additional fees or charges, under the conditions set out in the organizer's game rules, for a specified period or for certain events. Gambling organizers can offer players, in their own funds, bonuses in any form under the conditions set out in the Gaming Regulations (Methodological Norms)

6588 "Other Expense Expenses" = 46201 "Participation Fee with Analytic by Game Types"

C. Awarding advertising awards from their own sources

Gambling is not considered to be a gambling operation and the actions organized by different economic operators under the law to stimulate sales and do not involve a participation fee, or any additional expense on the part of the participants, or the price increase that the product had preceded the advertising campaign.

Where the promotional action of an economic operator involves the use of names, means or ways of awarding gambling-specific prizes, it is mandatory to obtain the O.N.J.N.

623 "Protocol, advertising and advertising expenses" = 462 "Promotional prize money"

2. Gambling Tax (Legislation)

Even if state budget revenues are extremely high and this is a benefit, at the same time, this revenue could be a negative consequence because a higher level of tax rates supports the monopolization process of the gaming industry. This is not an advantageous situation for economic entities because it does not facilitate the entry of gambling operators on the market and there could be a restriction on the services that would be offered under normal conditions of laissez-faire, which would lead to capital relocation and unused workforce to produce other goods and services.

But as an industry that meets the constant needs of people's entertainment, and considering the current economic crises, some of the unused capital and labor will be absorbed by the black market of illegal gambling games (Radu R., I ., Isai V., Horodincu A., 2013, p. 69).

The national provisions to be taken into account in the accounting activity are:

-Laws continuities in 82/1991, republished, as amended;

-Ordin nr. 2634 of 5 November 2015 on financial and accounting documents;

-The Accounting Regulations of December 29, 2014 on Financial Statements on Individuals and Consolidated Annual Financial Statements - Order 1802 of 2014.

3. The level of gambling taxation practiced at the level of the world's states

The gambling industry contributes to Romania every year with hundreds of millions of euros in the state budget, directly assuring tens of thousands of jobs and is one of the most fiscalized economic activities in our country, with the level of Europe's highest gaming tax. In addition, the main fees for this area (license fee and license fee) are paid in anticipation, the non-payment of which may lead to the revocation of the gambling organizer's license.

For example, we synthesize below the taxes and taxes with which the Romanian gaming industry contributes to the state budget:

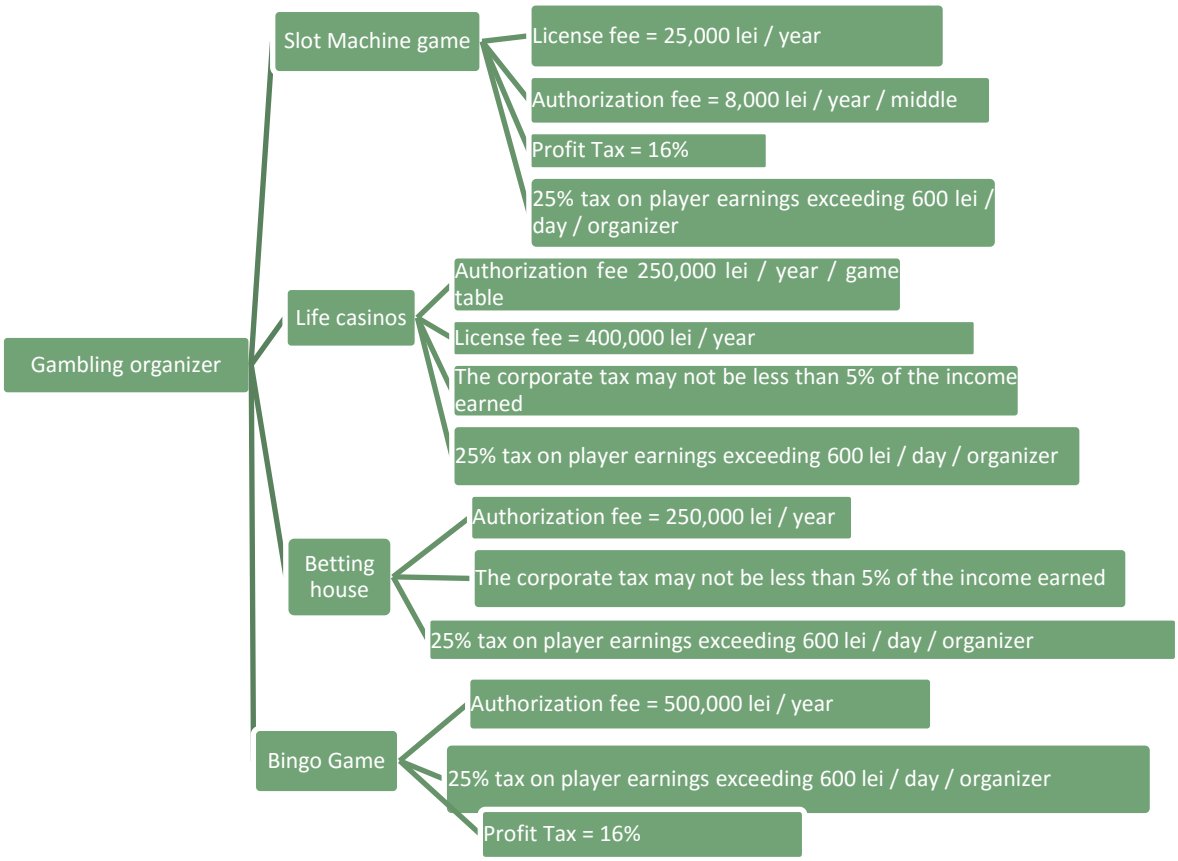


Figure no.6: Contributions of gambling to the state budget

Source: Own elaboration

Since many players are already aware, gambling is not legal in every country. However, the countries where gambling is allowed by law, there are different tax laws. Regardless of whether gambling gains should be taxed or not, it is a topic that is generally debated. The reason why gambling gains are exempt from tax in many countries is largely due to the fact that gambling tax laws are not necessarily white and black, but rather gray areas, making it difficult to create and the application of specific gambling tax laws.

In this article, I will go over some of the countries where gambling is allowed and will not be fully charged and earnings will not be taxed and give players any additional tax information that could have an effect on them, such as how or where to play. Although this is not a comprehensive list, some might be surprised to see some of these countries on this short list of tax-free countries.

In Austria, online earnings are completely exempt, however, the casinos themselves are responsible for paying these fees regardless of whether they operate on the web or in physical locations. If a person is playing in a physical location then 35-80% of the stakes (after winnings) must be paid to the casino operator but this does not prevent players from placing casino bets due to the fact that there are 13 cities in Austria that have beautiful and popular casinos.

If a person plays online or in a physical casino in Australia, earnings are not taxed. However, casinos are not out of the hook when it comes to paying taxes in Australia, or, in addition to paying taxes, they also have to pay the license fees. Tax laws and licensing fees are different in each state, but in any case they do not produce a player's earnings.

Belgian casino players are also not required to pay any kind of tax on their earnings, whether playing online or in a casino. Tax laws for Belgian casino operators are slightly different because they are required to pay the government an annual contribution to their license to continue operating.

Canadians are not required to pay any taxes on their earnings, no matter where they play and win. Casinos are only required to pay regular business taxes, which vary by province, city, revenue, operational costs, and must be licensed to operate.

Whether you play online or in a physical location in casinos, Germany's gambling gains are also not taxed. However, if a casino operator operates a state casino, they are taxed at 80% of their gross income. However, the tax rules apply to German owned and operated casino operators, but they vary regardless of whether they operate online games such as Casino Deutches Online or in a land based location.

Conclusions

Many gamblers are already aware that gambling is not legal in every country. However, countries where gambling is permitted by law, have different tax laws. Whether gambling gains should be taxed or not, is a topic that is usually under discussion. The reason why gambling gains are exempt from tax in many countries is largely due to the fact that gambling tax laws are not necessarily black and white, rather there are more gray areas, which which makes it difficult to create and enforce specific gambling tax laws. The Romanian gambling industry contributes hundreds of millions of euros each year to the state budget, directly assuring tens of thousands of jobs and is one of the most fiscally taxed economic activities with the level of taxation Europe's highest gaming industry. The switch to IFRS can give gamblers greater credibility and eliminate suspicion and dirty business image without having a negative impact on financial statements, moreover this accounting transition could be a catalyst for the whole process. IFRS does not specifically refer to gambling activities, but these international standards could be successfully implemented by casinos, lotteries and other gambling providers. A real example of crossing the entire gambling industry into IFRS is Canada.

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