

Gaming in Cyprus and Greece: An Update

By Alexia Couccoullis

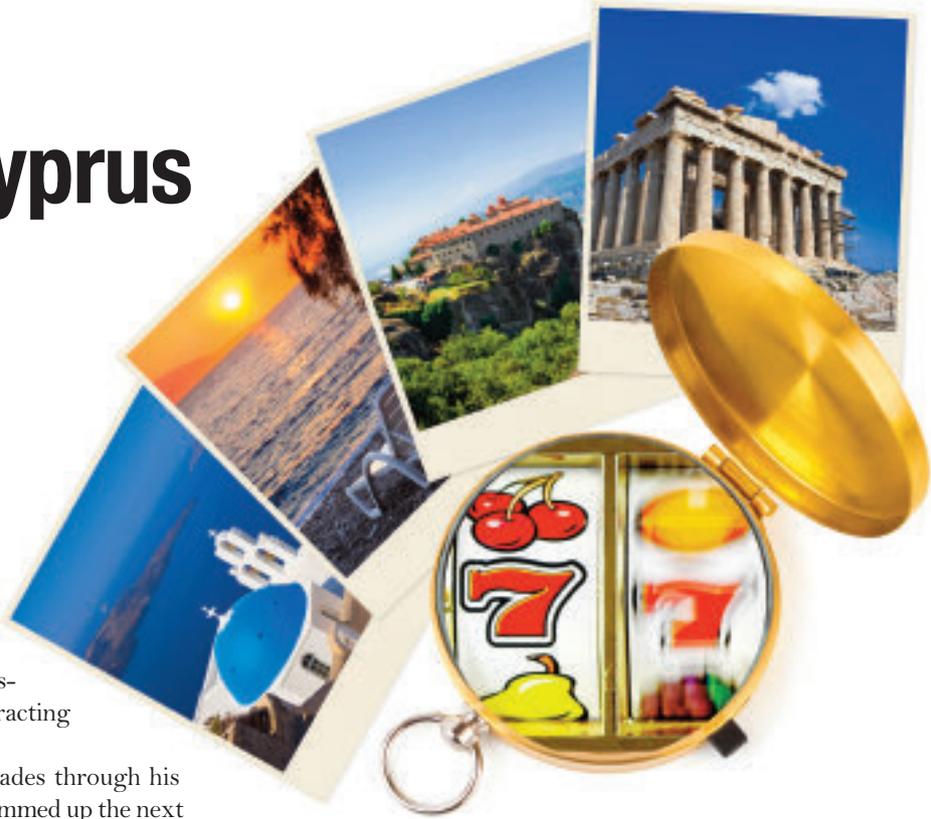
CYPRUS

Secondary legislation finally puts gaming in Cyprus on track, creating significant prospects in the industry through a comparative, open market attracting international operators.

The Minister of Finance Mr. Georgiades through his speech at the National Betting Authority summed up the next steps in the gaming sector and in particular announced a five-pillar strategy aimed at opening the market and specifying the regulatory framework of online betting.

Although Law 106(I)/2012 set the framework regarding Class B (online betting), particular administrative actions toward the implementation of the provision have been announced recently.

The National Betting Authority will gear up the license in online betting companies, and the CEO clearly stated that the Authority will take license applications for one month starting October 3. In November, the Authority will publish a list of companies to be blacklisted provided they have not applied for a license.



The main pillars of reforms relating to land based gaming refer to the operation of an integrated casino resort. The government hopes that an integrated casino resort company will begin implementing this very important investment by 2017, provided that the selection process is at final stage. Further, licensed VLT's are to be included in the casino licensing process.

Assignment of the operation of the state lottery to a private investor is of great significance. The Finance Ministry said that this will fully safeguard public revenue without requiring the involvement of public service in a highly commercial activity.

Importantly, however, opening of online betting is what really matters considering that current regulation offered by the Greek Organization of Football Prognostics (OPAP SA) and based on a bilateral agreement with Greece will no longer be an impediment to the interest of foreign operators. The Minister underlined the fact that the relevant legislation is already prepared and forwarded to the Republic's legal service for legal vetting.

The latter, combined with the admittedly short deadline set for the application procedure strengthens the necessity for operators to fulfill timely the requirements in order to provide online betting service lawfully and avoid being blacklisted and blocked. It is highly recommended that offshore operators interested in the Cyprus market proceed immediately with getting established in Cyprus.

GREECE

The gaming market in Greece has been thoroughly regulated pursuant to Law 4002/2011 that set for the first time unified regulatory rules on the casino gaming market, online betting and VLT's

Under the Law, international operators are invited to tender in order to apply for permanent licences, which are approved and granted to companies that qualify in line with the tender notice. Until this invitation is released, the Greek State has set a transitional stage for granting temporary licences. Twenty-four online betting companies fulfilled the requirements and since 2012 have been subjected to the Greek tax regime in order to lawfully perform online betting activities. Companies that have not complied with the requirements are deemed *ipso facto* illegal and blacklisted under the regulation.

Nowadays, the Greek gambling sector is mainly operated by Société Anonyme under the name Organization of Football Prognostics (OPAP SA). OPAP SA, following the acquisition of Greek State rights, is a privatised company maintaining the monopoly of 11 games.

The Greek State, through an international tender proclaimed in 2014, granted licence to deploy 35,000 VLTs throughout Greece through dedicated shops. A licence granted to OPAP SA provided that 16,500 VLTs will be operated in OPAP's dedicated shops. The remaining 18,500 VLTs will be allocated by separate auction to between four and ten sub-licensees. It is estimated that the sub-licences will not go beyond five.

Notably, due to disputes arising between OPAP and the Hellenic Gaming Committee (HGC) management on the basis that the latter intensified the regulatory framework, the HGC suspended the deployment and functioning of OPAP's 16,500 VLTs as well as the auction for sub-licences for the remaining 18,500 VLTs. It is worth noting that OPAP was granted the licence for the entire 35,000 VLTs.

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It is further estimated that the government, following the agreement concluded with creditors, will proceed with respect to the resolution of the dispute between the management of OPAP SA and HGC. Immediately after, the government will proceed with an international auction to grant permanent licences for online betting companies so the current transitional stage of only 24 licensed operators will lapse.

Further, regarding taxation issues, the Parliament confirmed recently an increase of Greek State participation in gross profit related to amounts deriving from gaming activity of companies holding a valid licence. Under urgent provisions for the implementation of an agreement on fiscal targets and structural reforms, the provision of Article 50, Paragraph 5, Law 4002/2011 currently provides for an increase up to five percentage points and is set from 30% to 35% of the gross profit from 1 January 2016.

Pursuant to the above developments of the taxation regime, the Greek State requires a withholding tax of the profits made by players betting online. This tax ranges between 15% and 20% of the profits attributable to the player and is to be paid to the state by the company. Notwithstanding the above, companies involved with gaming are required to submit to the competent tax authority a tax return to report income in order for income tax to be paid on an annual basis.

Eventually, following the deployment of 35,000 VLTs together with the estimated results of the international auction for the permanent licences for online betting, gaming business in Greece should experience a newfound explosion. ♣



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Alexia Couccoullis is a graduate of Athens College. She continued studying at the Legal Faculty of the National and Kapodistrian University of Athens and attended the University of London, Institute of Advanced Legal Studies, where she was awarded MPhil in 2011. Alexia Couccoullis is a member of the Athens - Greece and Nicosia - Cyprus Bar Association. In 2011 she was accepted as a member of the International Masters of Gaming Law (IMGL).

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