



Gibraltar is one of the leading e-gaming jurisdictions. Host to the world's leading gaming operators, Gibraltar remains committed to regulating the ever evolving industry and to keeping up with developments in the gaming sector. The appeal of setting up an online gambling business in Gibraltar arises from Gibraltar's reputation as a first class gaming jurisdiction, a reputation that has been built largely as a result of the conservative approach taken by the Gibraltar Licensing Authority when granting gaming licences. In addition, Gibraltar is part of the EU and has also adopted a level of regulation and supervisory legislation that matches best international standards. This regulatory practice has helped to consolidate the industry and ensure that growth is managed in a coherent fashion.

In recent years we have seen the number of online gaming operators established in Gibraltar increase to 20. Amongst these are well-known gaming operations from UK and other European countries as well as gaming companies headquartered in Gibraltar which have successfully floated on the London Stock Exchange. This has contributed significantly to Gibraltar's economy and provided employment opportunities both locally and abroad.



**“Gibraltar is an attractive location for businesses wanting to take advantage of the opportunities afforded by a European jurisdiction that is well regulated and tax competitive.**

**It has built up a reputation and lifestyle proposition for both individuals and corporate entities wishing to enjoy the benefits of Mediterranean living.**

**Gibraltar has recently proved appealing to a number of major gaming companies which has resulted in their establishment in or relocation to Gibraltar”**

*Article by Peter Montegriffo, Partner and Emma Azopardi, Associate*

### Application Process

The Government have over the past few years enacted new gaming legislation in an attempt to meet the needs of the growing industry. The Gambling Act 2005 (“the Act”) regulates both land based and online operators and establishes the standards with which existing and future operators are expected to comply. It sets out the guidelines to be followed and makes provision for the form of application for a gaming licence.

An application usually involves the submission of a preliminary synopsis of a proposal to the Licensing Authority setting out the background to the applicant, its promoters and the nature of its business. Detailed information should also be given on the activities that the company proposes to undertake from Gibraltar, the operational presence that it will establish and the reasons the company wishes to be based in Gibraltar. Consideration will also be given to the economic benefits the proposal will bring to Gibraltar. The Licensing Authority reserves the discretion under the Act to grant or refuse any application.

The initial proposal may take any time between 2-4 weeks to be considered after which the Licensing Authority may communicate an in principle indication to grant a licence subject to satisfaction of all due diligence and other statutory requirements.

Once the applicant has received an in principle steer, the full application process, including due diligence, may take up to between 3- 6 months.

The general provisions applicable to the obtaining of gaming licences are set out in Schedule 4 of the Act. The formal application should be made to the Licensing Authority in the form and manner as it may prescribe from time to time and accompanied by such documents that it may require.

### Taxation

Licence holders are subject to gaming duty at the rate of 1% of the gaming yield for income generated through poker and casino games and 1% of the turnover for revenue obtained through sportsbetting. The total amount of gaming duty payable in both cases is subject to an annual minimum amount of £85,000 and annual maximum amount of £425,000. A licence fee of £2,000 will also be required by the Licensing Authority upon the granting of the gaming licence and is payable annually thereafter.

Following the phasing out of tax exempt companies, new companies setting up in Gibraltar will now be subject to a 10% corporate rate. This low rate of tax which applies to new businesses, will become the general corporate tax rate applicable to all companies (currently taxed at 22%) as from 1st January 2011.

It should also be noted that Gibraltar, even though it is part of the EU, does not levy any value added tax on any services rendered. Gibraltar also offers certain incentives to individuals wishing to relocate to Gibraltar (either as high net worth individuals or those undertaking specialised employment) so as to cap the amount of liability to income tax locally.

There are two main schemes available. Category 2 Individual Status exists to encourage the relocation of high net worth individuals to Gibraltar. A second scheme, HEPSS (High executives possessing specialist skills), has recently been introduced specifically designed to attract senior executives. Individuals wishing to apply will need to possess special skills and experience that are of benefit to Gibraltar and will also need to have approved accommodation in Gibraltar.

It is common for gaming companies and other international businesses seeking to relocate to Gibraltar to make use of such schemes in structuring the presence of the owners or senior management locally.

### Responsible Gambling

The Licensing Authority and the Gaming Regulator impose firm rules relating to both responsible gambling and the prohibition of underage gambling. The Act contains provisions to ensure that operators offer assistance to addicted gamblers. One of the requirements is for operators' websites to contain a link to the website of an organisation committed to tackling problem gambling.

Operators are also encouraged to develop policies against addictive gambling and to train their staff on the implementation of such policies. The Act also imposes an obligation on all licence holders to take reasonable steps in order to prevent minors from participating in gambling activities. The current minimum age for gambling in Gibraltar is 18.

### The EU

Gibraltar's position in the EU will remain an important factor in its future as an online gambling jurisdiction. Gibraltar joined the EU with the UK in 1973 on terms that provide that most EU economic freedoms and rights extend to Gibraltar (even though we are excepted from VAT, Customs Union and the Common Agricultural Policy). This means Gibraltar companies enjoy the fundamental EU rights relating to the freedom to provide cross border services.

The current debate on how the European online gaming industry should be licensed and regulated will clearly not be settled in the short term. We are of the view, however, that Gibraltar is well placed, given its position within the EU and its commitment to strong and effective regulation, to remain at the forefront of leading e-gaming jurisdictions.



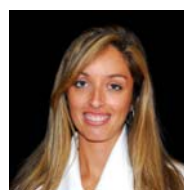
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#### Note

The above is a short summary of some of the regulatory practices and provisions relevant to an application for a gaming licence in Gibraltar. This note does not constitute advice and the circumstances of every particular case will need to be considered. Hassans assumes no responsibility whatsoever for any of the statements or views contained in this note. We will be happy to assist with any enquiries.