

Overview of Gambling Jurisdictions

Gambling and Betting Licenses: General Legal Principles

In many countries, gambling and/or online gambling is banned or the preserve of state bodies. In the field of gambling, the law of the country where the gambling company has its registered office applies, as a matter of principle, and the law of the other “state or states providing the service”. Example: The gambling company has its registered office on the Isle of

Man and the gambling service offered is also aimed at clients in Spain, Germany and

Switzerland, for example. Consequently, the gambling law of the Isle of Man and the gambling law of Spain, Germany and Switzerland come into play.

However, there are possible solutions through the EU freedom of establishment and judgements of the European Court of Justice concerning the freedom of establishment or “Gambling Judgements” of the European Court of Justice: If a company within the European Union has a gambling license, its services can be aimed at participants throughout the EU.

Thus, with a license from Malta, the United Kingdom or Gibraltar gambling can be offered throughout the EU, as the national bans on gambling or gambling regulations would breach the EU freedom to provide services, if a licensed provider of the service were to be prohibited from offering a service in another EU member country (cf.

European Court of Justice ruling of 09.09.2010 – C-316/07 inter alia). It must be borne in mind, in this connection, that Gibraltar does not belong to the VAT area of the EU.

Incidentally: The Isle of Man and Alderney are autonomous crown property and not members of the EU.

If what is involved is simply a “reseller service”, Cyprus is an additional possibility, as offering such a service is feasible in Cyprus without a license.

Moving to a non-member country such as Belize, the Isle of Man or Costa Rica is also possible.

It must be assumed, as a matter of principle that such an “offshore license” only gives the right to execute the service within the country where the company has its registered office, such as in Belize, for example, but not in other countries and/or in the EU.

However, this raises the question as to how other countries will wish to impose sanctions, as these countries, as a rule, do not have any agreement providing for mutual judicial assistance with other states.

Costa Rica adopts a special position: provided that the gambling service is only directed at clients outwith Costa Rica, no gambling license is required, only a trading permit – DPL Permit.

“The location of the senior management of the business” centrally defines the location of the business premises – also on the basis of Article 5 of the double taxation agreement:

Either the client or an agent relocates his normal place of residence/abode to the country in which the gambling company has its registered office (that is, to Malta, for example) and appears himself as the director of the gambling company.

Gambling Licenses and Tax-Law Aspects

What is also crucial within the context of a gambling company is the prevention of the approval of an illegal intermediate company. Due to the EU freedom of establishment and judgements of the European Court of Justice on the freedom of establishment, this problem can be solved relatively easily within the EU. Unlike when setting up companies in so-called offshore states (countries with low rates of taxation or with a zero tax rate and without a double taxation agreement with the country in which the registered office of the client is located, outside the EU): the approval of an illegal intermediate company can, actually, only be prevented by putting a business operation in place in the country in which the company has its registered office (that is, Belize, the Isle of Man and Costa Rica, for example) that has been set up in a commercial way and the senior management of the business can be proved to be operating from the country in which the company has its registered office, that is, there is a full-time director and not simply a nominee director. Of course, there are appropriate structural possibilities and/or approaches to solving problems.

Fiscal Structural Possibilities

First of all, a so-called gambling or betting tax is due in almost all countries. In addition, the profits of the gambling company are taxed. In Malta, there is the possibility of reducing the final tax rate imposed at company level through the Malta holding company model to 4.75%.

Taxation of Dividends

The profits after tax (dividends) are due to the shareholder/owner of the company. Most countries are familiar, in this connection, with a tax at source in the case of dividends flowing out of the country. Such a tax at source can, in principle, only be limited or cancelled through two measures:

-The country is not familiar with tax at source in the case of dividends flowing abroad

(Example: Cyprus)

-An existing double taxation agreement (DTA) limits the tax at source

-The application of the EU parent company-subsidiary company directive: collection of the

dividends free of tax at source in the case of affiliated companies within the EU

-The interposition of an EU holding company. Cyprus, in particular, is a possibility in this case: Application of the EU parent company-subsidiary company directive (provided that the subsidiary company/gambling company are located within the EU), Cyprus does not tax proceeds that are purely from holdings (holding privilege), and there is no tax at source in the case of the distribution of the dividends to non-Cypriots.

Apart from the tax at source, the dividends are taxed at the recipient of the dividends end in accordance with domestic law. In Germany, for example, at a withholding tax rate of 25%, and in many other countries according to the half-income system. If a double taxation agreement exists between the country of the recipient of the dividends and the country of the base company, and the possibility of using the credit method exists, tax paid at source can be deducted from the tax on dividends.

Gambling License in Malta

In the middle of 2003, the Maltese government amended its legislation in relation to online betting and games of chance to the effect that, from that point on, it became possible to obtain a license to open up an online betting office or casino. This new type of legislation makes it very attractive for many firms to set up in Malta as the license has some important safety features and it is possible, from now on, to promote online betting or casinos in the area of the EU and to offer these services as an operator or an agent (EU freedom of establishment, cf. also: Gambelli judgement).

The license is issued by the Lotteries und Gaming Authority. This authority is responsible for the control and regulations with regard to the operation of I-Gaming. The license is issued for 5 years and can be extended thereafter.

Types of licenses:

There are 4 different classes of licenses. One or even more than one can be applied for.

Class 1: traditional online games, such as casinos, bingos and lotteries

Class 2: online games and betting

Class 3: for operators offering the games and betting as a commission-based

service, including fixed odds and gambling stakes (poker rooms, portals and affiliates and P2P)

Class 4: for operators of I-Gaming platforms

Taxes in Malta:

Through the "Malta holding company model" a final tax rate of approx. 4.75% is achieved for the business premises. However, this assumes that a foreign public limited company is the majority owner.

Taxes on Gambling in Malta:

-Casino type games: approx. 4,600 euros for the first 6 months following the granting of

the license. From the 7th month and for the remaining period of the license this comes to 6,900 euros per month.

-if the casino operates from a so-called “host platform” operate as (Class 4 License) the following applies: 1,200 euros per month for the casino operator, 0.00 euros in the first 6 months for the host platform, then for the following 6 months 2,300 euros per month and thereafter 4,600 euros per month for the remaining period of the license

-in the case of betting, betting games: 0.5% of the “gross amounts” of the bets accepted and 0.5% in the case of so-called “pool betting” on “the aggregate of stakes paid”.

-betting exchanges & poker operations: 5% of the “net income”. This is to be equated with the “revenue from rake less bonus”, commissions and payment processing fee; i.e. ecommerce fee.

Required Share Capital for a Gaming Limited Company in Malta:

- Class 1: €100,000 (one hundred thousand euros)

Class 1 – operators managing their own risk on repetitive games (casino-type games,

games of skill and online lotteries) – own platform, at their own risk (casino, skill, online lottery)

- Class 2: €100,000

Class 2 – operators managing their own risk on events based on a matchbook (fixed odds betting, pool betting and spread betting) – own platform, at their own risk (betting syndicates)

- Class 3: €40,000 (forty thousand euros)

Class 3 - operators promoting and abetting gaming from Malta & taking a commission from promoting and/or abetting games (P2P, poker networks, betting exchange and game portals) – promotion or advertising of P2P, poker, betting or games in return for a commission

- *Class 4: €40,000*

Class 4 – operators hosting and managing online remote gaming operators, excluding the licensee himself (software vendors developing platforms from which gaming operators can operate). – operation of a platform, on which other games are offered

- *Class 1 on 4: €100,000*

Class 1 on class 4 - operators managing their own risk on repetitive games (casino-type

games, games of skill and online lotteries) operating on a third party platform duly licensed by the Lotteries and Gaming Authority. – such as Class 1 (own game) but also on a licensed platform of a third party

- *Class 3 on 4: €40,000*

Class 3 on 4 - operators promoting and abetting gaming from Malta & taking a commission from promoting and/or abetting games (P2P, poker networks, betting exchange and game portals) operating on a third party platform duly licensed by the

Lotteries and Gaming Authority.- Promotion or advertising of P2P, poker, betting or games in return for a commission (on an outside, licensed platform)

Gambling License in UK

Within the context of the approval procedure there is a judicial hearing in London, at which the director of the limited company is present. The license is valid for 3 years and can be correspondingly extended. The processing time is 3 -4 months.

In England, a distinction is made between an "organiser's license" (he offers his own games of chance on the Internet) and an "agent's license". In addition, there is a difference depending on whether the company wishes to provide gambling within Great

Britain or only outside Great Britain ("Remote General Betting License").

The taxes on gambling are approx. 15%, with the taxes on the earnings of an English limited company rising progressively from 19-30% (19% up to a profit of 300,000 pounds sterling).

Government Fees/Fees

Application fee: one-off fee of 20,580 pounds sterling per license application. Staff management license: 330 pounds sterling per person.

The annual license fee depends on the gross turnover.

Let us assume, by way of an example, that the client comes under Class I, then the one off fees as described would fall due, and an annual license fee of 110,820 pounds sterling.

Taxation

The "gambling tax" can take the form of two "duties":

1) "Betting duty": the "betting duty" is due on every net amount staked taken in

2) "Remote Gaming Duty": the "Remote Gaming Duty" is due on the net proceeds from games of chance

This is 15% in both cases and is due on the net stakes or proceeds on a quarterly basis.

Gambling License in Gibraltar

For many of our clients Gibraltar possibly does not represent the best location as, due to domestic law, an operational business must be set up in a commercial way (a fully equipped office) and the management must be carried predominantly from Gibraltar.

This means, as a rule, that the client - or a representative/full-time employee - must relocate his normal residence to Gibraltar in order to carry out dealings from the country where the business is registered.

The gambling taxes in Gibraltar, in the case of an online casino and sports betting, is 1% up to a turnover of 42.5 million pounds sterling, however with a minimum of 85,000 pounds sterling per year being payable, up to a maximum of 425,000 pounds sterling per year. On top of this comes corporation tax.

An auditor must be appointed in Gibraltar. In addition, the applicant must prove that he has a fittingly positive reputation and is sufficiently creditworthy.

The hurdles in the way of obtaining a license are correspondingly high. Therefore, relatively few fresh licenses are also granted.

All financial dealings must be conducted through a bank in Gibraltar.

Gambling License on the Isle of Man

The Isle of Man is not part of the EU. Consequently, the EU freedom of establishment and judgements of the European Court of Justice concerning the freedom of establishment and/or gambling judgements of the European Court of Justice are not applicable. In formal legal terms, the service may only be aimed at participants on the Isle of Man or at clients in countries that are not familiar with gambling regulations or do not recognize the regulations of the Isle of Man (however, none of us here knows of any countries).

Government Fees:

- o 35,000 pounds sterling per annum
- o one-off administration fee of 1000 pounds sterling which is non-refundable

The gambling tax is staggered as follows:

Total proceeds from gambling up to 20 million pounds sterling: 1.5%

Total proceeds from gambling from 20 to 40 million pounds sterling:
0.5%

Total proceeds from gambling from 40 million pounds sterling: 0.1%

Total proceeds from pool betting: 15%

Gambling in Costa Rica

Costa Rica adopts a special position. If the gambling service offered is directed at participants outwith Costa Rica, no license is required, just a trading permit. No share capital is required - except for the share capital of the limited company (public limited company) in Costa Rica. Gambling taxes are likewise not levied in the case of offshore gambling services. Of course, even in the case of Costa Rica, it holds true that offering such a service will, as a rule, be illegal. However, Costa Rica does not have any agreement providing for mutual judicial assistance with other countries, with the result that requests to cease and desist do not pierce the corporate veil.

Gambling License in Belize

What is involved in the case of Belize is a typical "offshore country". Exempt companies (companies that only conduct business outside Belize) are not taxed. The routing fee payable to Belize for gambling is 0.75% of the gross annual takings.

Gambling License in Antigua and Barbuda, Kahnawake and Panama.

What then is the safest legal structure if I would like to offer a gambling service worldwide - or in many countries?

Firstly, a gambling license within the EU, as the entire EU is "covered" by it (see the statements above, EU freedom of establishment and judgements of the European Court of Justice concerning the freedom of establishment). Since Malta, in addition to England, has the strictest requirements, a license in Malta would be prudent, as there is, of course, still a problem if the gambling service is also directed at participants outside the EU: the law of the country offering the service

comes into play. Due to the strict demands of a license in Malta, however, other countries would, as a rule “let it through”, or a fresh license would no longer involve extremely great expense based on a license from Malta.

Fundamental Legal Information

In simple terms, it can be stated that in the gambling sector the law of the country in which the company is domiciled applies (that is, the law of the country where the gambling license is successfully achieved) and the law of the "state in which the service is being provided" (that is, the law of the country at which the gambling service is aimed). There is one advantage within the EU in this case: first of all the EU freedom of establishment and the decisions of the European Court concerning the freedom of establishment apply. Thus a company which has its headquarters within the EU and has a gambling license at its disposal (e.g. Malta, England, Gibraltar) can direct the service that it provides to customers throughout the EU. However, there is, in many instances, a "conflict of law", with the result that internal laws (the state within the EU in which the service is being provided) cannot, admittedly, prevent or stop such a service being offered but almost declare participation in such gambling to be illegal. Nevertheless, it can be more than sensible to acquire a license in the EU, provided that the gambling service on offer is also aimed at EU residents: the fundamentally positive effect of the EU freedom of establishment (providers of gambling services may advertise throughout the EU etc), the strict conditions within the EU (e.g. in Malta) and, along with this, documentation showing the seriousness of what is being offered. And the "trust of the participant" in the case of services being offered within the EU will, by their very nature, be higher than for "services provided offshore". If, on the other hand, the service offered

is predominantly aimed at participants outside the EU, then other countries can also be extremely worthwhile considering. We also frequently look after clients who, for the reasons considered and outlined above, successfully achieve more than one license, e.g. in Malta and on the Isle of Man.

Pure Reseller Services – Affiliates or White Label Solutions

If the client is planning to offer a purely reseller service (that is, becomes an affiliate partner of an existing gambling service provider with a license), then the setting up of a limited company in Cyprus may also possibly be worth considering. In Cyprus (which is part of the EU) such reseller services are allowed without a license. In many other countries there are special regulations (licenses) relating to reseller services, e.g. in Malta.

Gambling License Jurisdictions - Defined

To operate an online casino, poker room or sports betting gaming site legally you will need to obtain a gambling license first. The actual gambling license to operate online gaming site is issued by many governments worldwide, but the most popular jurisdictions issuing such offshore gambling licenses are from the Caribbean and Pacific Island

Governments such as Antigua and Barbuda, Costa Rica, St Kitts, Dominica, Curacau and Vanuatu. When selecting a gambling license jurisdiction, you should select one with a sensible approach to taxation, and license cost in combination with a strong licensing law and technical standards.

It is possible to make your online gaming business without a license, but most of major online casinos have license. Here are three main causes why it is worth to have a gambling license:

- In player's opinion gambling license guarantees reliability and straight dealing of the gaming company. Players have more confidence playing in casinos and poker rooms with license.*
- In case of a settlement account opening banks insist on gambling license and especially while concluding agreements for receiving payments from bank cards.*
- In many countries operating a gambling business without a gambling license is illegal and it may result in termination and criminal responsibilities.*

GAMBLING LICENSE MALTA

Gambling License Malta- Remote Gaming in Malta

Applying for a License:

The following steps must be gone through and the following documents submitted:

- A business plan, including a profit & loss account plan for the first 2 years, a CV*

and a copy of the passports of all the directors.

A bank reference and a copy of any available licenses.

The fully completed application forms.

- The setting up of an international trading company in Malta enjoying "foreign shareholder status".*

□ Engagement of a service provider for setting up the servers and internet service

(the servers must be hosted in Malta or in an EU country).

□ Presentation and inspection of all the games along with the relevant rules as well as the associated software. The accurate recording and description of all the software and games and how they work.

Advantages of Malta as a Location Compared To Other Countries

Malta is a member of the European Union. Consequently, the EU freedom of establishment comes into play with regard to the law on gambling, and the decisions of the European Court concerning the freedom of establishment. It is exactly on this basis that the possibility exists of a company domiciled in Malta that has a gambling license being able to offer its services and advertise throughout the EU. However, in some instances, there is a legal clash with internal laws.

Setting up a company operating out of Malta also has advantages for EU residents from the point of view of tax law: the effect of the EU parent-subsidiary company directive, the EU directive on mergers, the failure of national regulations with regard to additional taxation (e.g. the tax legislation in Germany which applies to non-residents, no 8 of the German Foreign Transactions Tax Act) to have any effect, and the effect of the EU freedom of establishment. In addition, Malta has a double-taxation agreement with almost all the important industrial countries, that is, the shielding effect of a DTA is available.

Within the EU, Gibraltar and England exist as alternatives. However, Gibraltar has high demands: a business operation must be established in Gibraltar in the normal business way. In addition, the authorities demand that people who are resident in Gibraltar be employed at the gambling company. England is actually a good location for providers of games of chance. On the downside there are the high costs compared to Malta and the high gambling and business taxes.

For purely reseller services (the client becomes an affiliate partner of existing companies with a gambling license) Cyprus may also be suitable. Pure reseller services are allowed on Cyprus without a license, that is, all that is required is to set up a company in Cyprus with business premises in Cyprus.

Gambling License in Malta and Possible Tax Arrangements

Internally (that is, in Malta) there is the possibility of setting up a holding company in Malta and a limited company in Malta. Provided that the holding company in Malta is under foreign ownership, there is a tax refund, with the result that the tax burden, at Maltese level, works out at 5% in the end. However, Malta is considering abolishing the tax privilege of holding companies. In this context - but also when designing a Maltese holding company - it is useful to set up an EU holding company as the owner/shareholder of the Maltese company. On the basis of the EU parent-subsidiary company directive the EU holding company collects the dividends from Malta tax-free and does not tax proceeds purely from holdings. In addition, an EU holding company can invoice the (Maltese) subsidiary company for carrying out holding duties, which correspondingly reduces the taxable income at the level of the (Maltese) subsidiary company.

Cyprus or Holland are possibilities as locations for an EU holding company.

The following rules apply with regard to direct investments in the Maltese gambling company or holding company:

o Distribution to a natural person outwith Malta:

Tax paid at source in Malta in accordance with the double-taxation agreement, as a rule

a tax rate at source of 15%. If there is no DTA, then tax is paid at source at the full rate for Malta.

o Distribution to a legal person outwith Malta:

Outside the EU: tax at source in Malta in accordance with the applicable DTA, as a rule tax a tax rate at source of 5%. Within the EU: effect of the EU parent-subsidiary company directive (that is, tax-free collection of dividends), provided that the preconditions of the EU parent-subsidiary company directive are met.

In order to prevent being charged a high rate of tax at source in Malta, it is useful, once again, to interpose an EU holding company. Cyprus offers advantages in this connection, as Cyprus does not, in principle, subject further distributions to non-Cypriots to any tax at source, irrespective of whether a double-taxation agreement exists or not.

Necessary Preconditions for a Gambling License in Malta

First of all, the business premises must be located in Malta. This assumes that a person who is resident in Malta will act as a director of the limited company in Malta. In addition, a proper place of business must exist in Malta, simply having a registered office or a “letter-box” does not count as having a proper place of business in this sense.

Domiciliation is possible in this case at a business centre in Malta, with a company sign, postal address and the forwarding of mail, one’s own telephone number and the taking of calls in person using the company name, and a fax service.

As outlined above, the gambling service must be hosted on a Maltese or EU server. There are precise requirements in this connection with regard to the location of the server and the security of the server.

The server locations must be kept under seal, and only the Gambling Authority of Malta or the director of the Maltese Limited company, accompanied by an official of the Gambling Authority, has access.

Gambling License in England

As England is a member of the European Union the EU freedom of establishment and the rules of the European Court of Justice concerning the freedom of establishment and the freedom to provide services within the EU apply. Consequently, a gambling company in England can offer its services throughout the EU.

The starting point is the setting up of an English limited company or PLC with business premises in England:

-location of the senior management in England: a person whose normal residence is in

England must appear as a director of the company: either the client or an agent will transfer his normal residence to England or our legal office will appoint a trust director

-proper place of business in England: having a registered office does not count as a proper place of business, however offices do not need to be large.

-account on behalf of the company in England

As part of the approval procedure a court hearing will take place in London, at which the

director of the limited company will be present. The license is valid for 3 years and can be extended accordingly. The processing time is 3 -4 months.

The online service offered is consequently hosted on an English server, and the owner of the domain is the English company (a limited company or PLC).

In England, a distinction is made between an "organiser's license" (where the organizer offers his own games of chance on the internet) and an "agent's license". In addition, there is a difference depending on whether the company intends to provide the gambling service in Great Britain or only outside Great Britain ("Remote General Betting License").

The taxes on gambling are approx. 15%, with the taxes on earnings of the English limited company or PLC rising progressively from 21-30% .

The documents required are inter alia a business plan and documentation attesting to the reliability of the management.

Government Charges/Fees

There are 3 types of charges. On the one hand, there is the application fee for each license and, on the other, the license for the staff/management.

These must be paid in advance or along with the application respectively. In addition, annual fees arise for the licensee as a third charge as well as 5-yearly processing fees for the staff licenses. The license fee falls due for payment 30 days after the license has been issued.

Application fee: one-off payment of 20,580.00 pounds sterling per license application.

Staff/ management license: 330.00 pounds sterling per person.

The annual license fee depends on the gross turnover:

- Category F - turnover up to 5 million pounds sterling
- Category G - turnover of 5-100 million pounds sterling
- Category H - turnover of 100 - 200 million pounds sterling
- Category I - turnover of 200 - 500 million pounds sterling
- Category J - turnover of over 500 million pounds sterling

If we assume, as an example, that the client falls into Category I, then the one-off fees as described would fall due for payment and an annual license fee of 110,820.00 pounds sterling.

Regulatory Requirements

An audit must be carried out (using a UK firm of auditors), if an income of more than 1 million pounds sterling is achieved. In addition, an annual application for the inspection of the conditions is required.

Taxation

The "gambling tax" can be represented as two "duties":

- 1) "Betting duty", the "tax on betting" falls due for payment on each net contribution taken in from betting – insofar as applicable-
- 2) "Remote gaming duty", the "tax on remote gambling", falls due for payment on the net profits from gambling - insofar as applicable

This is 15% in both cases.

GAMBLING LICENSE ISLE OF MAN

Isle of Man: General

Douglas is also quite impressive. Tax exemptions, low costs and a one-time registration fee have attracted foreign ship-owners. Meanwhile, more than 200 ships with a tonnage of 5.2 million tonnes fly the Manx flag.

Tax advantages, membership of the Sterling monetary area and good connections with Great Britain are the driving force behind this development. The island belongs to the EU free-trade area and with the exception of foreign policy it is exempt from all aspects of the Rome treaties; it is entitled to determine and collect its own taxes.

- *Currency controls: none*
- *Fiscal extradition agreement: none*
- *Political risks: none*
- *Legal system: Subject to British Common Law, company and tax law are*

regulated by the Company Acts of 1931 and 1974.

- *Patent protection: Subject to British law*
- *Residence: For EU citizens no problem. One must provide evidence of approx.*

50,000 pound cash income. The desired tax revenue is 10,000 pounds per annum.

Each foreign national that purchases property on the island, must invest an additional 50 percent of the purchase price over ten years in government bonds that are not acceptable as collateral.

- *Taxes: There is no property tax, inheritance tax, gift tax or capital gains tax for residents. Should tax at source be collected on the assets of residents outside the island, these can be credited against island taxes. Income tax for resident natural and legal persons is between 15 and 20 percent of net profits. Non Resident Companies pay a flat taxation of 750 pound on their profits. Corporate tax for trading companies has been reduced from 18 to ten percent.*

Losses can be presented without time restrictions or transferred within a group and depreciable mobile assets can be written off immediately. A law on exempt companies has been in place since 1984. This provides additional incentives for companies, which only conduct offshore business, to trade or invest from the island. The Isle

of Man does not levy taxes on property, capital, capital gains, gifts or inheritance. Likewise, there is no such thing as stamp tax. Value added tax is at a state imposed rate of 17.5 percent.

□ Double taxation agreements: only for natural persons from Great Britain

□ Living costs: same as Great Britain

□ Communication: good

□ Travel: Car: via Liverpool. In the summer there are other connections to ports on

the British Isles. Flying: via London directly to the island airport Ronaldsway

□ Companies: It is advisable to establish a Non Resident Limited Company that is taxed on a lump sum basis.

The Isle of Man Gambling Licensing Process

For more information on the range of commercial and business benefits which the Isle of Man can offer to your company, see the information provided by the Department of Trade & Industry.

The main objectives of The Isle of Man gambling commission are as follows:

□ ensuring that gambling products promoted by operators in the Island can compete

effectively throughout the world

□ facilitating competition

□ facilitating the provision of modern products and services

□ ensuring that gambling is conducted in a fair and open way

- protecting children and other vulnerable persons from being harmed or exploited by gambling
- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime

The licensing application fee is £1,000. The annual license fee for a betting site is £35,000. There is a 1.5% tax on gross gaming yield up to £20,000,000. Yields over that amount are taxed at a reduced rate.

The corporation tax is 0%, provided the site does not accept bets from Isle of Man residents. As with land-based gaming, e-gaming regulations are reviewed and enforced by the Gambling Control Commissioners.

GAMBLING LICENSE BELIZE

Belize is a Central South American Country which borders the Caribbean Sea between Guatemala and Mexico. Formerly known as The British Honduras the official name was changed to Belize in 1973 with full independence granted within the Commonwealth on 21 September 1981, although this was not accepted by Guatemala until 1992 because of its historical disputes over the territory with the United Kingdom.

Gambling License in Belize

The license allows you to offer any type of gambling in accordance with the law of the offshore country. This includes the traditional casino offerings such as roulette, blackjack, baccarat, poker, bingo, slot machines as well as all the other famous card games and dice games. Within the scope of the betting license betting/lotteries can be offered in accordance with the statutory provisions of Belize.

The taxes on gambling amount to 0.75% of turnover.

Basic Problems

Belize is not part of the European Union. Consequently, the EU freedom of establishment and the decisions of the European Court of Justice are not applicable. Accordingly, offering the service to members of the EU would be against the law. The gambling service should actually only be aimed at people belonging to Belize or at members in states without any restrictive legislation since, in the field of gambling, it is the law of the country of domicile (in this case Belize) and the “country offering the service” that applies.

On the other hand, Belize does not have any agreement providing for mutual judicial assistance or any agreement covering tax matters with other states.

In addition to the legal problems concerning gambling, attention may possibly need to be paid to the tax-law aspects. Belize is a low-tax country which only has a double-taxation agreement (DTA) with Sweden, Denmark, Austria and countries of the Caribbean

Community (CARICOM). Thus the key words may be: the assumption of an intermediate company, the sole purpose of which is to illegally circumvent the domestic law on taxation, the reversal of the burden of proof and the effect of national laws aimed at additional taxation (that is, in Germany, the effect of 8/2 of the law to prevent international fiscal evasion). The assumption of the abuse of arrangements can only be prevented insofar as the senior management of the business can be proved to be located in Belize and the company runs a business operation that has been set up in a commercial way in Belize (with an office and employees).

On the other hand, Belize does not have any agreements covering tax affairs (except with those countries that have a DTA with Belize) and it is possible to have a structure with bearer shares.

Alternatives to a Gambling License in Belize

A gambling license in Malta (which is in the European Union), in particular, suggests itself as an alternative insofar as the gambling service offered is intended to be aimed at members of the European Union. However, the government and legal fees as well as the taxes on gambling are considerably higher.

GAMBLING LICENSE COSTA RICA

It is legal to conduct this businesses activity in Costa Rica and you only need:

- A Costa Rican corporation or company registered in Costa Rica.*
- Registration with the tax authorities.*
- A land use permit.*
- A permit from Ministry of Health.*
- A commercial license.*

In practice, you do not require a license for Internet gambling, but you do require a commercial license.

Costa Rica has legislation to restrict land based gambling, but according to the legal system, those laws are not interpreted as extending to Internet gambling.

ETC will register the corporation and obtain the permits required from all governmental institutions.

To this end, most corporations registered in Costa Rica, obtain a license.

In order to create a corporation in Costa Rica that will allow for licensing, it must deal in network administration or internet administration. All internet addresses from Costa Rica must be blocked from the server, since it is Costa Rica's strict policy that none of their citizens participate in online gambling. One must also create an offshore merchant account to deal with the transactions.

The requirements to obtain this license are:

- Office lease contract.
- Health permit.
- Workers insurance policy.
- A Costa Rican registered corporation.

Due to the absence of legislation and oversight for online gambling, companies based in or registered through Costa Rica are not subject to monitoring or other regulations that many offshore companies are. This also means that since there isn't a body to govern gambling, companies are self-regulated and not required to pay betting or gambling tax.

Gambling License Antigua and Barbados

Requirements and fees to obtain an interactive gaming or interactive wagering IGIW license on Antigua and Barbados

For obtaining an IGIW the following steps have to be undertaken:

Step 1 – Application for an Interactive Gaming or Interactive Wagering License must be completed and submitted.

Step 2 – (if applicable) a Business Entity Information Package must be completed and submitted.

Step 3 – Personal information has to be given by each key person of the company, including each shareholder of the company.

A fee of \$15,000 US dollars is to be submitted for conducting investigations, due diligence and assessments of the applicant. This fee is non-refundable. If the cost and expenses of these investigations exceed \$15,000 US dollars, the applicant will be notified by the Commission and asked to submit a further non-refundable deposit, determined by the Commission.

The Commission may ask for further documentation.

Annual Deposit Requirements and fees for interactive Gaming and Wagering

Licenses (in US\$)

First year Following years

Due Diligence

(non refundable)

15,000.00

Interactive Gaming License Fee 100,000.00 100,000.00

Interactive Wagering License Fee 75,000.00 75,000.00

Annual Renewal fee for each License

(non refundable)

5,000.00 5,000.00

Key Person License Fees 1,000.00 250.00

Reserve Requirement 100,000.00

Monitoring System

Reserve

Next to providing proof of capital adequacy, an applicant who has been granted a license must submit an amount, or other similar security, of 100,000.00 US\$ to be paid into an account by the Commission. This fund acts as a form of security to ensure that license holder's obligations to the players such as payment of prizes and the return of deposited money in accounts.

Depending on the risk, the Commission may increase the amount held as reserve.

IGIWR rules, that the prospective licensee must maintain a physical presence in Antigua and Barbuda. It must have its physical presence and the server, on which the transactions are conducted, in Antigua and Barbuda.

Gambling License Kahnawake

Kahnawake is a community of approximately 8,000 Mohawk (North American Indian) persons located on the south shore of the St. Lawrence River, 20 minutes from Montréal, Canada. The Mohawk Territory of Kahnawake presently occupies approximately 20 square miles.

The Mohawks of Kahnawake have consistently and historically asserted sovereignty and jurisdiction over their territory. They have never been defeated in battle and have never entered into a treaty with any government that waives or diminishes their sovereignty.

The Commission's authority to license and regulate gaming is a facet of the sovereign rights Kahnawake has as a community of indigenous peoples to govern its own affairs.

In 2007, the Commission's authority was favourably considered in a decision rendered by the Superior Court of Québec.

Kahnawake Gaming Law (MCR No. 26 / 1996-97).

The Commission has been continuously licensing and regulating online gaming since July 8, 1999 – the date on which the Commission enacted its Regulations concerning Interactive Gaming – longer than almost any other jurisdiction in the world.

The Commission is empowered to license and regulate gaming and gaming related activities conducted within and from the Mohawk Territory of Kahnawake in accordance with the highest principles of honesty and integrity.

The Commission has always understood that, given the global nature of online gaming, it is imperative for regulatory bodies to cooperate with one another. Section 3 of the Commission's Regulations specifically provide that they may serve as a basis for "harmonisation with comparable jurisdictions".

In 2005, the Commission entered into a Memorandum of Understanding with the Financial Services Regulatory Commission of Antigua and Barbuda. In 2006, the Commission entered into a similar Memorandum of Understanding with the Lotteries and Gaming Authority of Malta. The Commission has frequent discussions with other regulatory bodies in many other jurisdictions.

The Commission licenses and regulates interactive gaming and terrestrial poker rooms that are located within the Mohawk Territory of Kahnawake.

Pursuant to its Regulations concerning Interactive Gaming (amended September 22, 2010), the Commission licenses and regulates various types of interactive gaming, including: casino, poker and sportsbook.

Pursuant to its Regulations concerning Poker Rooms (amended June 23, 2010), the Commission licenses and regulates territorial poker rooms that are located within the Mohawk Territory of Kahnawake.

Offshore Company Formation: Tax haven rankings

1. EU member countries

Advantages: The recognition of a permanent establishment in the foreign country, from the point of view of EU member states, does not require establishment of a commercial business operation (see also EU Freedom of Establishment); also, applicability of the EU

Parent-Subsidiary Directive (tax free receipt of foreign dividends, e.g., in the case of a German capital investment firm) and general existence of DTAs.

Taxes in Europe database:

The "Taxes in Europe" database is the European Commission's on-line information tool covering the main taxes in force in the EU Member States (IP/07/662). Access is free for all users. The system contains information on around 650 taxes, as provided to the European Commission by the national authorities.

1.1. Cyprus: 10% income tax, regardless of profit. Profit distribution is not taxed in the case of foreign shareholders. Holding companies are tax exempt.

EU Freedom of Establishment Yes

DTA: Yes, with most countries

EU Parent-Subsidiary Directive applicable: Yes

Holding company privileges: Yes

Banking secrecy: High

Nominee relationships allowed: Yes

Advantage: EU Freedom of Establishment as well as DTA, very low taxes compared to the rest of Europe, dividend payouts to non-Cypriots are tax exempt (otherwise subject to 15% defense tax). Holding companies are completely tax exempt.

1.2. Bulgaria (10% income tax rate, independent of profits, no taxation of distribution of profits, EU company: EU freedom of establishment applicable, therefore EU directive on parent companies and their subsidiaries, DTA concept)

CORPORATE TAXATION AT IMPORTANT LOCATIONS

UAE: No taxes, exempt on oil companies, petro-chemical industries and banks.

Switzerland: By Kanton. Average tax level is 21%. Singapore: No taxation on first \$ 100,00.00; 8,5% taxes on \$ 100,001.00 to \$ 300,000.00; Thereafter a Flat Rate of 17%. Exempt companies and foreign income is tax free. USA: Taxation depends also on state law. Federal Corporate Income Tax is 15% on net earnings up to US\$ 50,000.00.

Taxation thereafter rises progressively to a maximum level of 35%.

CORPORATE TAXATION IN THE EU

Canary Islands Special Zone: Does not belong to EU VAT territory. Special requirements as providing new jobs and investment have to be met. United Kingdom: 21% taxation on mid-sized business up to £ 300,000.00 net earnings. Taxation thereafter rises progressively to a maximum level of 30%. Germany: Total taxation burden is set by Corporate Tax (15%) and local Business Tax. Madeira Free-Trade-Zone: Special requirements as providing new jobs and investment have to be met.

Switzerland:

Taxation is ruled by the Kanton. Total taxation burden is set by Federal Tax plus Kanton-Tax and local tax. Total taxation burden alternates between 12,5% and 28%.

1.3. England: 21% for small to medium-sized companies (up to GBP 300,000 in profit), thereafter gradual increase up to 30% VAT registration required only upon reaching GBP 60,000 (approximately EUR 100,000). Very liberal attitude toward offshore companies, maintains a DTA with the Isle of Man.

- EU Freedom of Establishment Yes
- DTA: Yes, with most countries
- EU Parent-Subsidiary Directive applicable: Yes
- Holding company privileges: No
- Banking secrecy: High
- Nominee relationships allowed: Yes

Advantage: EU Freedom of Establishment; also DTA, low tax rates for small to medium sized companies compared to the rest of Europe

1.3.1 Setting up a UK Ltd with an offshore company, UK Ltd as agent only: Up to

90% profit transfer before taxes allowed

A maximum of 90% of UK profits BEFORE taxes in the UK may be transferred to an offshore country as long as the UK Ltd acts only as an “agent” (profit transfer and domination agreement between the offshore and UK Ltd).

1.4. Ireland

- *EU Freedom of Establishment* Yes
- *DTA: Yes, with most countries*
- *EU Parent-Subsidiary Directive applicable: Yes*
- *Holding company privileges: Depending on type of formation*
- *Banking secrecy: High*
- *Nominee relationships allowed: No*

Ireland has a corporate tax rate of 12.5%. Disadvantages include a high income tax rate of 20-60% for natural persons and the fact that nominee relationships are either prohibited or practically impossible. Suitable for "actual company relocation."

1.5. Portugal/Madeira

Short summary of advantages:

EU membership, EU Freedom of Establishment and EU Parent-Subsidiary

Directive applicable

Portugal/Madeira belong to the VAT Zone (the Canary Islands and Canary Island

Special Zone (ZEC), for example, do NOT); no import sales tax on the import of goods into the EU, 6th EU Directive applicable

Taxes:

- Type I: Completely tax exempt
- Type II: Tax rates of 4 % until 2012 and 5 % until 2020 guaranteed

Tax exemption or reduced taxation are subject to requirements such as creation of jobs and establishment of a commercial business operation. Our office in Madeira is equipped to meet the necessary requirements (normally only suitable for actual corporate relocation or establishment of an actual business in Madeira.) However, even in the case of no actual business establishment, our partners can help you meet the requirements for tax exemption or reduction. This requires the contractual employment of local citizens in the company (at EUR 400/month) and the leasing of an office. Monthly costs apply in this case.

2. Non-EU, but with DTA

From the point of view of most countries, the recognition of a permanent establishment requires establishment of a commercial business operation in the country of residence.

The financial authorities in your home country may require proof of residency from the foreign country's financial authority. If no commercial business operation is established, the domiciling of the company via a Business Center (www.regus.com) with 10 hours of monthly office space use is usually sufficient. The nominee General Manager may act as a permanent employee, in which case his compensation must be "regular."

2.1. Switzerland: Tax rates vary by canton, as the total tax liability equals the federal tax (8.5%) plus the cantonal tax. An income tax rate of 15.5% is achievable (in Zug).

Special conditions: Tax payments are considered business expenses, which correspondingly reduces tax liability as of the second year.

EU Freedom of Establishment No

DTA: Yes

EU Parent-Subsidiary Directive: Switzerland has subscribed to the EU Parent-

Subsidiary Directive; bilateral recognition agreements are in place

Banking secrecy: Very high

Nominee relationships allowed: Yes

Bearer stock: YES

Advantages: Low tax liability, easy access to cash, banking secrecy.

Special terms regarding branch offices of EU foreign companies: These are treated as Swiss corporations without the initial CHF 20,000 capital stock investment requirement; commercially established business operation not required. Tax liability under domicile privileges only 8.5%.

2.2. Dubai/UAE ZERO taxation, except for oil companies, chemical companies and banks.

Low tax country as per the German Foreign Transactions Act (AStG): Yes

Applicability of Section 8 of the AStG (CFC taxation in the case of dominant influence by a German national): YES

- EU Freedom of Establishment No*
- DTA: Yes*
- EU Parent-Subsidiary Directive applicable: No*
- Banking secrecy: Very high*
- Nominee relationships allowed: Yes*

Advantages: No taxes. If adequately structured, so-called “white income” (i.e., tax free income in Germany) may be divertible to Germany.

Disadvantage: Very high capital stock required in comparison to other legal structures, high formation and licensing fees, at least 51% of the shares of the company must be held by local citizens except in Free Trade Zones, nominee solution is an option. The “Dubai Offshore Company” allows for the establishment of a legal corporate structure without capital stock.

2.2.1: UAE, Exempted Companies

- EU Freedom of Establishment No*
- DTA: Yes, with most countries*
- EU Parent-Subsidiary Directive applicable: No*
- Banking secrecy: High*
- Nominee relationships allowed: Yes*

Advantages: No taxes. If adequately structured, so-called “white income” (i.e., tax free) can be channeled outside the country.

2.3. Singapore

- EU Freedom of Establishment No*
- DTA: Yes, with almost all countries*
- EU Parent-Subsidiary Directive applicable: No*
- Banking secrecy: Extremely good*
- Nominee relationships allowed: Yes*

Singapore is known, not inaccurately, as the "new Switzerland." Foreign income is not taxed. Domestic income is taxed at 18%; the first 200,000 Singapore dollars are taxfree.

2.4. USA: Tax liability depends on the individual state and the "object of taxation." An income tax rate of 15% is achievable. Normal tax rate: 30%.

- EU Freedom of Establishment No*
- DTA: Yes, with almost all countries*
- EU Parent-Subsidiary Directive applicable: No*
- Banking secrecy: Average*
- Nominee relationships allowed: Yes*

Bearer stock allowed: No, but shareholders are not entered in the commercial register Advantage: The "Inc" is the pure form of incorporation, and is a good structure for capitalization, no capital stock investment required, generally low costs in comparison to other corporate structures, one-person formation possible. Shareholders are not listed in the commercial register. Most US states have no sales tax.

3. Non-DTA countries (offshore):

-EU Freedom of Establishment No

-DTA: No

-EU Parent-Subsidiary Directive applicable: No

-Banking secrecy: Very high

-Nominee relationships allowed: Yes

-Public commercial register: generally none

-Bearer stock allowed: Yes, bearer stock is allowed in most offshore countries In general, no nominee shareholder is required.

-Taxes: In most countries, Exempted Companies (those that only generate income outside the country of residence) are not subject to taxes. Isle of Man imposes a flat tax of GBP 450. Liechtenstein offers no tax exemption, depending on corporate structure and sales

-Sales taxes: Typical offshore countries (Seychelles, Mauritius, Hong Kong,

British Virgin Islands (BVI), Bahamas, Nevis, Dominica, St. Vincent, Belize) have no sales tax.

Countries include:

Asia & Pacific: Seychelles, Mauritius, Hong Kong

British Virgin Islands (BVI), Bahamas, Nevis, Dominica, St. Vincent, Isle of Man

Latin America: Panama, Belize

Liechtenstein (AG, GmbH, Trust, Anstalt [institution], Stiftung [charitable foundation])

□ *Isle of Man: GBP 450 annual flat tax for foreign income. Is a member of the EU*

VAT Zone.

When establishing offshore companies, the client should be aware of the political and economic stability of the country.

Advantages: Generally no or low taxes, no public commercial register, no international law enforcement treaties or fiscal extradition agreements with other countries.