

Czech Report Slams Regulatory And Tax Failings

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[Lina Sennevall, GamblingCompliance](#) [1]

The Supreme Audit Office of the Czech Republic has issued a damning report into the state's "ineffective" supervision of the gambling market, saying the government is missing out on CZK600m (€22m) a year in tax revenue from unlicensed gambling websites.

The authority said the Ministry of Finance, which regulates gambling in the Czech Republic, had failed to supervise and enforce the gambling sector properly in a report that experts believe could sting the government into making reforms.

According to the Supreme Audit Office (NKÚ), whose task it is to supervise the management of state property and the state budget, "inadequate legislation and technical standards" for online gambling is one of the main reasons for the shortfall in tax revenues.

Although online gambling is not expressly prohibited or regulated under the current gambling act, the ministry has the power to issue fines of up to CZK10m (€360,000) to operators targeting the country without a licence.

The NKÚ said in its report that "neither the finance ministry nor the tax offices have ever fined this illegal business".

Jan Kozubek, attorney at the Prague office of law firm Becker and Poliakoff, told GamblingCompliance that the audit office also pointed to several other flaws within the ministry's operations.

He said the NKÚ pinpointed "not enough goodwill and effort to go after the companies violating the law" and a toleration of operators' wrongdoing.

"But it is necessary to mention that the present law is far from ideal and has no effective tools to fight against illegal online gambling," Kozubek said.

The audit office said that there were shortfalls in how the ministry collected taxes from lotteries, saying the system was ineffective and burdensome.

It also said that the ministry had failed to control gaming machines and had never cancelled a licence, despite evidence of some operators breaking regulations up to 100 times.

Kozubek said that the report from the NKÚ could now have both practical and political implications.

Ministers will have to evaluate the conclusions of the NKÚ and should make changes where needed but Kozubek said that a legal investigation could also follow.

The ministry said in response to the report that it was aware of the "unsatisfactory situation" and said that part of the problem was the country's outdated 1992 gambling law.

The coalition government has been in power since a general election last October and the finance minister, Andrej Babiš, blamed previous governments for the failings.

A bribery scandal involving then Prime Minister Petr Nečas, which led to the collapse of his government, [delayed changes being made to the country's gambling regulation](#) [2].

Dusan Mihajlovic, a director at Scott Mihajlovic Associates, said the failings uncovered by the audit office were just the latest example of political corruption in the Czech Republic that is holding up changes to gambling regulations.

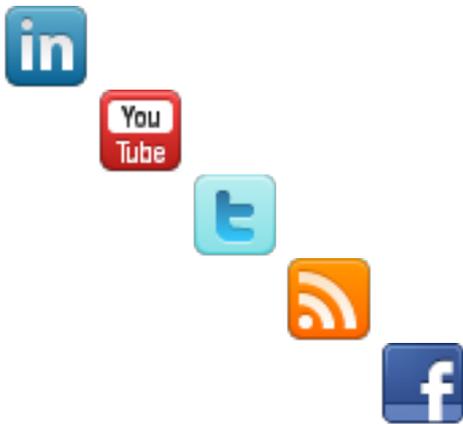
The finance ministry is drafting a new law, partially because of [questions from the European Commission](#) [3] on whether the legislation is compatible with EU law.

The ministry added that it hopes the new bill will help raise state revenues by “at least CZK1bn” (€360m) a year.

A bill could be introduced as early as this autumn, according to the ministry, after which it will pass through the parliament and possibly enter into force as early as January 2016 if approved by the European Commission.

Fortuna, one of only nine online licensees in the country, told analysts last week that it is in constant talks with the Czech Republic to improve conditions for operators.

The bookmaker, which claims to hold a number two market position in the Czech Republic, said that it expects new legislation to be in place by January 2016 and remains hopeful that the new law will be EU compliant.



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