

Profile and Taxation of Philippine Offshore Gaming Operations^{*}

I. INTRODUCTION

In the Philippines, gambling and betting activities include a wide range of options such as bookmaking¹ and betting operations, off-track betting, operation of casinos (including floating casinos), sale of lottery tickets, operation of coin-operated gambling machines, and operation of virtual gambling websites (Philippine Statistics Authority, 2010). Traditionally, gambling and betting activities are conducted in land-based gambling places/establishments. However, betting operations have changed with advanced technology and the internet that made gambling even more accessible. The availability of a wide range of online gaming options make them among the most popular gambling activities worldwide.

At present, the government grants licenses to online gaming operators to do business in the Philippines. However, online games offered by licensed online gaming operators in the country can only be accessed or played by authorized players who are any individual residing abroad, except Filipino citizens, and those in countries which have laws prohibiting participation of their citizens in online gaming activities.

Since offshore gaming is a relatively new and growing industry in the Philippines, this paper presents the profile of the Philippine offshore and gaming operations (POGO) industry as well as the taxes, fees and charges imposed thereon to serve as inputs to fiscal policy makers. It likewise discusses the online or offshore gaming operations in selected countries.

II. BACKGROUND INFORMATION

A. Philippine online gaming operations

Offshore gaming gained popularity in Philippines in the latter part of 2016. To safeguard the welfare of the Filipinos and ensure that no Filipino, whether minor or of

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¹ A business of accepting the bets of others on the outcome of sports contests, especially on horse races.

age, is able to place bets on online or offshore games, and for revenue considerations, the Philippine Amusement and Gaming Corporation (PAGCOR) issued Rules and Regulations for POGO on September 1, 2016 to ensure that online games are properly regulated and monitored. Further, the provision of offshore gaming licenses is one of the measures of the government to curb the proliferation of non-compliant electronic gaming sites and at the same time help the government meet its revenue target.

The PAGCOR defines offshore gaming as online games of chance via the internet using a network and software or program, exclusively for offshore authorized players, excluding Filipinos abroad, who have registered and established online gaming accounts with the licensee. The offshore gaming has three components, namely: (a) the prize consisting of money or something else of value which can be won under the rules of games; (b) a player (who is located outside the Philippines and not a Filipino citizen, who enters the game remotely or takes any step in the game by means of a communication device capable of accessing an electronic communication network such as the internet, or a player who gives or undertakes to give, a monetary payment or other valuable consideration to enter in the course of, or for, the game); and (c) the winning of a prize is decided by chance (Philippine Amusement and Gaming Corporation, 2016).

Offshore gaming is conducted via the internet using a network and software. Under Section 4(e) of the Rules and Regulations for POGO, authorized players of the POGO licensee who can access its games through the latter's website are: (a) offshore individuals²; (b) foreign nationals (while within the Philippine territory, they are not allowed to participate in online gaming activities offered by the licensees); (c) should be at least 21 years old or any applicable legal age in foreign countries where the players reside; and (d) must be registered.

B. Regulatory agencies

Pursuant to Presidential Decree (PD) 1869³, as amended by Republic Act (RA) 9487⁴, the PAGCOR, a government-owned and controlled corporation (GOCC), has the authority and power to authorize, license and regulate games of chance, games of cards and games of numbers within the territorial jurisdiction of the Philippines, excluding those authorized, licensed and regulated by, in, and under existing franchises or other regulatory bodies, special laws, and local government units (LGUs).

² Offshore individuals are defined as any individual who are physically in another country other than the Philippines; This excludes Filipino citizens even if abroad and individuals in countries which have laws prohibiting participation of their citizens in online gaming activities. (Section 4(e), Rules and Regulations for POGO)

³ Entitled "Consolidating and Amending Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632, Relative to the Franchise and Powers of the Philippine Amusement and Gaming Corporation (PAGCOR)", signed July 11, 1983.

⁴Entitled "An Act Further Amending Presidential Decree No. 1869, Otherwise Known as PAGCOR Charter", approved June 20, 2007.

The PAGCOR is the national licensor of offshore gaming operators in the country. However, the Cagayan Economic Zone Authority (CEZA), Aurora Pacific Economic Zone and Freeport Authority (APECO), and the Authority of the Freeport Area of Bataan (AFAB) are likewise granted, under their respective charters, the authority to directly operate, or license others to operate, gambling casinos in their respective special economic zones.

The CEZA is mandated under RA 7922⁵ to issue license to other, tourism-related activities, including games, amusements, recreational and sports facilities such as horse racing, dog racing, gambling casinos, golf courses, and others, under the priorities and standards set by the CEZA, within the Cagayan Special Economic Zone and Free Port (CSEZFP) and other areas that may be included as part of the Zone.

Presently, there are three companies that serve as master licensors for gambling operations in the CEZA, namely, the First Cagayan Leisure and Resort Corporation (FCLRC), the North Cagayan Gaming and Amusements Corporation (NCGAC), and Foremost Cagayan Development and Leisure Corporation (FCDLC). Technically, they are authorized to operate, manage, supervise, establish, own, acquire, purchase or lease tourism-related facilities and activities which include games, internet games, among others, at the CSEZFP. They can issue two types of licenses: (a) interactive gaming licenses which cover all types of online gaming including casinos, lotteries, bingo, sports books; and (b) restrictive licenses which limit the offerings to sports betting only.

Similarly, the APECO is authorized under RA 9490⁶, as amended by RA 10083⁷, to grant licenses to other tourism-related activities, including games, amusements and nature parks, recreational and sports facilities such as casinos, online gaming facilities, golf courses and others under the priorities and standards set by the APECO within the Aurora Special Economic Zone. The Pacific Seaboard Leisure and Entertainment Corporation (Pacific Seaboard) is the master licensor of the APECO and enjoys a 25-year exclusivity clause that includes both online and land-based licensing.

On the other hand, the authority of the AFAB to operate on its own, either directly or through a license to other tourism-related activities, games, amusements, recreational and sports facilities, subject to the approval and supervision of PAGCOR, is provided explicitly under RA 9728.⁸ The Grand Innovasia Concept Corporation (GICC) serves as its master licensor.

⁵ Entitled “An Act Establishing a Special Economic Zone and Free Port in The Municipality of Santa Ana and Neighboring Islands in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefor, and for Other Purposes”, approved February 24, 1995.

⁶ Entitled “An Act Establishing the Aurora Special Economic Zone in the Province of Aurora, Creating for the Purpose the Aurora Special Economic Zone Authority, Appropriating Funds Therefor and for Other Purposes”, approved June 29, 2007.

⁷ Entitled “An Act Amending Republic Act No. 9490, Otherwise Known as the "Aurora Special Economic Zone Act of 2007", approved April 22, 2010.

⁸ Entitled “An Act Converting the Bataan Economic Zone Located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (FAB), Creating for this Purpose the Authority of the

Executive Order (EO) No. 13⁹ issued by President Duterte in February 2017 recognizes the authority of the PAGCOR, as a national regulator, to grant offshore gaming licenses apart from its role as licensor of land-based casinos and other gaming operations within the Philippines. The CEZA, APECO and the AFAB can also issue licenses to offshore gaming enterprises whose operations are to be limited only within their territorial jurisdictions. Section 4 of EO 13 mandates the creation of an inter-agency committee consisting of PAGCOR, CEZA, AFAB, APECO, Bureau of Internal Revenue (BIR), Bureau of Immigration (BI), Bureau of Customs (BOC), among others, to exercise oversight functions and recommend to the President the issuance of rules, regulations and directives for the suppression of illegal gambling and the improvement of government efforts to raise revenue from legitimate gambling activities. Moreover, PAGCOR, CEZA, AFAB, APECO and other similar regulatory entities are required to submit to the Office of the President, through their authorized representatives in the said inter-agency committee, a consolidated report on the programs of the fight against illegal gambling in their respective jurisdictions every six months.

Offshore gaming enterprises must secure licenses from the master licensors of CEZA/APECO/AFAB to avail of the tax incentives provided under their charters. However, their operations shall only be confined within the economic zones where they have obtained their licenses.

C. Offshore gaming licensees

Under the Rules and Regulations for POGO, a licensee is a POGO duly licensed and authorized by the PAGCOR to provide offshore gaming services. As of 2018, PAGCOR had issued a total of 56 POGO licenses, 24 of which have purely e-casino operations, 15 are purely sports-betting operations, one has sports-betting on regulated wagering events, and 16 have e-casino and sports-betting operations (Philippine Amusement and Gaming Corporation, 2018).

Aside from POGOs, the following are the other entities duly licensed and authorized by the PAGCOR to provide particular or specific component of offshore gaming activities to the POGO (BIR Revenue Memorandum Circular No. 102-2017):

- (a) *POGO-gaming Agent* – refers to the representative in the Philippines of offshore-based operator;
- (b) *Service provider* – refers to the entity which provides components of offshore online gaming operations, viz: (1) gaming software/platform provider, for gaming systems and games, sports book, pool betting, etc.; (2) business process

Freeport Area of Bataan (AFAB), Appropriating Funds Therefor and for Other Purposes”, approved July 27, 2009.

⁹ Entitled “Strengthening the Fight Against Illegal Gambling and Clarifying the Jurisdiction and Authority of Concerned Agencies in the Regulation and Licensing of Gambling and Online Gaming Facilities, and for Other Purposes”, signed February 2, 2017.

outsourcing (BPO) provider, for call centers and information technology (IT) support services, excluding the taking of actual bets; and (3) data/content streaming provider, for real time streaming of casino games produced for a live dealer studio set-up, streamed via the internet to the website of the licensees; and

- (c) *Gaming support provider* – refers to a company that produces proprietary products and services that may or may not be found in the gaming system of the licensee, but is an important part of the online gaming set-up, e.g. payment solutions, player registration, rewards and marketing modules.

The CEZA had issued licenses to 186 interactive/online gaming operators from 2004 to April 2018. Based on the latest available data, CEZA had issued 30 interactive/online gaming licenses as of April 2018. On the other hand, the AFAB has no registered enterprise engaged in online gambling activities yet but there are 13 registered enterprises engaged in business process outsourcing-information technology (BPO-IT) companies providing customer and technical support to online gaming companies operating outside the Philippines.

D. Advantages of establishing offshore gaming in the Philippines

One of the advantages of putting up an offshore gaming in the Philippines is that it is a legal and licensed activity in the country. Hence, it ensures that online games are properly regulated and monitored by competent regulating government bodies.

Also, offshore gaming operations are technology-driven enterprises which rely on robust telecommunication networks, high capacity communication facility, office space, and highly technical workforce. The country is known for low real estate acquisition and operational costs as well as competitive labor costs compared to other major Asian cities. Filipinos are likewise known to be highly skilled and educated, which makes doing business in the country easier. There are also plenty of available prime grade buildings located in safe, secured, and accessible areas, equipped with high speed fiber optic telecommunication facilities and uninterrupted power supply necessary for 24/7 operations.

Moreover, the Philippines' proximity to most Asian countries is an advantage for gamblers from Macau, China, Japan, and Korea, which makes the country an excellent place to do business.

III. TAXES, FEES AND CHARGES IMPOSED ON OFFSHORE GAMING OPERATIONS IN THE PHILIPPINES

Pursuant to BIR RMC 102-2017, the operations or activities of POGO and/or other related entities shall have the following tax treatment:

- (a) The entire gross gaming receipts/earnings or the agreed or pre-determined minimum monthly revenues/income from gaming operations under existing rules, whichever is higher, shall be subject to a five percent franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description;
- (b) Income from other related services (income from non-gaming operations) shall be subject to regular income tax, value-added tax (VAT) and other applicable taxes, as may be deemed appropriate;
- (c) A licensee deriving income from both gaming operations and from other related services shall be subject to five percent franchise tax on its gaming revenues and regular income tax, VAT and other applicable taxes on its non-gaming revenues;
- (d) Other entities, specifically including the gaming agent, service provider, and gaming support provider, who are also POGO licensees, shall be taxed a five percent franchise tax on their gaming activities and subject to the normal tax rate and other appropriate taxes on their non-gaming operations. Other entity, which is not a POGO licensee, deriving or earning only income from other related services or from non-gaming operations shall be subject to regular income tax, VAT and other applicable taxes on its entire revenues;
- (e) Income payments made by POGO licensees or any other business entity licensed or authorized by PAGCOR for all their purchases of goods and services shall be subject to withholding taxes as may be appropriate and applicable;
- (f) Compensation, fees, commissions or any other form of remuneration as a result of services rendered to POGO licensees or any other business entity licensed by the PAGCOR shall be subject to applicable withholding taxes under existing revenue laws and regulations; and
- (g) Purchases (local and imported) and sale (local or international) of goods (tangible or intangible) or services shall be subject to existing tax laws and revenue issuances, as may be applicable.

As to fees and charges, POGO licensees duly licensed and authorized by PAGCOR must pay the following (Philippine Amusement and Gaming Corporation, 2018):

Applicable fees	e-Casino	Sports betting	Sports betting on related wagering events
	[In US dollar (Philippine peso)]		
Application and processing fee	\$150,000 (P7.84 million)	\$120,000 (P6.27 million)	\$120,000 (P6.27 million)
License fee	\$200,000 (P10.45 million)	\$150,000 (P7.84 million)	\$150,000 (P7.84 million)
Performance / security bond fee (one time fee)	\$300,000 (P15.68 million)	\$300,000 (P15.68 million)	\$300,000 (P15.68 million)
Renewal (triennial)	\$150,000 (P7.84 million)	\$120,000 (P6.27 million)	\$120,000 (P6.27 million)

Note: ^{1/} - Converted using the May 2019 Average Peso Per US Dollar Exchange Rate (PhP52.26/US\$1), BSP.

Meanwhile, gaming agents, gaming software or platform providers, gaming support providers, call centers, and data/content streaming providers of offshore gaming operators in the country are likewise liable to the following PAGCOR fees to cover probity cost and site visit, as necessary (Philippine Amusement and Gaming Corporation, 2018):

Particulars	Application and processing fees	Renewal fee (triennial)	Peso equivalent ^{1/}
	[In US dollar]		(In million)
Local agent accreditation	\$60,000	\$60,000	P3.14
Special class BPO	\$300,000	\$300,000	P15.68
Customer relations services provider	\$150,000	\$150,000	P7.84
Live studio and streaming provider	\$120,000	\$120,000	P6.27
Gaming software/platform provider	\$120,000	\$120,000	P6.27
IT support provider	\$60,000	\$60,000	P3.14
Strategic support service provider	\$30,000	\$30,000	P1.57

Note: ^{1/} - Converted using the May 2019 Average Peso Per US Dollar Exchange Rate (PhP52.26/US\$1), BSP.

Licensees, agents, and service providers shall renew their licenses, accreditation and registration yearly and must comply with the requirements for renewal at least a month prior to the expiration subject to fees similar to their application and processing fees enumerated above.

From 2016 to 2018, PAGCOR collected a total amount of P11.99 billion from POGOs, P2.52 billion of which were from fees and charges (application fees, license fees, other fees) and P9.47 billion were from gaming tax collections. (See Table 1.)

Table 1

Total amount of taxes, fees and charges collected from POGOs: 2016-2018 (amount in million pesos)

Year	Gaming tax ^{1/}	Fees and charges ^{2/}	Total
2016 ^{3/}	229.86	474.97	704.83
2017	3,127.30	797.04	3,924.34
2018	6,110.00	1,250.00	7,360.00
Total	9,467.16	2,522.01	11,989.17

Note. 1/ - PAGCOR's share on gross gaming revenue of POGOs.

2/ - Application fees, license fees, and other fees.

3/ - PAGCOR only started collecting fees and charges in September 2016 and gaming tax in December 2016.

Source: PAGCOR.

On the part of CEZA, as provided under its Interactive Gaming Rules and Regulations of 2017 (IGRR), licensed interactive gaming operators are subject to an interactive gaming levy imposed on their gross gaming revenue (GGR) to be paid on a monthly basis as follows: (See Table 2.)

Table 2

CEZA interactive gaming levy imposed and allocation, 2017

Particulars	Interactive gaming levy [In US dollar (Philippine Peso)]	Allocation of gaming levy
A. Within the 1st year of the implementation of the CEZA IGRR of 2017		
1. E-casino and/or Random Number Game-based gaming	2% of GGR or a minimum guarantee fee (MGF) as provided in the contract with the master licensor, whichever is higher.	50% to CEZA and 50% to the master licensor.
2. Sports Betting	\$10,000.00 (P522,620.00)	
B. Succeeding years thereafter		
1. For studio and live streaming		100% to CEZA
a. 1 to 40 tables	\$2,000 (P104,534) per table	
b. 41 to 80 tables	\$80,000 (P4.18 million) plus \$1,750 (P91,459) per table in excess of 40 tables	
c. 81 to 120 tables	\$150,000 (P7.84 million) plus \$1,500 (P78,393.00) per table in excess of 80 tables	
d. 121 to 200 tables	\$210,000 (P10.98 million) plus \$1,000 (P52,262) per table in excess of 120 tables	
2. For E-casino and/or RNG-based gaming	4% of GGR or \$100,000 (P5.23 million)	75% to CEZA and 25% to the master licensor.
3. Sports Betting	\$20,000 (P1.05 million)	

Note. Converted using the May 2019 Average Peso Per US Dollar Exchange Rate (P52.26/US\$1), BSP.

Source: CEZA IGRR of 2017.

Also, interactive gaming operators under CEZA are subject to the following fees: (See Table 3.)

Table 3

Fees and charges imposed on CEZA interactive gaming levy operators, 2017

Particulars	Application and processing fees	License fees	Performance/ security bond	Annual renewal fee
[Amounts in million US dollar (Philippine peso)]				
1. Master licensor	\$0.50 ^{1/} (P26.13)	\$2.00 ^{1/} (P104.52)	\$1.00 (P52.26)	- -
2. E-casino	\$0.02 (P1.05)	\$0.04 (P2.09)	\$0.04 (P2.09)	\$0.02 (P1.05)
3. Sports betting	\$0.01 (P0.52)	\$0.03 (P1.57)	\$0.03 (P1.57)	\$0.01 (P0.52)
4. Interactive gaming support services	\$0.01 (P0.52)	- -	- -	\$0.01 (P0.52)
5. Interactive gaming system provider	\$0.01 (P0.52)	- -	- -	\$0.01 (P0.52)
6. Data/content streaming provider	\$0.01 (P0.52)	\$0.02 (P1.05)	\$0.02 (P1.05)	\$0.01 (P0.52)

Notes. Converted using the May 2019 Average Peso Per US Dollar Exchange Rate (PhP52.26/US\$1), BSP.

^{1/} - One-time fee.

Source: CEZA IGRR of 2017.

On the part of the APECO, interactive gaming operators shall pay \$40,000 (P2.09 million) annual charge for an interactive gaming license which includes application fees. Also, they are required to pay a levy totaling two percent of their gross win per month or \$5,000 (P261,310) per table, whichever is higher (LegalOnlineCasinos.Ph, 2017).

IV. OFFSHORE GAMING OPERATIONS IN OTHER COUNTRIES

By year 2020, global offshore online gaming market is expected to exceed \$60 billion with Asia Pacific surging ahead. Among the 10 ASEAN-member countries, the Philippines is the first and only country, to date, that gives license to online or offshore gaming (Lex Mundi, 2017). Cambodia, Indonesia, Thailand, and Vietnam prohibit all forms of gambling including offshore gaming. Meanwhile, offshore gaming in Singapore is illegal unless the operator is licensed by the Regulatory Authority of Singapore (RGA), or unless an exemption applies. Presently, there are two licensed online gambling operators in Singapore, but they are not permitted to offer casino style games and poker. The licensees are only engaged in

horse racing betting services and remote gambling for existing lotteries, football and motor-racing sports betting products. On the other hand, Macau does not grant license to offshore gaming operators.

A. Panama

Panama grants license to offshore gaming operators. Its Gambling Control Board is in charge of the exploitation, control, authorization, supervision, and investigation of games of chance and wagering activities performed in the territory of Panama or abroad by electronic means or other distance communication games or otherwise known as the system for electronic communication games.¹⁰

The system for electronic communication games operation of Panama cannot be used by the persons residing in the country. Specifically, certain events do not allow wagers, sports events at an amateur level in Panama, i.e. events performed outside Panama with the participation of public or private institutions located in Panama, elections for a public office within or outside Panama, any other event implicating a professional team having its headquarters in Panama irrespective of the place where it shall be held, and any other event at the discretion of the Director or the Gambling Control Board. The administrator/operator of the said system is likewise prohibited from accepting wagers from persons under 18 years of age.

Meanwhile, natural or juridical persons engaged in the operation of a system for electronic communication games are subject to a key money¹¹ amounting to \$10,000 (P522,620) for each license issued. Aside from key money, every administrator/operator of the system for electronic communication games is likewise subject to annuity amounting to \$20,000 (P1.05 million). Since there is no wagering from Panama, the income from the operation of a system for electronic communication games which constitute income from foreign source, is not subject to the payment of income tax, tax on dividends and profit participation.

Gambling license granted to the administrator/operator is valid for the term of Agreement up to a maximum of seven years provided that it has paid its annuity to date and complies with legal provisions. Moreover, a gambling license is issued for every internet site that the administrator/operator has for the development of games of chance or wagering activity.

¹⁰ The system for electronic communication games refer to group of equipment and applications whereby the games and wagering's from or to the location of the gambler are transmitted, offered, captured, processed, received, paid and promoted, including the computing systems used to provide and control the activity; the communication interface that connects the systems to the internet and the communication interface that connects the systems with other equipments. The term includes, without limitation, the following systems, services and equipments related to the operation; the operation system of every game and wager being operated; gambler's registration system; administration of gambler's fund; internet site; development tools and testing of the system for electronic communication games.

¹¹ Amount of money that every natural or juridical person shall pay in order to be granted an Agreement.

B. Malta

Offshore gaming, or remote gambling in Malta refers to any form of gaming by means of distance communication. It is being regulated by the Malta Gaming Authority (MGA) in accordance with the provisions of its Remote Gaming Regulations. Presently, there are four types of gaming licenses being issued by the MGA wherein the applicant can obtain one or all licenses. The license is valid for five years and may be renewed by the MGA for another five-year period at a time, viz: (See Table 4.)

Table 4

Offshore gaming/remote gambling licenses in Malta

License Class	Description
Class 1	- This is a license to operate a remote gaming site that uses an RNG to determine winners.
Class 2	- This license allows sports betting operations to conduct business.
Class 3	- This is a license to advertise remote gaming from Malta.
Class 4	- The license is for companies that host or manage remote gaming operations.

Source: Remote Gaming Regulations, Malta.

Below are the number of licenses issued by the MGA by type: (See Table 5.)

Table 5

Number of license holder of offshore gaming/remote gambling licenses in Malta, 2018

Class type	No. of licenses issued (As of 2018)
Class 1	19
Class 1 on 4	363
Class 2	78
Class 2 on 4	30

Class type		No. of licenses issued (As of 2018)
Class 3	A remote gaming license to promote and/or abet remote gaming in or from Malta (e.g. - poker networks, peer-to-peer (P2P) gaming, game portals) whereby operators take a commission from promoting and/or abetting games.	31
Class 3 on 4	A remote gaming license whereby the operator uses a licensed Class 4 as its platform.	20
Class 4	License hosting and managing other remote gaming operators.	73
Service (B2C)	A license to provide a service for purposes of engaging with end consumers	12
Service (B2B)	A license to provide a supply in a business-to-business capacity	5

Source: <https://www.mga.org.mt/mgalicenseeregister/>

Under the Remote Gaming Regulations of Malta, no person below 18 years of age is allowed to register as a player of remote gambling and any funds deposited or any money won by any such persons will be forfeited by the MGA. It is likewise noted that although Malta allows players worldwide to play on sites licensed by the MGA, there are specific countries that are banned such as Germany, Australia, China, Turkey, Indonesia, and Malaysia.

Application for remote gaming license in Malta is subject to the following fees: (See Table 6.)

Table 6

Fees and charges imposed on remote gaming licenses in Malta

Particulars	Amount	Peso equivalent ^{1/}
Application fee	€2,330	P136,174
License fee	€8,500	P496,773
Renewal fee	€1,500	P87,666
Any request or application made by a licensee	€1,500	P87,666
Any request or application involving simple agreements	€70	P4,091

^{1/}- Converted using the May 2019 Average Peso Per Euro Exchange Rate (PhP58.44/€1), BSP.

Aside from the abovementioned fees, the operation of remote gaming in Malta is likewise subject to tax depending on the type of license issued. However, the maximum tax payable by a licensed remote gaming operator in Malta must not exceed €466,000 (P27.23 million) per annum. (See Table 7.)

Table 7

Malta's gaming tax by type of remote gaming license

Type of license	Applicable tax	Peso equivalent ^{1/}
Class 1	€4,660 for the 1 st six months and €7,000 per month for the entire duration of the license	P272,349 P409,107
Class 1 on 4	€1,200 per month for the entire duration of the license.	P70,133
Class 2 and Class 2 on 4	0.5% of the gross amount of bets accepted in remote betting operations.	-
Class 3 and Class 3 on 4	5% of real income	-
Class 4	No tax for the 1 st six months, €2,330 per month for the subsequent six months, and €4,660 per month thereafter for the entire duration of the license.	P136,174 P272,349

^{1/-} Converted using the May 2019 Average Peso Per Euro Exchange Rate (PhP58.44/€1), BSP.

C. Kahnawake, Canada

Interactive gaming in Kahnawake, Canada is presently regulated by the Kahnawake Gaming Commission. Interactive gaming means playing game of chance for a prize or betting by means of internet, telephone, television, radio or any kind of electronic or other technology for facilitating communication. Similar to Malta, the Kahnawake Gaming Commission of Canada issues various types of licenses, authorization and permits under its regulations concerning interactive gaming. These are interactive gaming license, client provider authorization, casino software provider authorization, live dealer studio authorization, inter-jurisdictional authorization, and key person permits. (See Table 8.)

Table 8

Type of license/authorization of interactive gaming in Kahnawake, Canada

Type of license/authorization	Description
Interactive gaming license	A license that authorizes the holder to provide internet services to authorized client providers and any matters necessarily incident thereto.
Client provider authorization	A license that allows the holder to conduct interactive gaming from the co-location facility that is owned and operated by the holder of a valid interactive gaming license and, if authorized by the Gaming Commission, to conduct interactive gaming related activities from premises located within the territory.
Live Dealer Studio Authorizations	A license that entitles the holder to operate a live dealer studio to conduct live dealer games and, if authorized by the Commission, to conduct interactive gaming related activities from premises located within the territory.
Inter-jurisdictional authorizations	A license that permits the holder to conduct interactive gaming from the co-location facility that is owned and operated by the holder of a valid Interactive Gaming License and, if authorized by the Commission, to conduct interactive gaming related activities from premises located within the territory.
Casino software provider authorizations	A license that allows the holder to locate and operate interactive gaming equipment at the co-location facility that is owned and operated by the holder of a valid interactive gaming license; and license casino software to a third party online gaming operator for the use on the third party online gaming operator's website, but is not entitled to offer interactive games directly to players.
Key person permit	Issued to persons who are employed or contracted by an Interactive gaming license holder or authorized client provider to perform either key managerial functions or key operational functions.

Similar to the CEZA, the Kahnawake Gaming Commission has the authority to appoint one or more approved agents to carry out the functions of the Commission, for and on its behalf. In 2018, the Commission has appointed five approved agents. As of 2018, there were a total of 21 interactive permit holders certified by the Kahnawake Gaming Commission (Kahnawake Gaming Commission, 2018).

Application for a license in Kahnawake, Canada is also subject to applicable fees depending on the license/authorization/permit being applied for. In addition to the application fee for license, authorization, and permit, interactive permit holders are also subject to the following annual licensing fees: (See Table 9.)

Table 9

Fees and charges imposed on interactive gaming operators by type of license

License/ Authorization/ Permit	Application fee [In US dollars (Philippine peso)]	Annual licensing fees [In US dollars (Philippine peso)]	Renewal fee (every 5 years)
Interactive gaming license	\$30,000 ¹ (P1,567,860)	\$15,000 (P783,930)	\$5,000 (P261,310)
Client provider authorization	\$40,000 ¹ (P2,090,480)	\$20,000 (P1,045,240)	\$5,000 (P261,310)
Live dealer studio authorizations	\$25,000 ² (P1,306,550)	\$10,000 (P522,620)	\$5,000 (P261,310)
Inter-jurisdictional authorizations	\$2,000 (P104,524)	\$10,000 (P522,620)	-
Casino software provider authorizations	\$35,000 (P1,829,170)	\$20,000 (P1.05 million) and \$3,000 (P156,786) for each third party online gaming operator	\$5,000 (P261,310)
Key person permit	\$5,000 (P261,310) for each proposed key person	\$1,000 (P52,262)	\$5,000 (P261,310)

Notes. ^{1/} - Includes the estimated cost of conducting due diligence investigations (non-refundable) and first annual licensing fee (refundable if application is not granted).

^{2/} - Includes cost of due diligence investigations (non-refundable); inspection premises of Live Dealer Studio; and for reviewing the applicant's control system submission; and first annual licensing fee (refundable if application is not granted).

Converted using the May 2019 Average Peso Per US Dollar Exchange Rate (PhP52.26/US\$1), BSP.

D. Isle of Man¹²

E-Gaming in the Isle of Man was legislated by the Online Gambling Regulation Act 2001 (OGRA) and regulated by the Isle of Man Gambling Supervision Commission (GSC). At present, the GSC offers one type of license available at three levels, namely,

¹² Isle of Man, also known as Mann, is a self-governing British Crown dependency in the Irish Sea between the islands of Great Britain and Ireland. Ranked by the World bank as having the 5th highest gross national income per capita in 2016, using the Atlas method. Its largest sectors include eGaming with 17% of GNP. Isle of Man is included in the UK's white listed jurisdiction wherein it is allowed to advertise its gambling services on the territory of UK. In order to be included in UK's "white list", a country has to prove that it has an appropriate gambling regulatory regime and achieves the objectives in Section 1 of the Gambling Act which the UK gambling regime operates. It means ensuring that gambling: (a) is conducted in a fair way; (b) is not a source of crime and disorder; (c) is not used to support crime; (d) does not affect children or vulnerable persons; and (e) operators are subject to rules on money-laundering and financial probity.

Network Services License, Full License, and Sub-License. As of 2018, there are a total of 35 license holders of GSC engaged in eGaming (Gambling Supervision Commission, Isle of Man, 2018). Application for eGaming license is subject to a fee amounting £5,000 (P335,662.38) as follows: (See Table 10.)

Table 10
License cost of eGaming operators in Isle of Man, 2018

Type of license	Description of license	License costs (For every 5 years) [In Pound Sterling (Philippine Peso)]
Network services license	A license to be obtained if the operator wishes to allow one or more foreign registered players on to its Isle of Man server without re-registering the player details.	£50,000 (P3.56 million) per annum and additional £5,000 (P335,662) for every foreign operator upon its annual renewal.
	A license to be obtained if the applicant wishes to operate exclusively with a technology provider with a full OGRA license regulated by the GSC	£5,000 (P335,662) per annum
The OGRA license / full license	A license to be obtained if the business is undertaking sportsbooks, betting exchanges, online casino games, live dealing, peer to peer games, mobile phone betting, fantasy football, financial trading, pari-mutuel and pool betting, network gaming, lotteries, certain spot-the-ball style games, and network services.	£35,000 (P2.35 million) per annum valid for 5 years.
	Operators with a full license can likewise offer technology (games, software, network access to Isle of Man sub-licensees, etc.) to sub-licensees under the reduced-fee sub-license scheme.	

Note. Converted using the May 2019 Average Peso Per Pound Sterling (PhP67.13/£1), BSP.

Operators of e-gaming in the Isle of Man are subject to gambling duty¹³ which is based on profit as follows: (See Table 11.)

Table 11
Gambling duty imposed on eGaming operators in Isle of Man, 2018

Gross Gaming Yield	Gambling Duty Rate
Less than £20 million (P1.34 billion)	1.5%
More than £20 million (P1.34 billion) but less than £40 million (P2.69 billion)	0.5%
More than £40 million (P2.69 billion)	0.1%

Note. Converted using the May 2019 Average Peso Per Pound Sterling (PhP67.13/£1), BSP.

¹³ Duty is paid on either 'stakes minus winnings' or 'retained profit'.

E. Gibraltar¹⁴

In Gibraltar, all gambling operations require licensing under the Gambling Act 2005 including remote gambling. Presently, the Gambling Commissioner acts as the licensing authority in the country. As of 2018, there were 37 licensed operators in Gibraltar. Similar to other countries, the remote gambling operations in Gibraltar are likewise subject to fees and gaming duty as follows (HM Government of Gibraltar, 2018): (See Table 12.)

Table 12

License fee and gaming duty imposed on remote gambling operators in Gibraltar, 2018

A. License type	Fee ^{1/}	Peso equivalent ^{2/}
Remote gaming Business-to-consumer (B2C) Operator	£100,000	P6,713,248
Remote betting B2C operator	£100,000	P6,713,248
Other remote B2C gambling products	£100,000	P6,713,248
Non-remote B2C gaming operator (land casinos)	£100,000	P6,713,248
Non-remote B2C betting operator (land bookmaker)	£100,000	P6,713,248
Gambling Business-to-Business (B2B) support Services	£85,000	P5,706,260
B. Gaming duty	Rate ^{3/}	
General betting duty	0.15%	
Betting intermediary duty	0.15%	
General gaming duty	0.15%	

Notes. 1/ - Per licensing year.

2/ - Converted using the May 2019 Average Peso Per Pound Sterling (PhP67.13/£1), BSP.

3/ - Exemption from gaming duty is provided on the first £100,000 (PhP6.71 million) of the operator's GGY on gaming receipts in each year.

F. Antigua and Barbuda¹⁵

Obtaining an offshore gaming license in Antigua and Barbuda requires the approval of the Directorate of Offshore Gaming under the Financial Services Regulatory Commission (FSRC), the regulatory body responsible for the oversight of all the aspects

¹⁴ Gibraltar is an overseas territory of the United Kingdom and is self-governing in all matters except defense. It is recognized as one of the most dynamic and reputable jurisdiction in the eGaming industry and is listed on the UK's eGaming "white list".

¹⁵ Antigua and Barbuda is located in the Caribbean and became an independent state in 1981, after granting its sovereignty from UK. It is also one of the whitelisted gambling jurisdictions included in UK's list.

of the offshore gaming industry in the jurisdiction of Antigua and Barbuda. An application for an interactive gaming or interactive wagering license is subject to a non-refundable fee of \$15,000 (P783,930) for the costs and expenses of conducting the investigation, due diligence, review and assessment of the applicant. In case the costs and expenses exceed the said amount, the applicant is required to submit a further non-refundable deposit, as determined by the Commission.

An operator of interactive gaming and interactive wagering is subject to license fee amounting to \$100,000 (P5.23 million) and \$75,000 (P3.92 million), respectively, per annum payable before any license will be issued. A reserve requirement, or other similar security acceptable to the Commission, in the amount of not less than \$100,000 (P5.23 million) must be submitted before the commencement of gaming or wagering operations. Unlike in other countries, the license in Antigua and Barbuda may be acquired or transferred subject to a non-refundable fee of \$10,000 (P522,620). Meanwhile, the renewal of a license is also subject to a non-refundable fee amounting to US\$5,000 (P261,310). Similar to Kahnawake, Canada, the application of Key Person license is subject to a non-refundable fee of \$1,000 (P52,262) and license fee amounting to \$1,000 (P52,262) for the first two years and \$250 (P13,065) for the subsequent years thereafter. Operators are likewise subject to a monitory system fee amounting to \$25,000 (P1.31 million) per annum for one license and \$45,000 (P2.35 million) per annum for two licenses (Directorate of Offshore Gaming, 2007).

Operators of interactive gaming and interactive wagering in Antigua and Barbuda are subject to a three percent tax based on their net win or the difference between gross stakes laid and winnings paid out. However, operators are entitled to deduct software licensing or software development costs from the three percent tax, capped at no more than 40 percent of the net win for all companies, provided that claims for the deduction of such costs are accompanied by documentary support evidencing the costs. Operators are also entitled to deduct chargebacks on credit cards for a period up to 18 months after the original charge was made provided claims for the deduction of such costs are accompanied by documentary support evidencing the original credit and the chargeback. They are also entitled to a maximum cap of \$50,000 (P2.61 million) tax per month (Doing Business, Investing in Antigua and Barbuda Guide Volume 1, 2015). Presently, there are a total of five active licenses that have been issued by the Directorate of Offshore Gaming to perform interactive wagering, interactive gaming or both (Directorate of Offshore Gaming, 2018).

G. State of Alderney¹⁶

The Alderney Gambling Control Commission (AGCC) regulates eGambling in this country. The eGaming Regulation 2009 sets out the process for application and basis for approval of licenses or certificates of applicants/operators of eGaming. Similar to other countries, the Alderney offers several types of licenses and certificates.

¹⁶ Alderney is situated on the north of the Channel Islands. It is part of the Bailiwick of Guernsey, a British Crown dependency.

Presently, there are two categories of eGambling licenses in Alderney, viz: category 1 license which authorizes the organization and preparation of gambling operations, namely, the registration and verification of players, the contractual relationship with them, and the management of player funds; and category 2 which authorizes the effecting of the gambling transaction including operational management of a gambling platform located within an approved hosting center. An organization may apply for one or both types of licenses. Aside from these licenses, the AGCC also issues Core Services Associate Certificate, Category 2 Associate Certificate, Hosting Certificate, Temporary eGambling License, and Key Individual Certificate. (See Table 13.)

Table 13
Type of eGambling licenses in State of Alderney

Type of License/Certificate	Description
Category 1 eGambling license	License that permits the operator to contract with customers to organize and prepare the customer for gambling. Activities that organize and prepare a customer to gamble include, but not limited to, one or more of the following activities: entering into an agreement with the customer; registration and verification of the customer; management of the customer's funds; offering or promoting gambling to the customer; and such other activities that the AGCC determines that may only be carried out by a category 1 eGambling license.
Category 2 eGambling license	License that permits the operator to effect gambling transactions. Effecting a gambling transaction includes, but is not limited to, one or more of the following activities: striking a bet; housing and recording the random element or gambling transaction outcome; operating a system of hardware and software upon which the gambling transaction is conducted; such other action that the AGCC determines to be an activity that constitutes effecting a gambling transaction. Category 2 eGambling licensee may operate: more than one form of gambling, multiple gambling platforms, gambling on behalf of a category 1 license or on behalf of operators based elsewhere in the world. Holder of category 2 eGaming license may not contract directly with customers unless it also holds category 1 eGambling license.
Temporary eGambling license	License that permits a foreign company licensee to act both as a category 1 and category 2 eGambling licensee for a limited period only.
Core services associate certificate	An entity that approves the provision of gambling specific software – such as games – to an Alderney licensee
Category 2 associate certificate	An entity (other than a category 2 eGambling licensee) to whom a category 1 eGambling licensee transfers customers, or allows them to be transferred, for the purpose of that entity effecting gambling transactions with the customer or arranging for those customers to gamble with others.

Type of License/Certificate	Description
Hosting certificate	Can be obtained by the provider of the physical premises where the gambling equipment of licensees and associate certificate holders is held. Hosting certificates are required for premises where gambling equipment is held if located on Guernsey.
Key individual certificate	Certificate for a person who has been identified either by a licensee or the AGCC as occupying a key position and performing the functions of a Key Individual.

Presently, a total of 43 eGaming licenses/certificates has been issued by AGCC, eight are category 1; 15 are category 2; and 20 are holders of both categories 1 and 2 eGaming licenses. The AGCC likewise issued a total of 35 Core services associate certificates, 10 category 2 associate certificates, 11 hosting certificates, and 1 temporary eGaming license (Alderney Gambling Control Commission, 2018).

One of the advantages of Alderney over other countries is that it offers a zero percent tax rate on eGaming operators. Meanwhile, the table below summarizes the fees imposed on applicant/operator of eGaming in Alderney: (See Table 14.)

Table 14

License fee imposed on applicant/operator of eGaming in State of Alderney

Type of license/certificate	Investigation deposit	Annual fee [In Pound Sterling (Philippine Peso)]	Renewal fee	Annual gambling business associate fee
Category 1 eGambling license	£10,000 (P671,325)	£17,500 (P1.17 million)	£35,000 (P2.35 million) to £400,000 (P26.85 million) depending on annual net gaming yield	£3,000 (P201,397) per gambling business associate
Category 2 eGambling license	£10,000 (P671,325)	£17,500 (P1.17 million)	£35,000 (P2.35 million)	-
Temporary eGambling license	£5,000 (P335,662)	£10,000 (P671,325)	-	-
Core services associate certificate	£5,000 (P335,662)	£10,000 (P671,325)	-	-
Category 2 associate certificate	£5,000 (P335,662)	£35,000 (P2.35 million)	£50,000 (P3.36 million)	£3,000 (P201,397) per gambling business associate
Hosting certificate	£5,000 (P335,662)	£0 (P0)	-	-
Key individual certificate	£1,000 (P67,132)	-	-	-

Converted using the May 2019 Average Peso Per Pound Sterling (PhP67.13/£1), BSP.

Source: <https://www.gamblingcontrol.org/regulation-framework/fees/>

V. CONCLUSION

Although considered to be a new gambling activity in the country, offshore gaming is proving to be a promising revenue generating industry. However, the industry has yet to reach its fullest potential and still has enough elbow room for growth and improvement in terms of tax collection, safeguards, audit, among others. However, given the advantages of the Philippines in terms of availability of office space, labor, tax incentives, and technology, it is not farfetched that the country would be a major player in offshore gaming industry worldwide.



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