

Ministry of Finance

**INFORMATION ON THE
IMPLEMENTATION OF THE
GAMBLING LAW IN 2018**

Warsaw, 2019

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1. INTRODUCTION

Information on the implementation of the Gambling Law in 2018 presents the fulfilment of the order by the Council of Ministers imposing the obligation on the minister competent for public finance to inform the Council of Ministers, in annual cycles, about the status of the implementation of the Act of 19 November 2009 - Gambling Law (Journal of Laws of 2019, item 847).

The purpose of this information is to present the facts and figures on the situation of the gambling market in Poland and the measures of the state, both in terms of legislation and control. The material also contains information on the implementation of the aforementioned Act in the context of income due to gambling tax and execution of budgetary assumptions, the analysis of the behaviour of the gambling industry against the backdrop of the economic, legislative and social developments.

2. LEGAL STATUS

In 2018, the principles of the functioning of the gambling market in Poland were regulated by the Act of 19 November 2009 - Gambling Law (Journal of Laws of 2019, item 847), hereinafter referred to as the “Gambling Law” and the implementing regulations thereto.

In 2018, the following instruments regulating the area of gambling were announced and came into force:

1. Act of 1 March 2018 on counteracting money laundering and terrorist financing (Journal of Laws of 2019, item 1115).
2. Regulation of the Minister of Culture and National Heritage of 6 June 2018 amending the Regulation on detailed conditions for obtaining co-financing for the implementation of tasks in the field of culture, procedures for submitting applications and transfer of funds from the Culture Promotion Fund (Journal of Laws item 1157);
3. Regulation of the Minister of Finance of 31 October 2018 amending Regulation concerning the registry of gaming machines (Journal of Laws item 2143);
4. Regulation of the Chairman of the Committee for Public Benefit Affairs of 8 November 2018 on detailed conditions for obtaining co-financing for the implementation of tasks related to supporting the development of civil society, procedure for submitting applications and transferring funds from the Fund for Supporting the Development of Civil Society (Journal of Laws item 2149);
5. Regulation of the Minister of Finance of 7 December 2018 amending Regulation on the certificates of winnings obtained and the records of certificates and records of paid (issued) winnings (Journal of Laws item 2325);

3. DESCRIPTION OF THE GAMBLING MARKET

3.1. Gambling games for the arrangement of which the minister competent for public finance shall grant a licence or a permit

The table below provides a quantitative illustration of the gambling market as at the end of 2017 and 2018 in the segment of games arranged in casinos, games arcades and bet making points.

Number of game centres/game points for which licences/permits were granted and number of licences/permits in force in 2017 - 2018

Specification	Number of existing licences/permits		Number of existing game centres/game points with granted licences/permits		Number of licences/permits issued	
	as at 31.12.2017	as at 31.12.2018	as at 31.12.2017	as at 31.12.2018	2017	2018
Casinos	49	51	49	51	16	18
Cash bingo halls	0	0	0	0	0	0
Betting and bet making points (bookmaking and sweepstake system)	28	31	2510	2530	6	11
Betting via the Internet	7	14	X	X	0	10

Casinos

In 2018, 23 applications for a casino operating licence were filed, which was associated with the publication of information on the expiry dates of 6 licences granted in 2013 in the Lubuskie, Dolnośląskie, Mazowieckie and Wielkopolskie Provinces and available locations in the Małopolskie Province.

The Minister competent for public finance granted 18 casino operating licences, including 3 licences issued under a non-tender procedure while 15 licences were awarded as a result of tendering procedures launched in 2017 and 2018.

Betting

In 2018, 12 applications for a permit for arranging betting were filed (including 6 applications for arranging betting via the Internet).

As at 1 January 2018, 28 permits for arranging betting were effective, which covered a total of 2510 bet making points.

As at 31 December 2018, 31 permits for arranging the aforementioned activities were effective, which covered a total of 2530 bet making points.

In relation to the existing stationary bet making points, the rise in their number compared to 2017 was affected by granting permits to new operators and new permits to operators already pursuing the activity.

As at 1 January 2018, 7 permits for arranging betting via the Internet were effective. In 2018, the minister competent for public finance granted 10 permits for arranging betting via the Internet, including 3 permits related to continuation of pursued activity.

As at 1 January 2018, 9 operators held permits for arranging betting. As at 31 December 2018, the said permits were held by 15 entities.

3.2. Permits issued by directors of revenue administration regional offices and notifications submitted to heads of customs and tax control offices

Pursuant to the Gambling Law, the arrangement of the following games required a permit of the competent director of the revenue administration regional office:

- 1) promotion lotteries;
- 2) audiotеле lotteries;

- 3) raffle lotteries;
- 4) raffle bingo.

In 2018, directors of revenue administration regional offices:

1) issued in total:

- a) 408 permits for arranging promotion lotteries to 116 operators;
- b) 74 permits for arranging audiotеле lotteries to 15 operators;
- c) 3 permits for arranging raffle lotteries to 3 operators;

2) have not issued any permits for arranging raffle bingo.

Comparing the number of permits issued in 2017 and 2018, the following developments were noted:

- 1) in the scope of promotion lotteries – a rise in the number of permits granted by 53;
- 2) in the scope of audiotеле lotteries – a decline in the number of permits granted by 27;
- 3) in the scope of raffle lotteries – a rise by 1 permit;
- 4) in the scope of raffle bingo – no permits were issued, as in 2017.

In 2018, heads of customs and tax control offices received 1441 raffle lottery arrangement notifications and 1 raffle bingo arrangement notification.

Pursuant to Article 7(1a) of the Gambling Law, the organisation of raffle lotteries or raffle bingo – where the prize pool did not exceed the base amount (PLN 4,474 in 2018) – was possible after a prior notification.

Pursuant to Article 7(1b) of the Gambling Law, public benefit organisations were eligible to arrange raffle lotteries and raffle bingo, where the prize pool exceeded the base amount but was not higher than fifteen times the base amount, subject to a prior notification.

Pursuant to Article 6a(1)(2) of the Gambling Law, a poker tournament can be organised outside a casino subject to notifying the director of the revenue administration regional office competent for the venue of the tournament of such a tournament and after fulfilling the terms and conditions defined in the provisions of the Law.

In 2018, directors of revenue administration regional office received 764 applications from 27 entities for the arrangement of a poker game in the form of a poker tournament outside the casino, of which 18 notified tournaments and 1 submitted application for the tournament were cancelled, while 22 poker tournaments notified in 2018 were organised in 2019.

3.3. Key indicators characterising the gambling market

The presented data were compiled on the basis of the information concerning the operation of entities arranging and pursuing the activity in the scope of gambling games, i.e. data from IGH forms (Gambling Operator Information forms)¹ data from the KRAE (Electronic Register of Gaming Machines) system, and the data supplied by Totalizator Sportowy Sp. z o.o.

Number of existing entities, game centres and bet making points and the number of arranged number games, cash lotteries, audiotele and promotion lotteries in the years 2017 - 2018

Item	Number of entities			Number of arranged number games, cash lotteries, audiotele and promotion lotteries, and the number of game centres and bet making points		
	2017	2018	Change 2018/2017	2017	2018	Change 2018/2017 (%)
Number games (monopoly)	1	1	0.0 %	7	7	0.0 %
Cash lotteries (monopoly)	1	1	0.0 %	85	87	2.4 %
Casinos	8	9	12.5 %	49	51	4.1 %
Games arcades (monopoly)	0	1	-	0	23	-
Betting	9	15	66.7 %	2,510	2,530	0.8 %
stationary points	8	10				
via Internet	7	14				
Audiotele lotteries	18	15	-16.7 %	101	74	-26.7 %
Promotion lotteries	132	116	-12.1 %	355	408	14.9 %

The data presented in this table refer to all entities operating in the particular reporting period, even if their activity started during the reporting period or was terminated before the lapse of the reporting period, i.e. before the end of the year.

According to the above data compilation, in 2018, compared to 2017, both the number of entities arranging betting and the number of bet making points increased by 6 and 20, respectively. In relation to promotion lotteries, the number of entities arranging such lotteries fell by 16 whereas the number of arranged promotion lotteries themselves increased by 53.

In relation to 2017, the number of entities operating casinos in 2018 increased by 1. In the second half of 2018, opening of 23 games arcades was also recorded.

¹ Information on the functioning of entities - Regulation of the Minister of Development and Finance of 28 June 2017 concerning the submission of information on the functioning of entities arranging and pursuing activity in the scope of gambling games (Journal of Laws item 1304)

In the case of audiototele lotteries, both the number of entities arranging lotteries and the number of lotteries arranged dropped by 3 and 27, respectively.

Pursuant to Article 5 of the Gambling Law, conducting the activity in the scope number games and cash lotteries is subject to state monopoly. The state monopoly is exercised by Totalizator Sportowy Sp. z o.o. The number of arranged cash lotteries rose by 2 compared to 2017, whereas the quantity of number games remain stable.

3.3.1. Number of gaming devices operated in casinos and games arcades

The table below presents the number of gaming devices operated in casinos and games arcades in the years 2017 - 2018.

Device types	Number of gaming devices (average per period)			
	In casinos		In games arcades	
	2017	2018	2017	2018*
Cylindrical game tables	141	143	X	X
Card game tables	218	217		
Dice game tables	1	1		
Gaming machines	2,673	2,483	0	242

* the data refer to the second half of 2018 (establishment of first games arcades)

3.3.2 Economic and financial results of entities pursuing activity in the scope of gambling games

The economic and financial results of entities pursuing activity in the scope of gambling games in the years 2017 - 2018 are presented in the table below.

Item	2017	2018	Change 2018/2017 (%)
	(in PLN ‘000)		
Revenue on games*	12,901,922	14,864,948	15.2
Prizes won by players*	9,175,050	10,677,383	16.4
Gambling tax **	1,640,203	1,901,915	16.0
Surcharges resulting from Article 80 of the Gambling Law **	959,039	1,045,679	9.0

*Source: IGH forms

**Source: budgetary data

The above specification shows that in 2018, compared to 2017, the revenue on gambling games rose by PLN 1,963,026 thousand, i.e. 15.2%, and the amount of gambling tax also increased by PLN 261,712 thousand, i.e. by 16%.

In 2018, the prizes won by players amounted to PLN 10,677,383 thousand and in relation to 2017, they rose by PLN 1,502,333 thousand, i.e. By 16.4%. In 2017, the amount of prizes reached PLN 9,175,050 thousand.

On the other hand, in 2018 , compared to 2017 , the amount of surcharges increased by PLN 86,640 thousand, i.e. by 9%.

3.3.3 Revenue on gambling games declared by entities pursuing activity in this scope and its structure by game types in the years 2017 - 2018

The table below presents the revenue on gambling games declared by entities pursuing activity in this scope in the years 2017 – 2018 and its structure by game types.

Item		2017		2018		Change in revenue
		Revenue (in PLN '000)	Structure (%)	Revenue (in PLN '000)	Structure (%)	2018/2017 (%)
Monopoly*		4,641,623	36	4,977,505	33.5	7.2
	Number games	3,475,827	27	3,569,705	24	2.7
	Cash lotteries	1,165,796	9	1,346,671	9	15.5
	Games arcades	-	-	61,129	0.4	-
Casinos		4,823,043	37.4	4,663,735	31.4	-3.3
Betting		3,407,276	26.4	5,192,622	34.9	52.4
Audiotele lotteries		29,980	0.2	31,087	0.2	3.7
Total		12,901,922	100%	14,864,948	100%	15.2%

Source: IGH forms, excluding the data for audiotele lotteries for which tax returns were used as the source.

* Revenue on “casino” games arranged via the Internet were not taken into account (www.totalcasino.pl) due to the fact that they were launched in December 2018, which means that the tax on this account was received by the State budget in January 2019.

The specification presented above indicates that 2018, compared to 2017, saw an increase in the revenue generated on the following gambling games: betting (an increase by PLN 1,785,346 thousand, i.e. by 52.4 %) and audiotele lotteries (an increase by PLN 1,107 thousand, i.e. by 3.7%) whereas in casinos, a decline in revenue was recorded by PLN 159,308 thousand, i.e. 3.3%. In the case of gambling games subject to the state monopoly, an increase in the revenue – by PLN 335,882 thousand, i.e. by 7.2% was recorded (cash lotteries – an increase by PLN 180,875 thousand, i.e. by 15.5% and number games – an increase by PLN 93,878 thousand, i.e. 2.7%). In relation to games arcades established in 2018, the revenue of PLN 61,129 thousand was recorded.

4. RECEIPTS FOR THE STATE BUDGET

4.1. Gambling tax revenue

In 2018, the receipts for the state budget on account of gambling tax were forecast at a level of PLN 1,913,982 thousand. They were accomplished in the amount of PLN 1,901,915 thousand, which means that in relation to the forecast they were lower by PLN 12,067 thousand, i.e. 0.6 %. Compared to 2017, these receipts were higher by PLN 261,712 thousand, i.e. by 16 %.

The scope and level of detail of the data concerning the state budget revenue on account of gambling tax stems from the Regulation of the Minister of Finance of 2 March 2010 *concerning the detailed classification of income and expenses, revenues and expenditure and funds originating from foreign sources* (Journal of Laws of 2014, item 1053, as amended).

In accordance with the aforementioned regulation, revenue from gambling tax is disclosed in the budgetary classification in Section 756, Item 75614 –receipts from games.

Consequently, the revenue on account of gambling tax gained from individual games and betting is not presented in the state budget as a separate position.

Nevertheless, it is possible to determine the level of declared individual tax amounts arising from the aforementioned title on the basis of forms filed by taxpayers.

4.1.1. Gambling tax for the years 2017 - 2018

The table below presents amounts of tax declared by taxpayers for individual types of gambling games in the years 2017 – 2018.

Item		Gambling tax (in PLN thousand) (due - declared by taxpayers)		
		2017	2018	Change 2018/2017 (%)
Monopoly*		870,032	917,748	5.5
	Number games	695,165	713,941	2.7
	Cash lotteries	174,867	202,002	15.5
	Games arcades	-	1805	-
Casinos		372,134	383,557	3.1
Betting		407,367	622,847	52.9
	stationary points	128,142	157,484	22.9
	via the Internet	279,225	465,363	66.7
Audiotele lotteries		7,495	7,772	3.7
Raffle lotteries		32	12	-63.2
Total		1,657,060	1,931,936	16.6%

* Revenue on "casino" games arranged via the Internet were not taken into account (www.totalcasino.pl) due to the fact that they were launched in December 2018, which means that the tax on this account was received by the State budget in January 2019.

The estimated amounts due (declared by taxpayers) on account of gambling tax in 2018 reached PLN 1,931,936 thousand and exceeded the amount due for 2017 by PLN 274,876 thousand, i.e. by 16.6 %.

Compared to 2017, the growing dynamics of amounts declared in the following game segments had the greatest impact on the level of gambling tax gained in 2018:

- betting (in stationary points and via the Internet) - an increase by increase by PLN 215,480 thousand, i.e. by 52.9%,
- cash lotteries - an increase by PLN 27,135 thousand, i.e. by 15.5 %,
- number games - an increase by PLN 18,776 thousand, i.e. by 2.7 %,
- games in casinos - an increase by PLN 11,423 thousand, i.e. by 3.1 %,
- audiototele lotteries - an increase by PLN 277 thousand, i.e. by 3.7%.

The different direction of changes in casino operations in the scope of revenue on gambling games and the declared gambling tax recorded in 2018 is possible due to the procedure of determining the taxable amount, which in the case of games organised in casinos represents the difference between the sum of paid stakes and the sum of paid winnings.

A decline in the declared gambling tax in 2018 occurred on account of raffle lotteries, by PLN 20 thousand, i.e. by 63.2%.

In addition, in the case of games on gaming machines in games arcades, receipts in the amount of PLN 1,805 were recorded on account of gambling tax.

4.1.2. Structure of gambling tax for the years 2017 - 2018

The table below presents the structure of tax for individual types of gambling games in the years 2017 - 2018.

Item		Structure of gambling tax (%)	
		2017	2018
Monopoly*		52.5%	47.5%
	<i>Number games</i>	42.0%	37.0%
	<i>Cash lotteries</i>	10.5%	10.5%
	<i>Games arcades</i>	-	0.1%
Casinos		22.4%	19.9%
Betting		24.6%	32.2%
	<i>stationary points</i>	7.7%	8.2%
	<i>via the Internet</i>	16.8%	24.1%
Audiotele lotteries		0.5%	0.4%
Raffle lotteries		0.002%	0.001%
Total		100.0%	100.0%

* Revenue on "casino" games arranged via the Internet were not taken into account (www.totalcasino.pl) due to the fact that they were launched in December 2018, which means that the tax on this account was received by the State budget in January 2019.

The analysis of the structure of gambling tax declared in 2018 indicates that, compared to 2017, its share in the total amounts of gambling tax declared in the betting segment increased by 7.6 percentage points. At the same time, in other segments, a decline of the share in total amounts of declared gaming tax occurred. The highest decline was recorded in number games - by 5 percentage points and in casinos - by 2.5 percentage points.

4.2. Tax arrears

As at 31 December 2018, tax offices and tax and customs control offices recorded tax arrears amounting to PLN 71,603 thousand, which means their decrease by PLN 29,976 thousand, i.e. by 29.5 % compared to the status as at 31 December 2017.

Gambling tax arrears

(in PLN '000)

Item	as at 31.12.2017	as at 31.12.2018
Amount of arrears	101,579	71,603

Pursuant to Article 63 of the Gambling Law, an entity arranging games was obliged to provide financial security in the following amounts in order to secure tax liabilities on account of gambling tax:

1. PLN 1,200,000 – in the case of casino operation;
2. PLN 600,000 – in the case of cash bingo hall operation;
3. PLN 40,000 – in the case of bet making points;
4. PLN 480,000 - in the case of arranging betting via the Internet.

In the case of failure to pay the assessed or declared amount of gambling tax on time, the liability was satisfied out of the security provided. As at 31 December 2018, the number of pending instruments permitting enforcement on account of gambling tax amounted to 94, 19 were settled. The amount covered by instruments permitting enforcement reached PLN 3,629.8 thousand, including PLN 85.8 thousand of enforced tax arrears

4.3. Receipts from fees in 2018

In accordance with the Gambling Law, entities arranging gambling games paid the fee:

1) to the bank account of the Ministry of Finance:

- a) a fee for granting licences and permits, change of licences or permits – pursuant to Article 68(1)(1) and (4) of the Gambling Law; the amount of PLN 33,315 thousand was transferred to the MF account;
- b) fee for examining the request for resolving the nature of games referred to in Article 2(6) of the Gambling Law; the MF account was credited with the amount of PLN 134.2 thousand;

2) to the bank account of the Tax Office in Nowy Targ:

- (a) for the issuing permits for promotion lotteries, raffle lotteries, audiototele lotteries, bingo games - PLN 28,066 thousand was received,
- b) for registration of a gaming machine - PLN 3,089.3 thousand,
- c) for registration of a lottery drawing machine - PLN 35.6 thousand,
- d) for registration of a gaming device - PLN 114 thousand.

In total, in 2018, on account of the aforementioned fees the bank accounts of the Ministry of Finance were credited with the amount of PLN 33,449.2 thousand whereas the bank account of the Nowy Targ Tax Office was credited with the amount of PLN 31,304.9 thousand. **The total receipts on account of the aforementioned fees amounted to PLN 64,754.1 thousand.**

4.4. Surcharges

Pursuant to Article 80(1) of the Gambling Law, the following surcharges were established for games subject to the state monopoly:

- 1) 25% of the stake, price of the coupon or another game ticket – in number games;
- 2) 10% of the stake, price of the coupon or another game ticket – in cash lotteries and telebingo.

In accordance with the Gambling Law, the surcharges are transferred in the following way:

- 1) 75% - to the Physical Culture Development Fund operated by the minister competent for physical culture;
- 2) 20% - to the Fund for the Promotion of Culture operated by the minister competent for culture and national heritage;
- 3) 1% - to the Fund for Resolving Gambling Problems operated by the minister competent for health;
- 4) 4 % to the Fund for the Support of Civil Society Development, operated by the Chairman of the Committee for Public Benefit Affairs.

Surcharge amounts transferred to individual funds in 2018

Item	Amount (in PLN '000)		
	2017	2018	Difference 2018 - 2017
Physical Culture Development Fund	723,938	785,019	61,081
Fund for the Promotion of Culture	191,694	209,339	17,645
Fund for Resolving Gambling Problems	15,239	10,264	- 4,975
Fund for the Support of Civil Society Development	28,168	41,057	12,889
TOTAL	959,039	1,045,679	86,640

Source: budgetary data

In 2018 , compared to 2017 , the amount of surcharges increased by PLN 86,640 thousand, i.e. by 9 %.

5. SUPERVISION AND CONTROL OF ACTIVITY DETERMINED UNDER THE GAMBLING LAW

5.1 Bodies authorised to exercise control and forms of control

The Act of 16 November 2016 on the National Revenue Administration (Journal of Laws of 2019, item 768, as amended) provided basis for the control of the gambling market in 2018 . The tasks of the National Revenue Administration (hereinafter referred to as: KAS) included performing customs and tax inspections in the area of gambling games as well as the identification, detection, counteracting and combating tax crime and tax offence against the organisation of gambling games and the prosecution of perpetrators.

The bodies authorised to perform the aforementioned tasks in 2018 were the heads of customs and tax control offices.

Inspections in the area of gambling games comprise:

- 1) compliance with the provisions regulating the arrangement and conducting of gambling games referred to in the Gambling Law and compatibility of such activity with the notification, granted licence or permit and the approved regulations;
- 2) entities' obligations in the scope of gambling tax and surcharges;
- 3) compliance with the provisions in the scope of holding gaming machines;
- 4) production and trade in gaming machines.

5.2 Conducted inspections in the area of the legal gambling market and their outcome

5.2.1 Inspections of arrangement of gambling games in 2018

In 2018, the National Revenue Administration conducted the total of 811 inspections of arrangement of gambling games, i.e. 259 more inspections than in 2017. As a result of 100 inspections out of 811 inspections appointed and conducted by KAS in 2018, various types of irregularities were disclosed, which consequently indicates that the effectiveness of these inspections reached 12.3%. The increased number of inspections was associated with the emerging signals of occurring irregularities, among others, in bet making points, including the intensification of control measures in sectors of potential non-compliance risk.

5.2.2 Number of performed inspections of arranging games and irregularities found in entities holding a license/ permit for arranging gambling games and in entities notifying such games

The table below presents the number of inspections of arranging individual types of games in areas of the legal gambling market carried out by bodies of the KAS.

Game type	Number of inspections performed		Number of inspections during which irregularities were found
	2017	2018	2018
Games on gaming machines in games arcades	0*	6	2
Games in casinos	119	109	1
Betting	297	463	32
Number games (lottery office)	26	52	4
Lotteries (raffle, promotion, audiotele)	97	130	58
Cash lotteries	13	44	3
Poker (tournament)	-	7	0
TOTAL	552	811	100

* In 2017, no games arcades operated

Casinos

In 2018, 109 inspections were performed in the casinos.

During one inspection of arranging gambling games irregularity was disclosed which consisted, among others, in the failure to notify of a change in the data contained in the notification sent prior to the official check.

Games arcades

In 2018, six inspections were performed in games arcades.

As a result of two inspections, irregularities were found related, among others, to:

- unreliable and untimely record keeping,
- infringement of the prohibition on advertising and promotion of gambling.

Betting - bet making points

At the end of 2018 (in accordance with the effective permits), 2,530 bet making points operated. During 463 inspections performed by the KAS bodies, irregularities were disclosed in 32 cases.

The irregularities were, among others related to:

- failure to publish the rates and the results of betting at a bet making point,
- lack of validated records of prizes paid out (issued) with a value of at least PLN 2,280,
- unreliable keeping of prize records,
- lack of records of issued certificates of prize,
- failure to display a warning on the ban on participation of minors in the game,
- incorrect cancelling of certificates of prizes,
- violating the conditions of the permit by arranging betting in the manner incompatible with the regulations,
- arranging betting at a point located in a venue which does not fulfil the requirements of the Gambling Law,
- prohibited advertising of betting,
- accepting bets contrary to the terms and conditions set out in the approved regulations and the permit granted,
- failure to notify running of business.

Promotion and audiotеле lotteries

In 2018, 43 inspections of arranging promotion lotteries and audiotеле lotteries were conducted.

In thirty cases, various types of irregularities were found, related in particular to:

- arranging a lottery without a permit,
- failure to keep records of issued certificates of prizes and records of prizes whose value amounts to at least PLN 2,280,
- providing incomplete information concerning the conducted lottery after the promotion lottery is completed.

Raffle lotteries

In 2018, 87 inspections of raffle lotteries were performed. Results of 28 inspections indicated various types of irregularities.

The irregularities were, among others related to:

- arranging a raffle lottery without notification,
- lack of validated records of prize certificates,
- failure to notify the destruction of coupons,
- lack of current lottery regulations,
- failure to inform the competent authority of changes introduced in the lottery regulations,
- failure to settle the lottery within the determined time limit,
- the value of prize in gambling games (the value of the prize was lower than the price of the coupon, the total value of the prizes won was lower than 30% of the total price of the coupons for sale),
- notifying a lottery with the infringement of the statutory deadline.

Number games

In 2018, 52 inspections of arranging number games were conducted. As a result of four inspections, irregularities were found related, among others, to:

- failure to display a warning on the ban on participation of minors in the game,
- delayed complaint handling,
- lack of availability of game regulations.

Cash lotteries

In 2018, 44 inspections of cash lotteries were performed. As a result of three inspections, irregularities were found related, among others, to:

- failure to display a warning on the ban on participation of minors in the game,
- lack of availability of game regulations.

5.2.3 Inspections carried out by the KAS bodies in the area of manufacturing and distribution of gaming machines

In 2018, the KAS authorities conducted 8 inspections in the entities referred to in Article 15j(3) of the Gambling Law, i.e. entities operating in the scope of production and distribution of gaming machines. In case of five inspections, various irregularities were disclosed related, among others, to:

- the absence of entries in the records of manufactured or stored gaming machines, including the date on which the gaming machines were removed from the place of their storage and the data relating to the recipient and carrier of gaming machines,
- the storage of gaming machines at a place other than included in the list of production establishments or warehouses in which gaming machines are stored, as forwarded to directors of revenue administration regional offices,
- failure to keep records of stored gaming machines,
- unreliable record keeping of manufactured or stored gaming machines, including:
- making incomplete entries,
- failure to recognise in the records of manufactured or stored gaming machines all the gaming machines stored in the warehouse.

5.2.4 Tax inspections performed by the KAS bodies in the area of gambling games

In 2018, heads of customs and tax control offices conducted two inspections in the scope of gambling tax, including one inspection comprising the fulfilment of the obligations in the scope of surcharges. As a result of all tax inspections, reduction of receipts for the state budget on account of gambling tax by PLN 52,095 was disclosed. The irregularities included incorrect assessment of the taxable amount and calculation of the tax due on a poker game in the form of a poker tournament.

5.3 Inspections in the area of the illegal gambling market, i.e. in relation to entities arranging and conducting gambling games without a licence, a permit or a notification

In 2018, the KAS bodies continued their activities aimed at combating tax offence consisting in the illegal arrangement of games.

As a result of performed control measures, the KAS bodies disclosed the following irregularities:

- arranging 31 promotion lotteries without a required permit,
- arranging 2 raffle lotteries without a required permit.

In 2018, the KAS bodies carried out intensive control of the market with regard to arranging games on gaming machines against the provisions of the Gambling Act and unauthorised

holding of gaming machines. As a result of these activities, 10,956 such gaming machines were seized.

Measures carried out in the scope of illegal arranging of games on gaming machines comprised, among others, arranging illegal games using electronic media, skill with prizes (SWP) and arranging games without a permit on traditional (classic) gaming machines. These actions, conducted also in collaboration with the Police, were targeted at disclosing the arrangement of illegal games on gaming machines or illegal holding of gaming machines.

Irrespective of the foregoing, as a result of the activities performed in 2018, over 20,000 interventions were undertaken in order to verify the locations identified as having arranged illegal games on gaming machines in the past, or where a likelihood of such activities existed.

The table below presents the number of devices seized for the purpose of proceedings in tax penal cases.

Device type	2010	2011	2012	2013	2014	2015	2016	2017	2018
Traditional gaming machines	2,191	2,557	2,993	4,297	13,864	29,855	24,699	24,503	7,948
SWP machines									
Internet terminals	102	672	288	1,649	393	393	1,532	3,132	3,008
TOTAL	2,293	3,229	3,281	5,946	14,257	30,248	26,231	27,635	10,956

Internet terminals

One of the areas of illegal arranging of games on gaming machines was the arrangement of illegal games using electronic media. In 2018, during inspections of locations where the aforementioned games were illegally arranged, the KAS bodies seized 3,008 of such machines.

Such devices, via the Internet, enabled their users to play gambling games analogically to the traditional gaming machines within the meaning of the Gambling Law. In the course of conducting illegal games using Internet terminals, the fee for the game was paid at the venue where the Internet terminal was located, through a banknote or coin reader installed in the machine itself or with the staff operating the premises. The operators also paid out prizes for points won on the machine.

Traditional (classic) gaming machines and Skill with Prize Machines

Another and most common area of illegal arranging of games on gaming machines was the arranging of such games using traditional (classic) gaming machines, where game for cash or

in-kind prizes was possible (the prize paid out by the machine). Moreover, illegal games on gaming machines using skill with prize machines were arranged. They are gaming machines where prizes are paid outside the machine, e.g. by the staff of the premises or a bartender. The operators arranging and conducting gambling games on skill with prize machines for the purpose of fraudulent disguise of their illegal operation, displayed notices on the device informing that the machine was a play device only and did not pay out prizes. Moreover, there were other elements installed in the devices to fake their legality, such as time limiters and skill elements.

In 2018, during inspections of locations where the gambling games on skill with prize machines and games using traditional (classic) gaming machines were illegally arranged, the KAS bodies seized 7,948 of such gaming machines.

5.3.1 Activities of the KAS bodies in the scope of combating arranging games on gaming machines without a permit

The greatest risk of irregularities was identified in the following areas:

- arranging games on gaming machines without using any electronic media (traditional gaming machines);
- arranging gambling games using electronic media.

Due to the fact that the market of games on gaming machines was remodelled to permit arranging of games on gaming machines in casinos and games arcades operated by an entity exercising the state monopoly in this scope only, a substantial number of gaming machines are being re-introduced into the market as gaming machines used for illegally arranged games after minor alterations (also faking their non-gambling nature).

The KAS bodies carried out activities to eliminate that hazard, including by further exercising of their intensified control measures, especially by focusing inspections in locations where illegal arrangement of gambling games had been already disclosed in the past. The KAS bodies, within their activities, obtained information on location of illegal points of games on gaming machines, in particular from the Municipal Guards, the Police, local authorities, schools as well as with the use of the box powiadomKAS@mf.gov.pl and the National KAS Hotline 800 060 000 - a line open 24h a day, with the same number for the entire territory of Poland. The KAS also continued the collaboration with the Chief Commander of the Police in the scope of cooperation with regional / capital city, district, municipal and local police departments in the

identification of locations where illegal gambling operations were taking place with the violation of the provisions of the Gambling Law, including by conducting joint inspections.

Additionally, in 2018, activities in the scope of combating the arrangement of games on gaming machines with violation of the provisions of the Gambling Law were undertaken, among others, through:

- criminal analysis aimed at linking facts in order to detect the perpetrators or identify new directions which have to be explored in order to disclose irregularities,
- verifying the quality of information received from external sources in the scope of places where games are illegally organised on gaming machines and their unauthorised holding in the context of the KAS activities in this area,
- immediate verification of information provided to the KAS bodies concerning violations of the provisions of the Gambling Law by actual checking the places where there is a suspicion of irregularities,
- monitoring existing threats, identifying risks as well as developing methods of counteracting them in connection with diagnosing new phenomena constituting an attempt to "circumvent" the provisions of the Gambling Law by introducing a new type of gaming machines to the domestic market (e.g. game consoles for skill with prize games under the name of SKILL TEST used to arrange gambling games under the guise of skill with prize games) or the appearance of a new type of "suitcase machine".

5.4 Activities of the KAS bodies in the scope of violation of the provisions of the Gambling Law on the Internet

The technological development enabling comprehensive use of the Internet, available to anyone and practically at any location, also triggers changes in the structure of gambling games. These changes consist in relocating and undertaking activities in the scope of arranging gambling games to the Internet. The Internet as well as new communication technologies are frequently used as a tool to conduct illegal activities through the range of options they offer, i.e. arrangement of gambling games via the Internet, their advertising and promotion and information on sponsoring contrary to the provisions of the Gambling Law as well as participation in illegal games.

5.4.1 Arranging illegal gambling games on the Internet

In 2018, the main area of activity of the KAS was the monitoring of the Internet and identification of websites in terms of infringement of the provisions of the Gambling Law, in particular for the purpose of entering their names in the Register of domains used to arrange gambling games against the Gambling Law. The activities of the KAS bodies were focused on identification of Internet domains used for illegal gambling, through which games are addressed to customers from the territory of the Republic of Poland and securing evidence confirming the fulfilment of the conditions determining, under the provisions of the Gambling Law, a possibility to approve the entry of domain names into the Register and, as a consequence of the approval, to make an entry into the Register of domains. The premises for entering a domain name in the Register have been listed in Article 15f (4) of the Gambling Law. A domain name is entered in the Register if the Internet domain is used for arranging gambling games without a license, a permit or without a notification required under the Law, addressed to customers from the territory of the Republic of Poland, especially if the websites which used the names of such domains are:

- available in Polish,
- advertised in the territory of the Republic of Poland.

The entry in the Register of domains, the amendment to the entry or its striking-off is performed on an *ex officio* basis following the approval by the minister competent for public finance or an authorised secretary of state or undersecretary of state in the office of the minister competent for public finance.

In 2018, as a result of activities of the KAS bodies in the scope of identification of Internet domains referred to in Article 15f(4) of the Gambling Law and securing relevant evidence in this scope, 4,098 Internet domain names were entered into the Register of domains used for the purpose of offering gambling games against the Gambling Law.

5.4.2 Advertising and promoting gambling games on the Internet

The National Revenue Administration implemented measures in the scope of counteracting prohibited advertising and promotion of games and informing of sponsoring on the Internet taking into account the provisions of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 *on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market* (OJ L 178 of 17.07.2000) and Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 *on services*

in the internal market (OJ L 376 of 27.12.2006). Within the legal framework effective in 2018, the measures concerning the area under discussion were implemented pursuant to the Act of 18 July 2002 on the Provision of Electronic Services (Journal of Laws of 2019, item 123, as amended), which implemented (in principle) the provisions of the Directive on electronic commerce, and pursuant to the Act of 10 September 1999– Fiscal Penal Code (Journal of Laws of 2018, item 1958, as amended).

In 2018, as a result of a systematic review of the Internet by the KAS bodies in the scope of posting illegal advertising and promotion of gambling games, among others on servers managed by domestic providers of hosting services (entities offering space on their servers to consumers for the purpose of saving their data), 92 domains were identified, where hosting services of the particular website were provided by Polish entities. Providers of hosting services removed/ blocked access to forbidden content located in 76 domains.

5.5. Activities in the scope of cooperation of the National Revenue Administration bodies with the aim of counteracting violation of provisions in the area gambling games on the Internet

In the scope of counteracting crime in the area of gambling, including the Internet, the KAS bodies, within their cooperation with external entities and other authorities, undertook, inter alia, the following activities:

- continuation of cooperation with several dozens of hosting service providers which improved the communication and the effectiveness of implemented tasks,
- cooperation with local authorities, under which, in the case of disclosures in the premises rented from local government institutions of illegal arranging of games on gaming machines or their unauthorised possession, information was sent to the competent authority on conducting activities violating the provisions of the Gambling Law in the particular premises,
- continuation of cooperation between the Polish Financial Supervision Authority and the KAS in the scope of enforcement of the prohibition to act as an intermediary in payments for participation in gambling games arranged via the Internet on the territory of the Republic of Poland to entities illegally arranging gambling games via the Internet,
- continuation of cooperation between the construction supervision authorities and the KAS in the scope of collaboration in identifying venues where business activities are conducted

contrary to the provisions of the Construction Law Act of 7 July 1994 (Journal of Laws of 2019, item 1186, as amended) or the Gambling Law,

- concluding an agreement between the Head of the KAS and Totalizator Sportowy Sp. z o.o. of 11 June 2018 on collaboration in the exchange of information on infringements of the provisions of the Gambling Law.

Additionally, in 2018, in consultation with university rectors and school directors, an information and educational campaign in the area of illegal gambling, including arranging gambling games via the Internet was launched, called “*GAMBLING? No, thank you!*”. The aim of the campaign is to provide information on current legal regulations concerning gambling and to raise awareness, especially among young people, of the risks associated with gambling addiction and participation in illegal gambling games. In the first period of the campaign, i.e. October - December 2018, information and education meetings were organised in 287 schools in all provinces (junior secondary schools and primary schools, secondary and vocational schools, post-secondary schools and universities). The total number of students attending the meetings exceeded 23,000. A considerable interest of the audience in the presented topic was observed. As part of the activities, 14,235 posters and leaflets with informative content were distributed in schools.

5.6. Tax crime and tax offence against the organisation of gambling games

Tax crime and tax offence against the organisation of gambling games is described in Title 1 Section 2 Chapter 9 (detailed part) of the Act of 10 September 1999– Fiscal Penal Code. The bodies authorised to conduct proceedings concerning these issues are the heads of customs and tax control offices as financial authorities competent for conducting preparatory proceedings and simultaneously KAS bodies.

The table below presents the number of proceedings concerning tax crime and tax offence against the organisation of gambling games, conducted by the heads of customs and tax control offices in 2018, compared to compared to 2017.

Tax crime and tax offence in the scope of:	Preparatory proceedings		Fine ticket proceedings	
	2017*	2018	2017*	2018
Games on gaming machines and betting	9,709	8,024	8	9
Raffle lotteries, raffle bingo, promotion lotteries and audiotote lotteries	45	62	2	0

Advertising and promoting gambling games and information on sponsoring	159	185	3	4
Other violations of provisions regulating the organisation of gambling games	52	50	2	1
Total	9,763	8,321	15	14
The total amount of fines imposed in closed cases (in PLN)	24,641,423	29,143,790	11,552	9,610

*data for 2017 also include proceedings which in the period from 01.01.2017 to 28.02.2017 were under the jurisdiction of the Customs Service

In 2018, the courts imposed a fine in 2953 fiscal penal cases against perpetrators of tax crime and tax offence for the total amount of PLN 29,143,790, which constitutes a rise in the total amount of fines by 18,27 % compared to 2016. On the other hand, in cases concluded in ticket proceedings, a fine was imposed in 14 fiscal penal cases for a total amount of PLN 9610. Thus, in aggregate, the fines were imposed on perpetrators in 2967 fiscal penal cases for non-compliances in the area of gambling games for the total amount of PLN 29,153,400., which constitutes an increase in the amount of fines by 18.25% compared to 2017.

It should be added that in 2018 customs and tax control offices undertook investigations not only against persons who arranged and conducted illegal gambling activities and participated in illegal gambling games but also against persons who contributed and enabled the illegal procedure, e.g. by letting premises and rooms, providing services, etc.

In 2018, there was a 17.33% decrease compared to 2017 in the number of fiscal criminal cases initiated in relation to tax crime and tax offences in the area of games on gaming machines and betting. This may indicate a change in the way in which the structures responsible for the organisation of illegal activities operate, which emphasizes the deeper concealment of such organisation and limiting the common accessibility of venues where such activities are carried out. It also translates into the number of cases of illegal gambling on slot machines or in the scope of mutual betting revealed by the bodies of the National Revenue Administration.

A significant reduction in the number of provinces in Poland in the number of detected cases of illegal arrangement of games using gaming machines also results from changes in legal regulations introduced by the provisions of the Act of 15 December 2016 amending the Gambling Law and certain other acts. As a consequence, the number of points where illegal games on gaming machines are played has decreased. For example, in the Dolnośląskie and Lubuskie Provinces, about 80% of places where cases of illegal gaming machines had been

previously discovered ceased their activities. Moreover, the introduced amendments to the legal regulations resulted in almost complete elimination of illegal gaming machines from catering, commercial or service premises, such as shops, bars, petrol stations.

At the same time, the solution to the problem of failure to notify the European Commission of certain provisions of the Gambling Law of 19 November 2009 which in the past years was repeatedly referred to by entities from the gambling sector, contributed to the change in the jurisdiction of courts in tax crime cases concerning prohibited acts in the field of gambling, including in particular in cases concerning illegal games on gaming machines. At present, it is completely unjustified to challenge the provisions of the Gambling Law by operators illegally operating gaming machines in order to justify the possibility of deploying gaming machines outside casinos. As a result, those guilty of illegal gambling are sentenced by the courts if it is proven that they are involved in the organisation of such gambling. Combating of illegal gambling has thus become more effective.

However, the occurrence of illegal games on gaming machines has not been fully eliminated. Those involved in this illegal practice continue to make attempts aimed at acting by setting up further limited liability companies with the participation of so-called 'shell companies', irrespective of the disclosures and penalties imposed by the KAS bodies. As mentioned earlier, they also try to apply various methods to restrict and secure access to premises where illegal gaming machines operate in order to make it more difficult to combat illegal activities by the KAS.

At the same time, it should be noted that in 2018 , the number of instituted proceedings concerning raffle lotteries, raffle bingo games, promotion lotteries and audiotote lotteries increased by 31.9% as compared to 2017 . The activities undertaken by customs and tax control offices also included combating prohibited advertising and promotion of gambling games and information on sponsoring - in this scope, the number of cases instituted increased by 16.66 % in 2018 as compared to 2017 . Moreover, in 2018, the number of other types of cases involving tax crime and tax offence slightly decreased.

Additionally, in 2018, 8 proceedings were instituted in tax penal cases against persons who participated in illegal gambling on the Internet. In the same period, in 10 pending cases, charges of suspected involvement in illegal gambling on the Internet were presented. Courts issued convictions in 4 cases, imposing fines in the total amount of PLN 11,710.00. Moreover, in 4 cases the courts issued verdicts on the basis of voluntary submission to liability for the total amount of fines of PLN 8,000.00.

In total, in 2018, the number of instituted proceedings in cases concerning tax crime and tax offences against the organisation of gambling games decreased by 14.75% as compared to 2017, with a simultaneous aforementioned increase in the amount of fines by 18.25% in these cases, which may confirm the effectiveness and efficiency of activities of state authorities in the field of counteracting crime in the area of gambling.

5.7. Application of administrative sanctions for the infringement of the provisions of the Gambling Law

A financial penalty is a financial sanction for the failure to comply with the obligations stipulated in the Gambling Law imposed pursuant to Article 89 of the Gambling Law. A financial penalty can be imposed both on an organiser of gambling games without a licence or a permit or a required notification, arranging gambling games under the granted licence, granted permit or performed notification, who violates the terms of approved regulations, granted licence, granted permit or performed notification or conducts games on gaming machines, a drawing device or a gaming device without the required registration of the gaming machine, drawing device or gaming device or arranging a gambling game subject to the state monopoly as well as on a participant in a gambling game which is arranged without a licence or a permit or without a notification. A financial penalty can be also imposed on a subsidiary owner of premises where non-registered gaming machines are located and where food catering, commercial or service activities are carried out, unless the premises are subject to subsidiary holding.

As a result of conducted proceedings concerning the infringement of the provisions of the Gambling Law and imposing fines as a consequence of inspections carried out by the KAS, the total amount of financial penalties imposed under Article 89(1) of the Gambling Law (in the first instance decisions) amounted to PLN 336,996.9 thousand.