



Victorian Commission for Gambling and Liquor Regulation

Gambling information sheet

Gaming machine entitlements

This information sheet provides information and an overview to entitlement holders.

The function of the Victorian Commission for Gambling and Liquor Regulation

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) is responsible for administering Victoria's gambling legislation by licensing, educating and advising members of the gambling industry and educating the general public on gambling regulatory and compliance matters.

Operating gaming machines

To operate gaming machines you must:

- hold a current club or hotel venue operator's licence
- hold gaming machine entitlements
- have access to approved premises
- obtain gaming machines and gaming equipment
- arrange for the gaming machines to be linked to the monitoring system
- attach gaming machine entitlements to approved premises
- employ staff who hold valid Gaming Industry Employee licences to perform the prescribed duties
- comply with all legislative and regulatory requirements.

State, regional and municipal district limits

The State regulates the number of gaming machines that may be operated in Victoria. The total number of gaming machines that can be operated in Victoria (outside Crown Casino) is 27,372. No more than 50 per cent of this total can be operated at either clubs or hotels. At least 20 per cent (i.e. 5,475) of the total must operate outside metropolitan Melbourne. No more than 105 gaming machines can be operated in any one venue.

Regional caps apply to 25 defined regions and municipal limits apply to all uncapped regions (with the exception of the Melbourne Central Business District, Southbank and Docklands precincts). Regional caps and municipal limits can be viewed on the VCGLR website under Licence Information/Venue Operators/Caps and Limits.

A change to the State, regional or municipal limit may result in an Order by the State to reduce the number of entitlements in a region or municipal district. If this occurs the holder of the entitlements impacted by the Order may take action to comply with the reduction through one of:

- amending the geographic area condition on the entitlements to which the Order applies, or
- transferring the entitlements to another venue operator who then applies to amend the geographic area condition to which the Order applies, or
- accepting any offer by the State to purchase back the entitlements.

Should holders of entitlements impacted by the Order not take the actions above to reduce the number of entitlements in the region or municipal district, then forfeiture provisions may be used to reduce the number of entitlements.

Forfeiture

Entitlements will be forfeited if:

- the entitlement holder is no longer a licensed venue operator
- the entitlement holder has not complied with the payment requirements as outlined in the Entitlement Related Agreement for Payment
- the entitlement is not used within the required timeframe ('use it or lose it').

Penalties for entitlements that are forfeited

- All amounts owing at the date of forfeiture become immediately due and payable to the State. This includes all future payments for entitlements, penalty interest and prescribed fees.
- The State will be able to reallocate the entitlements.
- The State will pass on to the original entitlement holder the amount obtained for the entitlement on transfer, less any amounts owing to the State, any prescribed fees and any fines imposed by the State.

The 'use it or lose it' rule

Failure to commence gaming in your venue within the necessary timeframe will see you lose your entitlement.

As a venue operator holding an entitlement, you must commence gaming under that entitlement in your venue within the relevant holding period.

For example, if you acquired your entitlement prior to 16 August 2012, including the Pre-Auction Club Offer or the Gaming Auction, the relevant holding period is between 16 August 2012 and 16 February 2013.

Should you acquire your entitlement after 16 August 2012, the holding period relevant to you is six months after the date you acquired the entitlement. For example, if you have an entitlement transferred to you on 1 February 2013 then the holding period expires on 1 August 2013.

In certain circumstances the VCGLR has the power to extend the six month period, if the entitlement holder applies for an extension to cover circumstances where the delay is beyond the entitlement holder's control.

Amendments to entitlement conditions

Entitlement holders have the option to apply for a change to the geographic area or venue conditions imposed on their entitlement.

To apply for an amendment to a condition, a completed amendment application must be submitted to the VCGLR. The VCGLR will ensure applicants are kept informed of the progress of their application.

Amendment applications can be made through the Entitlement Transfer Market (ETM) by accessing vcglr.vic.gov.au.

Transfer market scheme

Entitlements may be transferred or traded through a transfer scheme.

- The VCGLR facilitates the transfer market process through the ETM set up to allow venue operator licensees to advertise, monitor, request the transfer of entitlements or request amendments to entitlement conditions.
- A request for the transfer of an entitlement will become effective when the VCGLR is satisfied that all the requirements have been met and the transfer is recorded on the ETM.
- The VCGLR has issued all venue operators with a username and password to access the the ETM.

Profit tax

A profit tax applies to a venue operator in accordance with section 3.4A.18 of the *Gambling Regulation Act 2003* (the Act).

If an entitlement is transferred to another venue operator before 16 February 2013 the seller must pay the State the amount of 75 per cent of the prescribed profit, if any, which has been gained by the operator on the sale of the entitlement.

An exemption to the application of the provisions of this tax exists under section 3.4A.19 of the Act. Refer to vcglr.vic.gov.au.

Taxation

New tax rates will apply in the new industry arrangements. To access this information visit vcglr.vic.gov.au.

Under these new industry arrangements, venue operators will be responsible for paying gaming machine taxation directly to the VCGLR. The tax payable will be calculated for each calendar month and must be paid to the VCGLR within seven days after the end of the month.

Monitor

The State has awarded an EGM Monitoring Licence to Intralot Gaming Services (IGS) to provide information to venue operators regarding regulatory practices and procedures.

IGS will provide the electronic monitoring system for all hotel and club gaming machines in Victoria. The EGM Monitoring Licence also requires the provision of data and information on gaming machines for regulatory, taxation and research purposes.

Ancillary services

Venue operators may contract ancillary service providers to provide services such as:

- game analysis and game conversions
- gaming machine service, maintenance and repairs
- facilitating the purchase of gaming machines
- player loyalty schemes
- responsible gambling programs
- marketing advice, customer communications and venue promotions
- staff training
- financial advice
- venue design.

The VCGLR does not licence ancillary service providers, nor can it recommend any particular providers. Venue operators need to consider that the nature and terms of the agreement may cause the ancillary provider to be considered an associate of the licensee and may create a prescribed connection under the ownership restrictions.

Venue operators should obtain their own legal advice before entering into agreements for the provision or receipt of ancillary services.

Venue management services

Examples of venue management services may include:

- where the service provider undertakes the day to day management of the venue
- where the service provider participates in decisions
- the decision making process of the venue operator's gaming business
- where a dedicated manager is provided to the venue
- where the service provider makes significant business decisions on behalf of a venue.

The VCGLR does not licence venue management service providers, nor does it recommend any particular providers. The nature and terms of the agreement may cause the provider to be considered an associate of the licensee and may create a prescribed connection under the ownership restrictions.

Venue operators will need to consider that by virtue of the arrangement, the venue management service provider may become an associate of the venue operator's licence. In this situation, the agreement may require VCGLR approval.

Obtaining gaming machines

Gaming machines can be provided by an approved manufacturer or supplier listed on the Roll of Manufacturers, Suppliers and Testers. The VCGLR website lists the companies on the Roll of Manufacturers, Suppliers and Testers. These companies will be required to provide standard price lists for electronic gaming machines.

Gaming machines can also be obtained from Tatts Group Ltd and Tabcorp Holdings Limited or from other venue operator licensees.

The VCGLR must approve all gaming machine types and games for use within Victoria.

Ownership restrictions

An individual or organisation cannot directly or indirectly hold more than 4,790 hotel gaming machine entitlements and a club will not be able to directly hold more than 840 gaming machine entitlements.

For further information refer to vcglr.vic.gov.au.

Contact

For further enquiries regarding entitlements please contact the VCGLR on 1300 182 457 or contact@vcglr.vic.gov.au.