



**AOPJNR**  
Association of  
Gambling  
Organisers and  
Producers in Romania

**EXPROGAME**  
Patronage of the Gambling  
Organisers,  
Producers and  
Operators



XX.07.2022

***The gambling industry calls on the Romanian Government for a public debate on the auspices that led to the recent increases in special taxes applied to the sector***

**Open letter to Gentlemen**

**Nicolae-Ionel CIUCĂ,**  
**Prime Minister of Romania**

**Adrian CÂCIU,**  
**Minister of Public Finance**

**Dear Prime Minister, Dear  
Minister,**

We choose to express both to you and publicly our observation that, in relation to the commercial sector in which we operate, the law-making process is still being carried out with the same lack of maturity and predictability. Onward because, unfortunately, with the same attitude in

law-making we have been constantly confronted with this issue under all governments in the more than 30 years of democracy in Romania.

Moreover, when the subject of regulatory initiatives has been taxes applied to the gambling sector, they have left little or no room for dialogue with the affected stakeholders or the social partners involved.

In this note were also adopted the provisions contained in the *Government Ordinance for amending and supplementing the Government Emergency Ordinance no. 77/2009 on the organization and operation of gambling*, published in the Official Gazette no. 716 of 15.07.2022.



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We are referring to the tax increases applied to the organisation and operation of gambling, in relation to which Exprogame and AOPJNR, as professional representative associations, are forced to make public a clear-cut assessment as the position of the traditional gambling sector.

Thus, we note, first of all, that the increase of special taxes appeared on the Government's agenda immediately after the Draft Ordinance for amending and supplementing Law No. 227 / 2015 on the Tax Code has become public.

The bill in question fancifully provided for an increase in income tax to up to 40% from gambling. Under the pressure of the prospect of massive loss of customers by drastically reducing gambling winnings and the rapid development of a black market, the sector's trade associations have put forward various proposals to increase special taxes. These proposals have been submitted to the Government for consideration in exchange of eliminating or moderating the intention of additional taxation of gambling revenues.

The Government has chosen to consider the most "generous" of these proposals, but one that produces an impossible tax burden for most companies in the field, namely on more than 70% of the gambling market in Romania and particularly on businesses with local capital.

Thus, increasing the slot machine license fee by 3.75 times (!!!), up to 75,000 EUR / year or increasing the operating fee by 1000 EUR, up to 4,600 EUR / game / year will result in 70% of slot machine - game operating companies facing bankruptcy! Therefore, on their behalf, on behalf of the 70% of these companies, we write to you.

In relation to this situation, we can only note that the Government is trying to discourage local entrepreneurship in this field, as well as to cleanse the market to the advantage of companies with multinational characteristics. The latter benefit from foreign capital with which they can support such taxes and outsource year after year, in various forms, the profits made in Romania. These companies and some of the big market players are also behind the proposals submitted to the Government that led to such increases in special taxes.

Increasing special duties to such levels therefore creates opportunities for these companies to grow. And these companies, despite the size of the business they have reached in recent years, still represent only a minority percentage in a market where 285 slot machine licences were active in 2021.

Thus, if the Government has set out to collect more from the activity of organising and exploiting gambling, it will actually collect significantly less. If successive tax increases in recent years could be absorbed by the market, this time the government has put impossible pressure on this sector, i.e. on the relevant area of a market that was already in a precarious competitive balance.

The public should also be aware that bankrupting the gambling sector to such an extent has the effect not only of reducing budget collection in this sector, but also many other related effects. We are referring to the redundancy of more than half of the 45,000 employees in the sector, the closure of various contracts that consistently support other sectors (security firms, technical maintenance, various suppliers) or the massive closure of space leases.



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Going further and referring only to the operation of Class A slot machines, which represent, based on the criterion of turnover developed, about 90% of the gambling market in Romania, we bring to your attention and publicly launch the following questions:

- *When increasing the slot gaming licence fee from EUR 20,000/year to EUR 75,000/year (3.75 times), was it considered that this was in fact still a tax burden per gambling asset?*

This is very important, because for an organizer operating only 75 gaming machines (the minimum allowed by the regulations of GEO 77/2009), the license fee represents, in fact, a tax burden of another 1000 EUR per machine. This burden is practically added to the concomitant increase of another 1000 EUR / slot machine of the tax related to operation, so that for small companies the Government has actually increased the tax per slot machine operated by up to 2000 EUR!

If for companies with 75 to 300 gaming machines in operation, the tax burden is almost impossible, it becomes easier for larger businesses, until it becomes irrelevant for more than 3000 machines. In short, the licence fee for a company with 75 gaming machines is EUR 1000 per year/per machine/year, while for a company with 3000 machines it is EUR 25/per machine/year.

In our opinion, it would have been fairer to relate the licence fee to the number of gaming machines that the organiser intends to bring into operation or to the number it operates. Thus, setting thresholds according to the number of gaming assets held in the portfolio would have ensured an increase in budget collection, but by establishing a tax effort proportionate to the size of the business, i.e. a fair competitive mechanism, established according to the principle "you want more, you pay more".

- *Was the increase in the tax on the operation of slot machines from EUR 3,600 to EUR 4,600 considered to be only four years after the previous increase in this tax, also of EUR 1,000?*

We can only assume that the amount of the increase in this tax has been determined solely on the basis that "gambling can give more". We did not find in the rationale of the Government Ordinance amending GEO 77/2009 any reference to an impact assessment prior to the preparation of the draft Ordinance or even a single concrete criterion on the basis of which the level of this amount was assessed.

In our view, an increase in a tax of any kind, let alone an increase so substantial, i.e. 27.7% of the amount before the new regulations, had to involve either a minimum of impact research on the sector and a real consultation of the private sector. It is not an insignificant increase for not assuming a minimum of research into whether the sector can bear it.

On the other hand, in December 2018, the Government also regulated an increase of EUR 1000 of this tax, in the same manner, i.e. without first studying the sustainability of the tax level for the slot machine sector. At the time, the profile organisers were able to absorb that increase, but we fear that another such increase, coming just four years later, will



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generate immediate effects in terms of severely restricting the market and also budget collection.

- *Was the fact that the gambling industry was subject to restrictions imposed in order to combat the COVID-19 epidemic, which caused a clear decapitalisation of these companies, taken into account in the increases in special taxes applied to the gambling industry?*

Blamed at the start of the COVID-19 epidemic for daring to apply for and obtain, in 2020, the reopening after days of total restriction, the traditional gambling industry was then, during the state of alert, subject to partial restrictions on activity.

Naturally, the Government has regulated that, for the period of total restriction of activity, the organizers do not owe the tax related to the authorization of the means of gambling. But for the following period, corresponding to the application of the restriction of activity to 30% or 50% of the capacity of the venues, these fees were paid by the organising companies in full, i.e. at the level of 3600 EUR / gambling asset / year. The Government has thus chosen to ignore the calls of Exprogame and AOPJNR and has no longer accompanied the new types of restrictions with financial-fiscal measures to adjust the authorisation fee in proportion to the percentage restrictions imposed, depending on the incidence of COVID-19.

The organising companies therefore continued to pay this fee at the level of 3600 EUR/gambling asset/year, although recorded revenues have fallen drastically. And after the removal of the restrictions, the Government has effectively avoided considering any compensatory measure for the firms by refunding even a fraction of the amounts paid by them as special charges at full level during the period of the restrictions.

Now the government authority is choosing to add another EUR 1000 to the authorisation fee, just a few months after the removal of the operating restrictions, an initiative which in this context can at least be considered inappropriate.

However, considering the legitimate need to increase collection, Exprogame and AOPJNR have proposed options for regulating special levies that are sustainable and adjusted to the current state of the industry. We have proposed that the authorisation fee should no longer be formulated as a fixed amount, but as a percentage of the income earned per asset, either a fixed amount of increase, but under no circumstances the fanciful figures that were found in the enacted form.

Adopting this method of taxation would have ensured a reasonable increase in the collection to the budget, but at the same time it would have placed the fiscal relationship between the state and the slot machine operator on an honest principle, which, popularly formulated, would mean paying taxes corresponding to the revenue generated.

It would also have ensured the prospect that, whatever restrictions may arise in the future due to the COVID-19 epidemic or any other force majeure, this sector would contribute to the state budget within the limits of the revenue it can actually generate.

Assuming that this option would not have provided concrete figures, we also proposed an option that would have increased the slot machine licence fee - traditional gaming to €25,000 and the licensing fee to €4,200 / machine / year. With the exception of up to 20 companies in the industry, we believe and maintain that a tax effort greater than this is unsustainable.



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- *Has the fact that the slot machine sector is currently undergoing massive and compulsory investments in new gaming machines, as regulated by the ONJN Presidential Orders No 404/2020 and No 86/2021, been taken into account in the assessment of the fee increases?*

We believe that this aspect should also have been taken into account when assessing the opportunity to increase special duties applied to the industry.

Thus, successively, by Order of the President of the ONJN no. 404 / 2020 on the approval of the minimum technical conditions for the verification of the gambling assets and by Order of the ONJN no. 86 / 2021, the ONJN has regulated very strict deadlines for compliance with the new technical rigors.

There are now less than 12 months left in which all companies operating slot machines can still modify or replace through new purchases, the gambling assets held in their portfolio, to meet the new technical requirements imposed by the ONJN. In our assessment, this investment amounts to at least 400 mil. EUR per sector!

It will be very difficult, if not impossible for most companies to sustain the new level of taxes at the same time as these massive investments. At least from this perspective, we believe that the way in which the ONJN legislates on these Orders needs to be reviewed through the intervention of the Ministry of Public Finance. Removal of these deadlines contained in the ONJN President's Orders becomes all the more necessary in the new taxation context.

As a final consideration, we cannot ignore the fact that the gambling industry in Romania has often been labelled in recent days and in the past as the government's "cash cow". We understand and are familiar with this role, but we believe it is time to take a firm public stance on our part, as the cow is increasingly expensive and showing signs of chronic fatigue.

In the same way, we hope that everything contained in the following lines will not be interpreted as a criticism of the Government's taxation policies, but only as an objective and decent signalling of a state of affairs that we believe must be objectively reviewed.

We want dialogue with government representatives and we want to work together to find realistic solutions for legislation in our field. We therefore ask you to convene a debate to assess with you the situation created by the recent regulations.

Respectfully yours,

**AOPJNR**  
**Romanian Association of Gambling Organizers and Producers**  
By the President, Cristian Pascu



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By the President, Ovidiu Tecu