

TIP 56 - Bookmakers

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Warning

These notes are not intended to provide an exhaustive or definitive picture. Any tactical tips must be treated with a 'health warning' as the BIU cannot test or validate theories or ideas submitted to it, but merely supplies information to be used with **common sense and discretion**.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Links to the Internet

There are a number of **references to Internet** addresses scattered throughout this note. These are not linked and need to be accessed separately from this TIP.

Reference to commercial organisations and products

This TIP may contain references to commercial organisations, together with reference to specific products or services. Please note these are included for example purposes only and are not endorsements of the organisations, products and services.

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The Betting Industry

The gambling and betting industry has expanded enormously in recent years, with betting on both sporting and non-sporting events. The medium through which bets are made is no longer dependent on visiting a bookmaker, but can be made via telephone, by email or the Internet. These mediums are now major forces within the industry.

The gambling sector contributes towards the UK economy with the amount staked on all gambling activity. According to the National Audit Office this rose to around £53 billion in 2003-2004; of this just over £32 billion related to general betting (excluding: pools, casinos, National Lottery, Bingo and amusement machines). Information available from the Department for Culture, Media and Sport (DCMS) shows the amounts staked in various forms of betting in the UK in 2005:

General Betting	£47.7 million
National Lottery	£4.9 million
Bingo	£1.8 million
Pool Betting	£0.1 million

Also according to DCMS, the latest data available shows that there are approximately 3,600 bookmakers' permits and 8,800 betting office licences in force in the UK. The large national chains are increasingly buying up smaller independent bookmakers, resulting in a larger share of the market. However there are still in the region of 1,200 independent bookmakers operating out of nearly 3,000 shops.

This TIP is essentially concerned with the activities of independent bookmakers.

Horseracing

The following is very brief overview of the horseracing industry, which provides approximately two thirds of the betting industry's profits.

Traditionally, there are two seasons in professional horse racing, the 'flat pattern' racing season ('on the flat' - no jumps or other obstacles on the course) from March to November and the 'national hunt' season (racing over hurdles and larger obstacles - steeplechasing) - from August to June. The advent of all-weather synthetic tracks means that racecourses such as Southwell and Lingfield, in addition to having a turf track offering jump racing, are also able to offer flat racing throughout the year.

There are currently 59 racecourses in the UK, including 5 in Scotland and a further 25 in Ireland devoted to professional racing. According to the British Horseracing Board 1,351 fixtures were scheduled for 2005, with only 50 being abandoned due to poor weather conditions. These fixtures provided for 8,588 races to be run during the year. Racecourse attendance also continued to be high totalling around 6 million people in 2005.

The season for amateur ('point to point') horse racing runs from February to June, the races being run on 30 to 40 temporary courses.

Bookmakers are permitted at all tracks, although those that attend point to point races are usually specialists in that sport as the races, being local affairs, usually requires local knowledge.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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Greyhound racing

Although horseracing traditionally dominates the betting industry, greyhound racing has seen a transformation in recent years, with attendance reaching around 4 million people per year with an estimated £2.5 billion wagered on and off-course.

There are 31 tracks in the UK operating under the rules of the National Greyhound Racing Club (NGRC) and there are also a number of smaller non-NGRC - 'independent' - tracks, which are also known as 'flapping' tracks. NGRC tracks put on over 6,000 meetings comprising over 60,000 races a year, the other tracks put on about 5,000 meetings, somewhere around 50,000 races.

A number of tracks have an arrangement with the Bookmakers Afternoon Greyhound Services Ltd. (BAGS) under which races will be run whatever the attendance at the track, to provide a betting medium for the betting public at betting shops. Currently there are 16 of the 31 NGRC tracks which hold BAGS races in the morning, afternoon or evening. Bookmakers attend all tracks, although usually only those with local knowledge attend the smaller tracks.

What is a Bookmaker?

A bookmaker is any person who carries on the business of receiving and negotiating bets. They can only act in this capacity if a Bookmakers Permit is held; this is issued by the Betting Licensing Committee at the local Magistrate Court. Before the issuing of such a permit the Committee will need to be satisfied that the applicant is a fit and proper person to hold a permit.

Bookmakers wishing to operate from premises as opposed to on-course, in addition to the Bookmakers Permit mentioned above, will also require a Betting Office Licence. Again applications for these are made to the Betting Licensing Committee. Only a person holding a Bookmakers Permit may hold a betting office licence. Licensing requirements are covered in more depth later in this note.

Most of the bets accepted by bookmakers are staked on horse races, and much of the remainder on greyhound races. Horse and greyhound racing take place throughout the year, and, typically, horse racing accounts for about 70% of turnover.

Betting Shops - a general overview

Developments	Equipment costs
House rules	Satellite Information Services (SIS)

The 1963 Betting and Gaming Act brought about the legalisation of betting shops. Prior to its enactment, betting for cash was only permitted on racecourses.

More than half of the betting shops that are open today are owned by the 'big three': Ladbrokes, William Hill and Coral. In 1974, the number of betting shops in the UK peaked at almost 14,000, but this has substantially declined. The latest figures for year end 31 March 2006 show the number of betting office licences in operation as approximately 8,800. There are variations across the United Kingdom in the number of betting shops per head of population. The main concentrations of betting offices are generally found in industrial areas, cities or large towns and some coastal resorts, for example: Nottingham and Blackpool both have over 300 betting office licences per million, whilst Merseyside has over 200 licences per million. The lowest concentrations are found in the Highlands and Islands of Scotland and parts of Wales and Cornwall.

Betting shops can be grouped into three main sectors:

- The large multiple chains Ladbrokes, William Hill and Coral etc. each owning several hundred shops and account for over 60% of outlets in the UK. Their share of the market has risen in recent years, mainly for the reason that they have had the resources to invest in more amenities and facilities.
- The smaller (5 to 20 shops) chains' share of the market has remained roughly static as they have not by and large been able to refurbish their premises to the same extent as the multiples.
- The 'one shop' bookmaker.

Developments

The following provides a brief summary of how betting shop premises and facilities have developed over recent years:

- Up until 1986, Betting Shops were prohibited from providing refreshments or any entertainment such as music, radio or television. 1986 saw the lifting of some of these restrictions, in particular, televised coverage of racing becoming a feature in most betting shops, which, in turn, has led to the use of Satellite Information Services (SIS) which provides coverage of race meetings from all over the world to subscribers.
- Evening opening was introduced in 1993.
- Since May 1994 on and off-course betting has been allowed on Sundays, with the inevitable consequence of Sunday opening for many betting shops.
- With the advent of evening and Sunday racing, a corresponding extension of opening hours: April, May, June, July and August, opening are between 7am - 10pm, for the remainder of the year the hours are reduced to 7am to 6.30pm.
- In 1996, betting shops were permitted for the first time to install AWP (Amusements with Prizes) machines, and this factor has in many cases significantly boosted turnover.
- From 19 August 2002, bookmakers were permitted to sell hot or cold meals and a range of food items, together with non-alcoholic drinks.

- The increasing provision and popularity of telephone and credit betting and online gambling.
- Due to a relaxation in restrictions bookmakers have been able to install new fixed-odds betting terminals in their shops.
- As alternative methods of placing bets such as Internet betting are booming, the traditional betting shops have needed to change their image. Many have carried out total 'face lifts' with air conditioning, the provision of refreshments and a cleaner environment to attract a changing customer base.

House rules

Bookmakers will generally have 'house rules' which should be clearly visible. These will show the maximum amount the bookmaker will pay out on a particular bet. Occasionally a bet may be refused, although this is more likely if the bookmaker is a small independent, and then the bet will only be accepted if the punter is prepared to accept shorter odds or reduce their stake. Procedures should also be displayed as to how any disputes are settled.

Equipment costs

The equipment costs incurred in setting up a business or for replacements will vary depending upon the equipment being new or second-hand and how technologically advanced it is.

The Association of British Bookmakers (ABB) provides information on the type of equipment required and costs on its website www.abb.uk.com; to summarise:

- Tills - between £975 - £1,100 depending on whether it has a cash drawer or not, second-hand tills are often used and can range from £400 to £750.
- Security Flow Camera from £1,000.
- Video settler to calculate the amount of the customers' winnings - £400.
- Satellite Information Service (SIS)
 - An audio only service costs around £2,326 pa
 - FACTS - £10,122 pa
 - 12 screen text systems from SIS £3,800 pa
 - Provision of ante post and morning prices can also be obtained, the cost being dependent upon the suppliers charges, but around £400 pa.

SIS contracts are usually for a minimum period of 2 years, although 3 and 5 years are also available. The prices quoted above are those in relation to a 5 year contract.

Satellite Information Services (SIS)

SIS provides live racing pictures, commentary and accompanying data, via a digital television service on horse and dog racing to Licensed Betting Offices (LBOs) in the UK, Ireland and the rest of Europe - this is the main service offered and is known as the FACTS - Full Audio and Captions Television Service.

SIS also provide raw data to those customers who wish to format and process the information internally and provide their own information service (these customers are usually the large chains of betting shops) and a processed text service giving information and odds on racing.

The company operates at all racecourses and the larger greyhound tracks, screening every horse race at every race meeting on every race day, as well as two dog meetings per day. In addition, they provide coverage of racing from various countries around the world.

The initial odds offered by the 'on-course' bookmakers at the course or track and their subsequent variations are collated, and transmitted within seconds to betting shops throughout the UK together with any other information which may affect the outcome of the race. In due course a running commentary on the race is provided.

Licensing requirements

A bookmaker is defined as a person who carries on the business of receiving or negotiating bets either **on-course** or **off-course**.

The Gambling Act 2005 brings major changes to the licensing process with responsibility shifting from the local magistrates/licensing justices to the newly created Gambling Commission and local licensing authorities. The Gambling Act will not be fully implemented until 1 September 2007; until then gambling in the UK continues to be subject to existing legislation.

Currently anyone who wishes to act as a bookmaker must apply for a permit which is issued by the Betting Licensing Committee of the local Magistrates Court, or in Scotland the Local Authority Licensing Board. If bookmaker wishes to operate from premises, a betting shop licence is also required; again applications for these are made to either the Betting Licensing Committee or the Licensing Board. A licence to operate from premises will only be granted if a bookmakers permit is held. Permits and licences last for three years and can only be issued to named individuals, not to any other person or entity. In the case of a partnership, each partner active in the business must hold a permit in their own name. A limited company can hold a permit either in the name of the company or one of the directors.

Applications can be made at any time, but local licensing authorities only grant permits at quarterly meetings. In England and Wales, meetings are held in January, April, July and October; in Scotland, the meetings are held in January, March, June and October.

The applicant needs to satisfy the licensing committee that they are a proper and fit person to hold a permit. The Department of Culture, Media and Sport (DCMS) provides useful information on the necessary requirements to operate as a bookmaker and this is summarised below.

To support the request, the applicant has to supply certain information to the magistrate. The following are examples of the type of information the magistrate may request to see:

- If the applicant is an individual, a Council Tax or utilities demand showing the name and address of the applicant, this should not be more than three months old.
- If a limited company, the company number, a copy of the Certificate of Incorporation, a certificate declaring the registered office, a copy of its annual return and latest accounts.
- As financial resources are an important consideration, evidence of a bank or building society account for the previous twelve months, will indicate whether the applicant has sufficient resources to cover potential liabilities.
- If the applicant's referees are not from a professional background, they will need to inform the magistrates what the relationship is with the referees.

Other areas that are often addressed at hearings include:

- Establishing the exact nature of the trading activities, for example, on-course bookmaking, credit only facilities, or the operation of an actual betting office.
- Details of the maximum payouts and liabilities and what resources are available to meet such obligations.
- Enquiries may be made to establish experience and depth of knowledge about the intended activities.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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Both permits and licences run for a three-year period after which application for a renewal has to be made.

Fees are currently (2006) set at:

Bookmakers permit £160, renewal £20

Betting Office Licence £125, renewal £25

To operate **on-course** a bookmaker also has to be registered with the National Joint Pitch Council (NJPC). Without the necessary authorisation, they will not be allowed to do so. A prospective bookmaker is required to lodge a £10,000 bond with the NJPC for six months. This is reduced to £5,000 for enclosures such as the Silver Ring. They will also be required to prove previous bookmaking experience.

The Licensing and authorisation requirements are likely to change with the implementation of the Gambling Act 2005 due to become effective on 1 September 2007.

Although not a legislative requirement many on-course bookmakers also belong to their local Bookmaker's Protection Association (BPA). BPAs are affiliated associations making up the National Association of Bookmakers, which represents on-course bookmakers. BPAs are scattered throughout the UK and membership is dependent on where the bookmaker lives. Although membership of a BPA is not mandatory it is recommended and provides guidance and benefits to the bookmaker.

This area of guidance has been withheld to protect third party data

With regards on-course bookmakers wishing to operate at greyhound tracks, registration is required at each individual track. Each track management is responsible for registration and may have differing rules and regulations. However all require registration with them before a bookmaker can operate from that track.

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Telephone and Internet betting

Entry into a betting office is no longer essential in order to place a bet. Alternatively this can be done either by telephone or via the Internet and where these are not part of a licensed betting office, only a Bookmaker's Permit is necessary.

Competition

Licensing authority restrictions prevent the opening of betting shops close to one another. However it is not necessarily other bricks and mortar businesses that are the source of competition.

Consideration needs to be given to the impact of credit betting, betting on the Internet, and the growing popularity of Betting Exchanges. (Unlike conventional bookmakers, betting exchanges in effect allow punters to bet against each other). The advent of the Internet has changed the way the gambling industry operates, providing easy access to a whole range of betting services and products and so increasing competition. Internet betting is attracting more female customers who may have previously been reluctant to enter a traditional betting shop and a younger customer base familiar and comfortable with online transactions. Placing bets online is usually straightforward and generally available 24 hours a day.

A general search of bookmakers or online gambling on the Internet produces ample opportunities for online betting. Many of these sites offer inducements to open accounts with them and promotions such as a free £50 bet to all new clients, or free bets on specific races, usually at principle race meetings.

Mechanics of betting

The bulk of betting money is generally staked close to the event. For horseracing this is generally within the 15 minutes before each race, and during that time the betting shops follow the lead of the 'on-course' bookmakers as regards the odds being offered. The odds offered by different betting shops are usually much the same throughout the run-up to a particular race, due to the provision of information by Satellite Information Services (SIS).

Betting on major sporting events and horse races can begin days before. This is known as 'ante post' betting. The main reason for placing ante post bets is that the odds are likely to be better or longer than those offered on the race day or day of event. Take horseracing as the example, the bookmaker retains the whole of the stake if the horse does not run, unless the race itself is cancelled or postponed, in which case the race is declared void, and all bets are returned.

Betting on a race ends immediately the race begins.

Starting Prices (SP)

The starting prices are those which rule at the beginning of the race, they are determined by the on-course bookmakers operating in the Tattersalls ring and based on the amount punters bet on each horse.

There have been a number of reviews of the SP system. A change in system was introduced in May 2000 to address weaknesses in the system. The main changes included:

- prices from a minimum of five bookmakers for each runner to be used in compiling the SP
- the price offered by the majority of the monitored bookmakers to prevail
- preference to be given to bookmakers that meet the National Joint Pitch Council's rules and accept each way bets.

Further changes were introduced in May 2004, primarily the computerisation of the system and procedures for greater transparency and accountability.

The previous system was based on two reporters or more at the larger meetings who noted the board prices displayed in the Tattersalls ring, as mentioned above, noting them in a book and comparing at the 'off' to return the starting price.

The new system involves on-course bookmakers' prices being directly linked to a central computer. This should include prices showing from at least six bookmakers. It is operated by the Satellite Information Service and overseen by the Press Association, who have appointed 'validators', together with a four-man Starting Price Regulatory Board.

Around 90% of off-course bets are settled on the Starting Price.

It is considered that some of the larger bookmakers influence the starting prices by placing or 'hedging' large bets with other bookmakers at the racecourse. This will have the effect of shortening the starting price not just at the racecourse but in the betting shops.

Industry trade sources consider that fierce competition in the betting ring in recent years has resulted in a drop in the overall profit margin.

Pitching the odds

Normally, on-course bookmakers accept only the simplest bets

- single win only
- single each way

Off-course bookmakers, with their greater facilities, accept a wider variety of bets and odds. Bets placed at betting shops are usually automatically accepted at 'SP' odds unless the punter specifically states otherwise. Most of the bets not at 'SP' odds are accepted at 'board price'

odds, which are the odds advised by SIS as being offered by on-course bookmakers when the bets are accepted.

As a rough rule of thumb about 80% overall of the money bet with bookmakers is returned to the betting public, the other 20% or so remaining with the bookmaker. The Department for Culture, Media and Sport's 'Gambling Review', includes research carried out by the National Joint Pitch Council, Betting Office Licence Office and the British Greyhound Racing Board, which shows the approximate rate of pay out, that is the amount staked returned as winnings to the punters:

Horseracing (On-course) - 89%

Horseracing (Off-course) - 78%

Greyhound racing (On-course) - 80%.

The mechanics of pitching odds is basically a mathematical exercise. Most bookmakers can instinctively quote a set of opening odds that take into account the general opinion of the chances of each runner in a race, and which will also give them a profit. In the run up to a race the range of odds on offer narrows over a short space of time and becomes much the same from bookmaker to bookmaker. This is due to the keen competition among on-course traders and the effect of SIS on the odds offered by off-course traders. The bookmaker needs to be able to assess the movement of the odds, the affect of taking bets has and to consider taking action i.e. hedging or laying off bets. Therefore it would follow that generally the smaller the bookmaker's reserves of cash, the less room there is for manoeuvre.

Bets

On-course bookmakers generally accept only the basic 'single' bets, which are the most straightforward kind of bet.

A 'single bet' is a bet placed on one runner, and this can either be a

- win only bet

or

- win and place, also known as an each way bet.

A single win only bet is the simplest of all bets, the runner on which the bet has been staked wins, the punter receives the stake back plus winnings.

A single each-way bet consists of two separate bets on the one runner. One of the bets is a 'win only' bet; the other bet is a 'place' bet, where the punter wins if the runner is placed, which can mean second to fourth depending upon the individual bookmaker's rule and the number of runners and type of race. There is a degree of variation between individual bookmaker's rules on 'place' bets, as to which 'places' qualify and the amount payable.

A winning punter receives back the money originally staked plus winnings, which is the stake multiplied by the odds accepted.

For example

£2 bet at 6 to 1 (6/1)	Horse wins: the punter will receive the £2 stake back, plus £12	Total return of £14
If the same amount of money is staked at the same odds, but each way, which in effect is £1.00 to win and £1.00 place the return is:		
£2 each way bet at 6/1	Horse wins: the punter will receive £1.00 stake back, plus £6.00, and the place element will be the remaining £1.00 stake back and the place return (1/4 of the odds of £6.00), £1.50 If the horse does not win but finishes in a place position: the punter will receive £1.00 stake back and the place return (1/4 of the odds of £6.00) £1.50	Total return of £9.50 Total return of £2.50

Remember that the returns include the original stake.

A bet where the odds are Evens would result in the punter receiving the stake back plus the same amount again. Therefore a winning £1.00 bet at Evens, would result in £1.00 stake being returned, plus £1.00 in winnings.

Where the betting is Odds On, this means that any winnings would be a proportion of the stake, in effect Odds On being less than Evens.

- The receipts for a £1 odds on bet would be: - at 'two to one on' (1/2:1), stake £1+ winnings 50p = £1.50
- at 'three to one on' (1/3:1) stake £1 + winnings 33p = £1.33.

Odds reflect the perceived chance of a runner winning. For instance, a runner carrying odds of, say, 'two to one' is reckoned by whoever is offering those odds of having two chances of losing to one chance of winning - that is, 1 chance of winning out of a total of 3 chances = $1/3$.

Similarly, 'three to one' is three chances of losing to one of winning, that is, a 1 in 4 chance of winning = $1/4$ 'five to one' is a 1 in 6 chance of winning = $1/6$; and so on up the scale of odds lengthening against the runner.

Where there is a large number of runners in a race a bookmaker may offer odds on say only five, quoting say '10 to 1 bar' for the others; that is, the odds on the others are 10 to 1 or more.

Off-course bookmakers will accept both 'single' and 'multiple' bets, such as 'Doubles', 'Trebles', 'Mixed doubles/trebles', 'Accumulators', 'Yankees', 'Super Yankees', 'Any to Come', etc.

Multiple bets are constructed by putting together single bets, in various combinations.

The glossary at Appendix 7 provides explanations of some of the more popular multiple bets, which are designed to cover more than one race.

Betting on a race ends immediately the race begins.

Balancing the Book

Each bet the bookmaker accepts creates a potential liability to pay out if it wins. In the run up to an event, say a horserace, as bets are being taken a check is continually being made on the total potential liability building up on each runner. A bookmaker will vary the odds being offered so as to make a runner on which a lot of money is being staked less attractive, and conversely more attractive on a runner on which a small amount has been staked. The aim is to keep the odds offered in proportion to the money being taken on each runner, to balance the 'book' and to achieve a level of profit after settling up.

The on-course bookmaker has the opportunity to balance the book by offering such odds on the bets taken that, whichever runners win or are placed, the amount retained by the bookmaker on bets placed on runners that have lost is more than enough to meet the amount paid out on winning bets. Therefore provided the bookmakers:

1. pitches the odds on the runners in a race in such a way that the odds offered, if they are converted into fractions, add up to 1
For example, in a four horse race the odds offered might be:-

Odds	Chances	
three to one	$\frac{1}{4}$	$(\frac{5}{20})$
four to one	$\frac{1}{5}$	$(\frac{4}{20})+$
evens	$\frac{1}{2}$	$(\frac{10}{20})+$
nineteen to one	$\frac{1}{20}$	$(\frac{1}{20})+$
		$(\frac{20}{20}) = 1$

and

2. takes the punters' money in proportion to those odds, that is,

- a quarter of the total amount of stake money they receive is bet on the runner quoted at 'three to one' (odds = $\frac{1}{4}$)
- a fifth of the total is bet on the one quoted at 'four to one' (odds = $\frac{1}{5}$)
- a half on the 'evens' favourite (odds = $\frac{1}{2}$)
- and a twentieth on the 'nineteen to one' outsider (odds = $\frac{1}{20}$)

then the bookmakers will have balanced their books. Whatever the result of the race, the amount taken in on losing bets will equal the amount paid out on winning bets.

For example, suppose stakes received on the runners as follows: -

£250 on the horse at 3 to 1
£200 on the horse at 4 to 1
£500 on the runner at 'evens'; and
£50 on the outsider at 19 to 1
A total of £1,000

- If the horse at 3 to 1 won, the payout would be £750 winnings (250 staked x 3) plus returned stakes of £250 = £1,000.

- If the horse at 4 to 1 won, the payout would be £800 (200 staked x 4) winnings + returned stake £200 = £1,000.
- If the 'evens' favourite won, the payout would be £500 won plus £500 staked = 1,000.
- If the outsider won, the winnings are £950 (50 x 19) plus stakes £50 = £1,000.

Bookmaking is a business and the aim is to make a profit. To allow for a profit margin, the bookmaker must ensure that the odds offered, when converted into fractions, add up to more than one or as is usually the case when working to percentages adds up to more than 100, which leads on to the Over - round theory.

The Over - round theory

In practice, a bookmaker will work to percentages rather than fractions.

If the odds offered by a bookmaker on a race were 'fair and even' then all the odds added together would total 100, however to ensure a profit element, the odds added together must achieve greater than 100. The excess over 100 is known as the 'over - round'. Therefore it follows that the greater the excess over 100 is, the greater the profit margin. On some occasions, when odds greatly differ from bookmaker to bookmaker the best price percentage may drop below 100%, indicating that the best book on that event is actually in the punter's favour.

Appendix 6 shows conversion of odds to percentage chance. [__](#)

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Hedging bets

Essentially these are bets one bookmaker makes with another.

Circumstances occurring during the run up to a race can throw out the balance of bets taken, for example heavier or lighter than expected betting on particular runners. The position may deteriorate to the point where the bookmaker finds that the potential liability building up on a particular runner is too large and so the bookmaker will 'hedge his bets' by placing a bet - 'a hedging' bet - with another bookmaker. The 'hedging' bet - basically, one bet that takes account of the bets which the bookmaker has taken on the runner concerned, and which effectively transfers part or all of the potential liability to another bookmaker - will win them enough to meet their own liabilities should the punters be successful. This is how bookmakers limit their exposure. However, should the punters be proved wrong the bookmaker will have then passed on part or all of the profit on the runner to the other bookmaker.

It is also worth noting that in some cases, the bookmaker may receive a commission from the bookmaker with whom the hedging bets have been placed.

The degree of freedom that a bookmaker has, in practice, to set odds depends on the competition from the odds being offered by bookmakers in the ring and the size of the bookmaker's own capital reserves. This is more obvious 'on-course' when a good number of bookmakers are trading close together in the betting ring. The level of competition 'on-course' can be so strong that the range of initial odds offered by individual bookmakers will quickly become very similar and any moves in the odds will be reflected by all the bookmakers on-course. Due to the Satellite Information Services (SIS) this movement will be reflected in off-course bookmakers' odds, although the competitive pressure on them will not be as strong.

Where the competition is such that a bookmaker has no freedom to set their own odds but is following the 'ring', there are two alternatives a bookmaker can consider where potential liability on a particular runner is rising higher than preferred. The bookmaker can either:

- 'wipe (the runner) off the board', that is refuse to accept any further bets on it
- or
- continue to accept bets on it but also place a 'hedging' bet on it.

If the bookmaker expects the odds to shorten then it may be necessary to place the 'hedging' bet as soon as possible. If the odds shorten too far the other bookmakers may also wipe it off their boards.

The major bookmakers may seek to influence the odds being offered 'on-course', and subsequently 'off-course' by having their representatives make bets in the ring. Several thousands of pounds spent to shorten the Starting Price odds on a runner that has been heavily backed with them can save them tens of thousands should it win.

The amount of money, as well as the odds accepted on each runner, affects the make-up of the 'book' on each race. Two bookmakers offering the same odds on the runners in a race but who take different amounts of money on each runner one will end up with a different profit or loss. The difference in profit margins may be significant on one race, but for off-course bookmakers tends to even out over time, since the odds they offer are identical due to the use of SIS. On-course bookmakers' margins are more variable, since the volume of business they attract varies at each of the courses they attend during the course of a season.

Any off-course bookmaker must include all bets received and winnings paid out on hedged bets in their Betting Duty calculations. However the bookmaker who lays off the bet and any subsequent winnings should not include this in their betting duty calculations. Where an off-course bookmaker hedges with an on-course bookmaker, duty is only due on the original bet as the amount laid off with the on-course bookmaker will be exempt.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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Rule 4C

Rule 4C is a Jockey Club regulation that comes into effect when a horse, close to the start of the race, but before 'Under Starter's Orders', is withdrawn or the starter officially declares that the horse will take no part in the race, so deemed as a non-runner and there is insufficient time to form a new market. Stakes on the withdrawn horse are refunded to the punters and bookmakers are entitled to retain a proportion of winning pay-outs to compensate for their unbalanced book. The Tattersalls Committee sets the amount deducted by the bookmaker. The rate of deduction is calculated according to the Starting Price, the shorter the price of the horse concerned at the time of withdrawal, the bigger the deduction. For example - 1/9 or shorter deduction is 90p in the pound (£), 5/2 to 3/1 25p in the £, 10/1 to 14/01 5p in the £ and over 14/1 no deduction.

4C Rulings are a fairly frequent occurrence and it would be exceptional if none arose during the course of a season for any particular bookmaker.

The TOTE

The Horserace Totalisator Board, known as The Tote, is probably one of the most well known names at racecourses; however it also has over 500 shops in the UK. The Tote windows at racecourses are generally very popular with female and novice race goers. Totepool is currently the only pool betting in operation in the UK.

The Tote was originally founded by Winston Churchill in 1928 as a 'haven' for people wanting to place a bet, it being state controlled and out of the reach of illegal bookmakers. The Tote competes with the rest of the bookmaking sector and is a major player in the betting industry. Its profits are paid over to the Horserace Betting Levy Board and ploughed back into the racing industry.

It is probably best known for pool betting (Totepool), which operates on the same kind of principles as football pools. The bets received on a particular race are pooled and the winners receive a percentage of the pool as a dividend, therefore punters do not know the price they are getting when placing the bet. However the odds can often be similar to those offered by the bookmakers, especially those horses that are at the top of the betting with short odds.

The Tote takes out a percentage of the pool and the remainder of the money is divided between the winning tickets.

However, clearly by having over 500 betting shops, the Tote takes bets for all forms of activity, not just horseracing.

A review in 1999 concluded that the Tote should no longer remain within Government ownership, although it has never been in receipt of government funding or financial support. The first requirement was to change the legislation to enable the Tote to be taken into public ownership and transferred to a newly created company owned by the Government, it can then be sold to racing and compete commercially.

Once the Tote is sold it will begin an exclusive licence to run pool betting for seven years, after which the licence will not be extended, as at the end of that period there will be a new regulatory regime that will allow other operators to provide pool betting.

More information about the TOTE can be found on their web site at www.corporate.totesport.com

Greyhound tracks run their own version of the Tote.

The Horserace Betting Levy Board

The Horserace Betting Levy Board (HBLB) is a statutory body whose sources of income are the Tote and a levy on both on-course and off-course bookmakers.

The levy is calculated purely by reference to the gross profit achieved from the bookmaker's horserace betting business and in accordance with the relevant Levy Scheme in place.

The Levy also applies to telephone and Internet betting on horseracing, spread betting, bet brokers and betting exchanges.

Each year the Bookmakers' Committee, a statutory body set up to represent Bookmakers' interests to the Board, propose a levy scheme to the Board which, if agreed, is put into operation. The Levy Board is responsible for the assessing and collection of duties from bookmakers. These funds are generally used for the advancement of the industry:

- the improvement of breeds, horses and horse racing
- the advancement and development of veterinary science and education.

The levy year runs from 1 April to 31 March each year. The levy, assessed on a current year basis, is payable either at the end of the year, or during the year, either in two half-yearly instalments or monthly. This levy paid by bookmakers is an allowable deduction in computing their taxable profit, BIM51251.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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Alternatively the most recent years can be accessed on the Horserace Betting Levy Board at www.hblb.org.uk and by clicking on 'Levy Collection'.

Gross Profits Tax - General Betting Duty

On the 6th October 2001, General Betting Duty underwent major reform, introducing a new system - Gross Profits Tax, whereby a 15% tax became chargeable on bookmakers' gross profit, that is the difference between the stakes laid with a bookmaker and the winnings they pay out.

'Today sees the start of a new era for betting in Britain. Tax-free betting is great news for punters, but the benefits go much wider than that. These reforms will allow Britain's betting industry to become a world-leader in the international betting market. And as the bookmakers' turnover increases, racing and the Government revenues will share in the benefits.'

Paul Boateng, Financial Secretary to the Treasury

Prior to this change, Betting Duty was a tax on the total money taken by the bookmakers in stakes on off-course bets or with the Tote. Under this system the punter on placing a bet incurred an additional 9% charge on their stake, representing:

- 6.75% betting duty
- 1.25 - 1.5% approximately, horse racing levy, where appropriate
- a residual deduction for bookmakers' administrative costs.

A summary of the system in place prior to 6 October 2001 can be found at Appendix 2.

Gross Profits Tax which is also referred to as General Betting Duty, applies to **all** off-course bets made with UK bookmakers including the Tote (Horserace Totalisator Board) and UK bet-brokers.

Other bets duty is applied to include:

- bets placed with brokers or agents who hold bookmakers permits will be part of the Gross Profits Tax scheme, but not bookmakers acting as agents for the Tote
- hedged or laid off bets
- pool bets made by a totalisator on an approved track and on the day of the event
- sponsored pool bets, such as bets placed via the TOTE
- free bets
- fixed odds bets
- spread betting - the spread betting industry operates differently. Spread betting firms are subject to lower rates of GPT - 3% for financial spread bets and 10% for other spread bets including sports bet.

As punters pay no tax on their bets, the cost of betting has reduced and so essentially punters bet more for their money/stake. The tax charge, horserace levy and administration charges under the old system are absorbed by the bookmaker.

To show this net effect:

	General Betting Duty	Gross Profits Tax
Stake	£10.00	£10.00
Deduction	£0.90	£0.00
Return on a 2-1 bet (incl stake)	£30.00	£30.00
Net gain to punter	£19.10	£20.00

Not only has GPT affected the punter's return on bets, but it has also affected the gross profit rates of off-course bookmakers. The early years of GPT has seen profit margins drop, although

there is an expectation that as new gambling systems are developed and there is an increasing popularity in a variety of gambling activities, margins are likely to grow.

Example

Pre 6 October 2001

Bets £500 + 9% tax =	£545	
Less		
Payout	£430	
Gross Profit	£115	GPR 21%
Less betting tax (6.75%) 545 x 6.75%	£36	Profit £79

Post 6 October 2001

Bets £500	£500	
Less		
Payout	£430	
Gross Profit	£70	GPR 14%
Less Gross Profits Tax (15%) 70 x 15%	£10	Profit £60

The objectives of this reform have been well documented, therefore to summarise:

- to create the right competitive environment for the UK betting industry, on both domestic and international fronts, which will also enable them to take the opportunities presented by the development of e-commerce
- to give punters a better deal
- to support racing through increased horseracing betting turnover
- to protect long term revenues from betting
- reduce incentive for illicit gambling and the illegal untaxed gambling market.

This system also recognises that profit margins are generally tighter on telephone and on-line betting than on cash betting in shops, therefore it is believed by the Government that this will give a particular boost to these areas.

'The Modernisation of Gambling Taxes: A Report on the Evaluation of the Gross Profits Tax on Betting' published on May 2003 by the former HM Customs & Excise provides the following indications of the successful introduction to GPT:

- a better deal for punters
- turnover increased in line with expectations
- growth in the betting industry has lead to creation of new jobs
- GPT has provided a 'positive boost' for smaller independent bookmakers and for online gambling and specialist sectors.

More recently the National Audit Office in its review of gambling duties indicates that the introduction of GPT together with Fixed Odds Betting Terminals (FOBTs) and Betting Exchanges has also contributed to the drop in illegal betting activity.

It is also worth noting that the introduction of the Gross Profits Tax came into effect at the start of a busy sporting and betting weekend: World Cup football, two of the biggest betting horse races of the year in the Cambridgeshire Handicap and the Prix de l'Arc de Triomphe horse race

in Paris. Press reports suggested that bookmakers experienced a rush of gambling activity as punters took advantage of tax-free betting.

Where turnover is reported gross, gross profits tax is an allowable deduction as it is incurred in the course of carrying out the trade and the earning of profits.

Bookmakers are exempt from VAT on bets received and paid out.

On-course betting

On-course bookmakers have been exempt from the duty since 29 March 1987, provided that:

- both the person originating the bet/the punter (intermediaries do not count) and the bookmaker, are present at the racecourse during the meeting with which the bet is concerned. This also applies to on-course bets taken for 'away' meetings as long as they meet the conditions of an off-course bet

or

- the bet is a 'hedging' bet made to a bookmaker present at the racecourse during the meeting with which the bet is concerned. The off-course bookmaker placing the hedged bet must account for the duty on the original bet placed either with them or through them, where acting as an Agent.

Therefore bets placed at racecourses and greyhound tracks will continue to be exempt from duty under the Gross Profits Tax scheme.

However from 1 September 2003, the definition of on-course bets changed. The points above still apply, but only to bets made during a horse or dog race meeting. The effect of this change is that any bets taken on sporting events other than horse or dog racing, i.e. football matches will not be treated as on-course bets and so will be liable to general betting duty.

Where an on-course bookmaker accepts off-course bets, they must set up and maintain records in the same way as an off-course bookmaker.

Accounting arrangements

As part of the Government's recognition that small independent bookmakers in the UK, often operating out of a single shop unit, need assistance in reducing their compliance costs and improve cash-flow, HMRC introduced new accounting arrangements for the smaller bookmaker under the Gross Profits Tax system. Instead of accounting for the tax every month, those with an annual turnover below £600,000 can account for it on a quarterly basis.

Record keeping requirements for Gross Profits Tax purposes see **Off-course bookmakers**.

Betting Rings

Each horse racecourse has up to three enclosures for spectators. These are known as 'rings'. In descending order:

- Club or Members
- Tattersalls
- Silver Ring

To gain entry each bookmaker purchases a betting badge for the relevant betting ring. This usually costs up to five times the cost of public entry into Tattersalls, the charge being determined in the Betting, Gaming and Lotteries Act of 1963. Many racecourses have increased their number of pitches resulting in increased revenue from bookmakers which in turn increases the level of competition between bookmakers.

Some bookmakers pay their course fees by an annual lump sum payment, while others pay on a daily basis. In addition, the racecourse carries a list of all the bookmakers who are authorised to trade on the racecourse, and at each meeting they tick off those that have actually attended.

Bookmakers are also required to pay to the racecourse (who collects the monies on behalf of the NJPC) a pitch administration fee, this fee is currently £10 for Rails and Tattersalls and £3 for Silver rings (2006).

Tattersalls ring is the most popular with the public and most heavily populated with bookmakers and it is often the case for minor meetings that attendance by the bookmaker in the Silver ring is not always viable.

The Betting Rings are under the authority of the National Joint Pitch Council. Rules issued by the NJPC govern the conduct and administration of all those who operate in the betting rings.

Rails Bookmakers

The rails are the dividing barrier between Members and Tattersalls. It is usually where the large bookmaking firms are represented and are known as 'rail bookmakers', for example William Hill, Ladbrokes and Corals. In general rails bookmakers accommodate larger staking punters and can have regular customers. Until 1 January 2001, rails bookmakers were not allowed to display race odds on boards, unlike other on-course bookmakers. On 24 May 2000 the Horserace Betting Levy Board confirmed that rails bookmakers should be allowed to display their prices on boards, in the same way as other on-course bookmakers, and able to face into Members Enclosures. This took effect from 1 January 2001, although it is known that some rails bookmakers undertook to display their boards before the official start date. Following this, recent changes have allowed rails bookmakers to offer odds to members of the public in the Grandstand.

The NJPC has at some courses provided mains electricity and telephone landlines, and this gives the opportunity for the bookmakers to offer debit card facilities, an option that is not available to the bookmakers in the main rings.

Self employed TIC-TACS

Tic-tac is a secret and complex sign language used at racecourses to indicate movements in the price of a horse.

Tic-Tacs provide a service to the bookmakers, not the punters.

The main tool of the trade is the Twist Card. This is in effect the race card showing details of all the races of the meeting. Tic-Tacs earn their money by selling their twist card to bookmakers in the betting ring. The numbers of the runners on the twist card are changed to enable the Tic-Tac to relay information between bookmakers without the public, including professional punters being aware of which runners are attracting the greatest volume of betting money and odds being offered.

In order to conduct business as a Tic-Tac at an Approved Racecourse they will need to have authorisation from the NJPC and as with on-course bookmakers are subject to the rules set out by the NJPC. These are wide ranging, and include the following:

- A Tic-Tac may only relay bets between Authorised Bookmakers, Nominated Officers, or Authorised Representatives.
- They must maintain a full record of all transactions conducted in the Betting Ring through or by the Tic-Tac. The Betting Ring Manager can request these for review at any time.
- A Tic-Tac is not allowed to lay bets on their own account, the NJPC carry out checks to ensure that this rule is adhered to.

Those plying this skill usually wear white gloves and stand on wooden crates or use other methods of elevation so that they can be easily seen. On saying that the increasing use of mobile phones makes this a rarer sight.

Bookmakers may employ private Tic-Tacs; these are classed as Workers.

On-course Bookmakers - Method of Operation

Registration with the National Joint Pitch Council	Equipment
Pitch and List Positions	Display of terms and requirements
Attendance	Workers

The conditions under which bookmakers trade at both horse racecourses and greyhound tracks are much the same. The main difference is that there are usually fewer betting rings, punters, and runners per race at a greyhound track than there are at horse racecourses. Bookmakers who concentrate on greyhound racing tend to operate locally. However those who attend horse race meetings will operate over a much wider area. The number of days trading will vary, some bookmakers will trade for more days than others depending upon a number of factors such as: the number of pitches owned, the number of race meetings at those race courses and the viability of undertaking long journeys to attend a meeting, especially those where attendance is anticipated to be low.

In the run-up to each race the bookmaker:

- takes account, in their own show of odds the general betting activity and alters odds accordingly
- issues a numbered betting ticket for each bet taken, and gives the details to the clerk who inputs the information into the laptop, usually located behind the person taking the bet.

Once the race is over and the result announced, winnings are paid out on presentation of the betting ticket.

Some bookmakers also accept hedging bets from other bookmakers, including, on occasions hedging bets made by bookmakers representing the larger chains.

Experienced bookmakers are always aware of their potential liabilities building up in their books, having the ability to retain this information in their heads and will try to hedge immediately when they need to. With the advent of computer usage on-course, this information should be very quickly to hand, however bookmakers will know instinctively whether they have made a profit or a loss on a race without needing to check their books.

Regulations governing the trading activities of on-course bookmakers lay with the National Joint Pitch Council.

Registration with the National Joint Pitch Council

A bookmaker whose name is on any Bookmakers' List needs to apply to the NJPC each year in the three months ending 31 December, paying the relevant fee to ensure the name is retained on the Bookmakers' List at a racecourse. The NJPC will update the list after this date where application and fee is forthcoming. Failure to register will result in the bookmaker's name being removed from the List.

The area of guidance has been withheld to protect third party data.

Pitch and List Positions

In order for bookmakers to operate on-course they will need to purchase an Authorisation Badge for the Betting Ring they wish to trade in, and pay the Pitch Administration Fee, which is payable to the NJPC.

Each racecourse betting ring has a specified number of List Positions known as the Designated Number – bookmakers within this number are assumed to be present unless they contact the

NJPC to “opt out” – this allows bookmakers on the standby list to “Opt In” if there are sufficient positions available.

The 'list position' means a bookmaker's position relative to other bookmakers on the Bookmakers' List, entitling the bookmaker to select a designated pitch from which to trade and to stand their joint.

Of course, pitch allocation is restricted for each race meeting. If a race course has a pitch allocation of 50, then those bookmakers holding numbers 1 to 50 are guaranteed to be allowed on the course, those with numbers 51 and higher will only be able to trade on-course if there have been any cancellations in attendance at lower numbered pitches.

The allocation of numbers varies from racecourse to racecourse and also from meeting to meeting.

The pitch number is an indicator of the position within the betting ring that the bookmaker has, the higher the number the further away the pitch is from the main rows or column of activity.

A low number means a bookmaker has the right to choose where to stand before a high number – therefore number 1 chooses first where that bookmakers thinks most trade/ business is likely to be done on that particular day.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Details of yearly-designated numbers can be found on the NJPC website – www.njpc-ltd.co.uk.

Attendance

Attendance is classified as being achieved if the bookmaker or representative remains at the pitch until after the fifth race of the meeting.

If a bookmaker fails to attend at least 25% of race days at the relevant racecourse in each calendar year, they may be fined by the Local Joint Pitch Council (LJPC). In serious breaches the NJPC can force the bookmaker to forfeit their List Position at the racecourse and the bookmaker's name may be removed from the Bookmakers list and then placed in a lower position as considered appropriate by the LJPC.

Failure by a bookmaker who has a designated pitch number to attend any race meeting and fails to notify the NJPC by the appropriate deadline, which is usually by 1.30pm the day before the race meeting may incur penalties. (Boxing Day is the exception to the 24-hour rule in that notification has to be made before 1.30pm on 24 December.) Penalties can range from a warning letter to suspension for a period of time. Notifying the NJPC of non-attendance by the deadline allows the NJPC to reallocate the pitch to those authorised bookmakers who, although will be registered with a List position, will not have a specific pitch at that racecourse.

Where a bookmaker holds a designated pitch for several racecourses, there may be a clash of meetings. Where this does occur and the bookmaker does attend one of those race meetings, the bookmaker will be deemed as being in attendance for all and will be taken into account when assessing whether attendance requirements have been met or not.

Equipment

The on-course bookmaker's basic equipment used to consist of a blackboard and nameplate on a tripod (to chalk up the odds offered), a satchel to hold the money, and betting tickets. However recent years have seen dramatic changes due to the introduction of computer terminals to record bets, to summarise:

- Standardised aluminium podiums or joints are required, and these have to be approved by the NJPC. Little information has so far been obtained on this aspect, but one advert advertised 'standard aluminium joints or podiums' at a cost of £1,300 (2006).

- The computerisation of records requires computer terminals at each pitch and the use of laptop systems can be seen at each pitch. There is varying software available to bookmakers which record transactions and produce formal betting slips.
- Rather than boards, the runners and odds are shown on an illuminated screen reflecting the changing odds as betting activity continues, although some bookmakers still choose to use traditional boards marking up the odds manually.
- Mobile telephones are commonly used as another means of keeping in touch with betting trends, or of making hedging bets, or of receiving credit bets.
- Walkie Talkies are also used for relaying information on-course.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Display of terms and requirements

On-course bookmakers must display the following information on their board or joint and have to ensure that it is visible to the public in the relevant betting ring:

- runners in race card or betting order
- trading name and contact address
- amount of minimum bet accepted - some may not accept bets less than £5.00
- amount of maximum guaranteed amount to pay out to an individual punter
- types of bets available - to win or each way - some on-course bookmakers will accept each way bets, but not all.

Although not displayed there are rules governing circumstances where a winning bet is not claimed. These are documented under Rule 16 of the NJPC Rules. However to summarise; where a bet is not claimed, the bookmaker should leave the outstanding amount due on the winning bet with the Betting Ring Manager, together with details of the terms of the bet and the receipt number. After a period of one month if the bet remains unclaimed the winnings are returned to the bookmaker by cheque, however if it subsequently claimed at a later date it is still the liability of the bookmaker.

This area of guidance has been withheld to protect third party data.

Workers

The on-course bookmaker will also employ Workers to carry out a number of different tasks:

- A **Clerk**, who records the bets that the bookmaker accepts, and keeps track of the liability building up on each runner.
- Identifying 'faces' in the crowd, such as professional punters, trainers, and stable employees or connections.
- They will also be looking for the activities of the large bookmakers, watching for any potential manipulation of the Starting Prices.
- Laying off bets
- Acting as a 'runner' for the bookmaker passing bets from established credit clients at the racecourse to the bookmaker in the ring.
- Acting as the bookmaker's own '**Tic-Tac**' who advises the bookmaker, with coded hand signals, of the odds being offered by other bookmakers - the betting 'show' - and also relays to other bookmakers any hedging bets that the bookmaker needs to make.
- Workers are not allowed to negotiate bets.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

On-course Bookmakers - Records

Traditionally the basic record for on-course bookmakers was the 'Field Book'. This consisted of pages ruled into columns (six columns for greyhound tracks and up to ten columns for horseraces). The Field Book would have been bound and have serially numbered pages. This book would have been kept even if the bookmaker did not accept bets that were liable to betting duty. Immediately after a bet was made the details were entered in the field book under the date on which the bet was received.

Where a hedged bet was received from an off-course bookmaker, the details of the bookmaker including the unique trader betting duty reference were entered in the Field Book within seven days of receiving the hedged bet.

January 2000 saw the introduction of computerised systems for the issue of tickets and recording of bets, and so the traditional Field Books have become less apparent and are no longer necessarily of the prime records.

Betting slips or tickets must be issued to each punter for each bet accepted by the bookmaker and these must display the following information:

- bookmaker's name and contact address
- race day name or code, date and race number
- name or number of the horse
- stake amount
- potential return including stake
- odds
- type of bet.

As records are in electronic format, printouts are generated for every race at the meeting the bookmaker attends. These sheets are very detailed and show the following data:

- ticket number of the bet placed
- amount of stake
- odds at the time the bet placed
- pay out.

A summary sheet for each race is also produced showing overall bets taken, the amount paid out and the profit on that race.

In addition to the individual race record, a further summary sheet is produced showing details of the total bets received, paid out and profit for the **whole** meeting.

Of course there should also be a back-up system in place to support record keeping requirements, if the computer operations fail, for example manual recording using a Simplex book or reverting to the Field Book.

Where an on-course bookmaker accepts off-course bets, the same records must be maintained as an off-course bookmaker and must ensure that records are kept of bets hedged, laid-off or placed by an off-course bookmaker, in which case the record should include the name and unique trader reference of the off-course bookmaker.

On-course bookmakers may also keep a 'Cop & Blew' book as a private record of their ups and downs, which may include transactions omitted from other records, such as the record of hedging bets, who the bookmaker uses for credit bets, and in turn by which bookmakers they are used.

More information on activities in connection with transactions carried out in a private capacity can be found at Private Betting Wins.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

On-course Bookmakers - Profitability

All on-course bookmakers have their good and bad days, and their results will fluctuate to a greater degree than their off-course counterparts. Competition for custom is keener at race meetings. The bookmaker who offers less generous odds than rivals will attract less business, although this may be because the trader may not have as great a turnover or capital reserves as other bookmakers. The size of the on-course trader's capital reserves will determine the size of the bet that can be accepted without hedging off and possibly reducing profit on a race.

'Single win only bets' - the only kind acceptable to most on-course bookmakers - are less profitable than 'Multiple' bets. On the other hand, an on-course bookmaker has fewer overheads and can offer more profitable betting to the punter in the sense that on-course bets are not liable to betting duty.

On considering an on-course bookmaker's profitability, it is possible to make a comparison between the profit rate as reported in the press for each race and that returned in accounts. This is covered more fully in the section on the Over-round theory.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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The National Joint Pitch Council (NJPC)

The NJPC was established in 1998 taking on the responsibility for the administration of on-course betting rings at all race meetings, (excluding point to point courses). The NJPC is a mutual-trading company funded through the charges made to on-course bookmakers. Rules administered (the National Pitch Rules are authorised by the Horserace Betting Levy Board) by the NJPC govern the conduct and administration of bookmakers and other personnel conducting business in the betting rings.

Any bookmaker wishing to operate at an Approved Racecourse must first obtain authorisation from the NJPC (in addition to applying to his/her local magistrate for a betting permit). The NJPC also has the power to withdraw its authorisation at any time or to renew the bookmakers Authorisation Badge.

A bookmaker whose name is on the Bookmakers' List needs to apply to the NJPC each year in the three months ending 31 December, paying the relevant fee to ensure the name is retained on the Bookmakers' List at a racecourse. The NJPC will update the list after this date where application and fee is forthcoming. Failure to register may result in the bookmaker's name being removed from the List.

As part of the NJPC assessment as to whether allow registration, the bookmaker's liabilities and financial position are considered. To the effect that a bookmaker cannot carry out the trade unless: 'he has discharged all taxes, rates, duties and charges whether parliamentary, local or of any other description which are now or may at any time hereafter be imposed, assessed or charged in respect of his business as a bookmaker'.

The NJPC also provides the mechanism for the auctioning of pitches, registering all sales and transfers. This is covered in more detail in the section Pitch ownership and disposal.

The NJPC appoints Betting Ring Managers who are responsible for the allocation of pitches and the enforcement of NJPC rules at each race day fixture.

Previous sections in this TIP on on-course bookmakers provide a summary of the requirements put in place by the NJPC in order to operate at a racecourse. The rules also clearly indicate the authority the NJPC has in disallowing the operation of a bookmaker if these requirements are not met. As the rules are extensive, they are not fully documented here but can be viewed on the NJPC website – www.njpc-ltd.co.uk.

Ring Lists

A Bookmakers List Position allows the bookmaker the right to choose where to stand prior to the bookmakers hold the next List Position number - thus the holder of position number one chooses before number two and so forth.

Each racecourse betting ring has a specified number of List Positions known as the Designated Number – bookmakers within this number are assumed to be present unless they contact the NJPC to “opt out” – this allows bookmakers on the standby list to “Opt In” if there are sufficient positions available.

The Lists for each days racing are prepared the previous day to the race-day.

The NJPC produces on its website details of Ring Lists. The information is set out in alphabetical listing of racecourses showing the names of the bookmakers (no addresses), at which they are allowed to operate.

<p>This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.</p>

Pitch ownership and disposal

Pitch allocation to October 1998	Capital Gains implications
From October 1998	Greyhound Tracks
Further changes from 16 July 2002	

Pitch allocation to October 1998

Up until October 1998, the pitch committee of the appropriate Bookmakers' Protection Association (BPA) allocated the pitches at each horse racecourse on behalf of the racecourse authorities. Ten BPAs between them covered all courses and, combined, formed the National Association of Bookmakers.

On-course bookmakers obtained a 'pitch' - a specified position - in Tattersalls or the Silver Ring, on which they erected a stand and traded. They were not permitted to stand in the Members enclosure. In each enclosure the pitches were arranged in rows, the front rows nearest the stands being regarded as the best from which to attract the most custom and the largest bets. The best area of all was regarded as the one next to the 'rails' by the members' enclosure, and usually occupied by representatives of the big multiple chains, accepting only the larger bets, and 'hedging' bets from other bookmakers. They also make bets themselves in order to influence starting prices.

A bookmaker could have only one pitch at a racecourse at a time. A pitch was deemed to fall vacant if the occupant failed to regularly attend the course meetings, and many on-course bookmakers travelled long distances over the year to ensure regular attendance at a pitch at each of the courses on their circuit. When a pitch fell vacant, the bookmaker with the longest record of satisfactory attendance in the ring concerned was given preference if they applied for it, except that in certain circumstances a relative, usually a son or brother of the previous holder, could obtain it. A bookmaker requiring a pitch for the first time would apply to the secretary of the local BPA region, naming the courses that they wished to attend.

The bookmaker would then be allocated, when available, a pitch on the back row of the silver ring, and had to trade there for a year before becoming entitled either to treat the pitch as their own, or to apply for another pitch.

From October 1998

From October 1998, major changes took place in the sale and acquisition of pitches. Pitches were no longer automatically transferred between bookmakers. All pitches had to be auctioned through the National Joint Pitch Council (NJPC). Initially the NJPC took 12% of the sale price in commission, however this has since changed to 6%.

Auctions are held periodically (usually four per year), and any 'lots' up for auction or bids for transfer have to be submitted two weeks prior to that date.

Auctions are held at different courses throughout the year, but can include pitches from all over the country i.e. a pitch at Brighton could be auctioned at Newbury or Carlisle. There are no restrictions as to the number of pitches an owner can put up for sale. Pitches can also be sold privately between two individual bookmakers or companies. However if a pitch is disposed of by means of a private treaty sale, the NJPC charges a fee and commission based upon tariff valuations to register the transfer of the pitch.

Further changes from 16 July 2002

A review carried out by Office of Fair Trading (OFT) looked at several different concerns raised by bookmakers, these generally centred on:

- charging structure and fees for administering auctions and transferring pitches considered excessive

- bookmakers being required to sell their pitches through auctions set up by the NJPC and so considered restrictive.

As a result of the OFT enquiry, the NJPC has:

- amended its rules to allow private sales of pitches between bookmakers
- reduced the rate of commission for both auction and private sales
- reduced the daily pitch administration fee.

Capital Gains Implications

Tax Bulletin 43 clearly defines that:

'the right to occupy a particular 'pitch' at a particular racecourse is an asset for Capital Gains Tax purposes.

Section 21(1) (a) Taxation of Chargeable Gains Act 1992 (TCGA) provides that:

'All forms of property shall be assets...including...incorporeal property generally.'

Tax Bulletin 43 sets out guidance on this aspect, and this should be referred to.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Greyhound Tracks

The allocation of pitches at a greyhound track is controlled by the track management.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Off-course Bookmakers - Methods of Operation

A person holding a bookmaker's permit can only make an application for a betting shop licence, without which the shop cannot open. The application is made to the appropriate licensing justices; also see Betting Shops and Licensing Requirements.

Betting shops can be grouped into three main sectors:

- The large multiple chains Ladbrokes, William Hill and Coral etc. each owning several hundred shops and account for over 60% of outlets in the UK. Their share of the market has risen in recent years, mainly for the reason that they have had the resources to invest in more amenities and facilities, such as satellite TV, and being able to supply a wide range of gambling opportunities and activities. Satellite TV enables bets to be laid on foreign races when adverse weather has caused UK races to be cancelled. Each shop will have an elaborate security system to guard against fraud and is run by a manager who operates within strictly defined rules laid down by the organisation. Any doubtful or particularly large bets will be referred to the Head Office in order to ward off the possibility that the bet is part of an attempt to rig the odds.
- The smaller (5 to 20 shops) chains' share of the market has remained roughly static as they have not by and large been able to refurbish their premises to the same extent as the multiples. Again, each shop will have a security system to guard against fraud but the manager is usually given more flexibility than his counterpart in the multiples' shop.
- The 'one shop' bookmaker's turnover has tended to drop. This type of shop will also have systems to guard against fraud but the main concern will be to ensure that the potential liability on particular races does not pose a threat of reducing capital resources. For that reason, the bookmaker is likely to have a lower limit on the amount they will pay out on any one bet, and this will be advertised in the shop.

The last two categories mentioned above are also subject to fierce competition from the major players and acquisitions made by them resulting in the gradual decline of the smaller independent businesses.

All shops operate on much the same lines and will have the various sporting papers available for their clients' use, supplies of betting slips, a board and televisions showing the current odds on offer for forthcoming races. Satellite Information Service (SIS) is virtually universal in off-course betting shops, consequently the odds offered will be the same or similar. Each shop will also display a list of the rules under which bets are taken.

As the larger bookmakers are able to operate on tighter profit margins than their smaller competitors, they can offer more attractive bets. Small bookmakers cannot generally carry large bets and need to hedge or lay off bets with the larger bookmakers.

The off-course sector of the industry i.e. betting shops employ large numbers of part time and temporary staff.

As a consequence of Sunday racing (May 1994), the need for Sunday opening of betting shops arose. This saw the development of new employment rights for people within the betting industry.

The changes under the provisions of the Deregulation and Contracting Out Act 1994 came into force on 3 January 1995.

The provisions apply to:

- all those who are employed to work in or about a licensed betting office in England and Wales, and
- those who are employed to work at a horse racecourse or licensed track in England and Wales, and involves dealing betting transactions.

The number of staff will of course vary according to the volume of business transacted. The basic jobs are those of:

- **Counter clerk** - to take the bets and stake money. The cash registers used are specifically designed for the trade, which print the date, time, and a consecutive number on a betting slip in one operation. The betting slip is placed in the register, rung up, and the duplicate part of the slip is handed to the punter in exchange for the stake money. In many shops the top part of the slip is then photographed before being handed to the settler.
- **Settler**- calculates the potential winnings due on the bet. The settler also keeps those 'multiple' bets, which may incur large liabilities constantly under review, to ensure that any necessary 'hedging' bet is made in good time. Other slips are passed to the pay out clerk.
- **Pay out clerk** - in smaller shops, the jobs of counter clerk and payout clerk are often combined. All slips are filed. The punter's copy of a winning slip is retained by the clerk and stapled to the shop's copy.

It is a common practice to put an 'off time' slip through the till when a particular race starts, to indicate the time and till consecutive number reached at that point to settle any disputes that may occur if a bet is inadvertently taken after the start during a busy period.

At the end of the day the used betting slips, with the exception of unclaimed winners are parcelled together for later inspection by HMRC. Most shops have a significant income from unclaimed winning bets, which are held for a time (usually specified in the shop's rules) and then treated as void.

Off-course Bookmakers - Records

The off-course bookmaker is required to keep both a record of all bets placed and a betting duty account book. Each month a return of the total bets received, together with the duty payable, must be forwarded to the Greenock Accounting Centre within 15 days following the end of the month to which it relates. However extended accounting periods are available under specific conditions.

Also see General Betting Duty and Notice 451.

There are numerous records required to support the business accounts and also to comply with Betting Duty Requirements:

- a general betting duty account, including calculations of how duty payment has been arrived at
- a daily record of bets must be kept by off-course bookmakers and totalled by 12 noon the following day
- a daily record of bet-related winnings paid out
- copy betting slips - these should be consecutively numbered, dated, show the time of the transaction and retained in batches of 200
- till rolls - the more sophisticated the till rolls, the more information they have on them and in many instances reproduce all the information as entered on the betting slip
- bank statements
- cash and credit records
- business accounts.

In accordance with the Betting and Gaming Duties Act 1981, betting slips need only to be retained for a period of 6 months after the date when bets were made. In the case of, winning bets, these must be for a period of 6 months after the winning bets were paid out or notified as payments to customer accounts.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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For betting duty requirements, these records should be retained for 3 years.

The 1994 Finance Act does not provide specific guidance on this point, but leaflet SA/BK3 advises taxpayers to keep 'all appropriate records' for a minimum of 5 years from the latest date by which their SA Return is to be filed. Of course all records supporting the accounts and business transactions such as bank statements, cash and credit records, including till rolls produced by the cash register, and annual accounts have to be kept in accordance with requirements under S12B TMA 1970.

On-course bookmakers are generally exempt from GPT for their on-course activities in relation to horseracing and greyhound racing. However from 1 September 2003, the definition of on-course bets changed. The effect of this change is that any bets taken on sporting events other than horse or dog racing, i.e. football matches will not be treated as on-course bets and so will be liable to general betting duty.

Where an on-course bookmaker accepts off-course bets, they must set up and maintain records in the same way as an off-course bookmaker.

Off-course Bookmakers - Profitability

Although no two bookmakers would make the same profit or loss on one race - as they receive different amounts of money on different runners - the differences in their profit margins will tend to narrow over time.

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When reviewing profitability, if lower than expected, it could be as a result of hedging activity. Hedging bets to cover liabilities may be included in accounts. Claims that income generated in this way is not income of the business is strongly resisted by HMRC and income resulting from this activity should be treated as business income - see BIM22015 onwards.

It is clear that over recent years there have been major developments within the betting industry and expansion in the number of different ways that people can participate in gambling activity. What facilities a betting shop offers will affect the profitability. The section on Betting Shops outlines developments and the opportunities for income to be generated besides the traditional betting activities for example:

- refreshments - many betting shops have had dispensing machines installed where customers can obtain drinks or light snacks
- gaming machines, AWP - Amusements with Prizes, and where these have been installed, in many cases boosted turnover of the shop
- Fixed-odds betting terminals (FOBTs)
- Irish Lottery.

As with other trade sectors, businesses need to achieve a certain level of income each week to fund trading operations and achieve a profit.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Fixed-Odds Betting Terminals (FOBTs)

According to the Department for Culture, Media and Sport latest figures show that there are around 24,000 FOBTs located across the country, in all sizes of shops from multiple chains to independents. However it is likely that the smaller shops will only have one or two terminals in place.

FOBTs were initially thought to offer a more sophisticated alternative to the traditional Amusement with Prizes (AWP) machines. Briefly, the terminal accepts the players bet and then displays the activity and subsequent result on screen i.e. video clip of a horse race or greyhound race. The video clips of whatever event are randomly chosen by a remote generator. Simply if the player selects horse number 3, and the random number generator also selects number 3 as the winning number, the FOBT will automatically show a race where horse number 3 wins. Although the types of games were limited in the early years, these have since expanded to include horseracing, greyhound racing, football based games and roulette.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

A Code of Conduct has been drawn up by the Association of British Bookmakers (ABB) to restrict supply and use of FOBTs in betting shops. Essentially this advises:

- maximum of 4 terminals (including AWP) per shop
- maximum pay out of £500
- maximum stake of £15 for a single bet and £100 for a multiple bet (grouped as one transaction which may consist of several bets all placed at the same time) - with chips having no greater value than £15
- restriction on the speed of the games, reducing the number of games per minute
- casino type games restricted to roulette only.

Unlike traditional AWP machines, when a player wants to stop playing and credit still remains, the cash is not obtained from the machine; FOBTs do not pay out cash. The player obtains a ticket from the FOBT showing the amount of credit and this is then cashed in at the counter in the betting shop. As FOBTs are based on fixed odds and are not programmed to pay out after a certain number of plays like AWP this can result in two players actually winning the maximum pay out straight after one another.

There are a number of ways that terminals can be acquired and installed; wholly purchased, on a profit share basis with a supplier whereby the bookmaker will make no initial outlay, or on a rental and commission basis.

Budget 2006

Initial announcements were made in the Pre-Budget Report (PBR) affecting the taxation of gaming machines including FOBTs.

To summarise: bookmakers' receipts from FOBTs no longer fall under the scope of General Betting Duty. This is retrospective back to 6 December 2005. Receipts from FOBTs have been placed under the scope of VAT and are subject to VAT alone for the period 6 December to 31 July 2006. From 1 August 2006 FOBTs are classed as a category B2 gaming machine and have been brought within the scope of Amusement Machine Licence Duty (AML) requiring them to be covered by the appropriate licence as well as meeting the VAT liability arising.

BN 62 - Gaming Machines and Amusement Machine Licence Duty (AML), provides further information and rates payable.

The cost to the bookmaker of complying with this legislation will be partly offset by the bookmaker no longer having to account for General Betting Duty. After 6 December records should reflect a decrease in Betting Duty and an increase in Output Tax/VAT. There are of course those small bookmakers who in fact are below the VAT threshold and who may stay

below this threshold depending upon how many FOBTs they have and the volume of play.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Telephone/Credit betting

The betting industry has traditionally been dominated by cash transactions; however advances in technology have brought about alternative betting methods. The expansion in telephone and Internet betting may mean that many punters will have not been into a traditional bookmakers. Using these mediums makes placing a bet very simple and can be done from home. All the major high street bookmakers now offer these facilities. However many smaller independent businesses have also set up telephone and Internet operations.

To run a telephone or Internet based operation; business premises in the form of a betting shop are no longer necessary. As such, bookmakers only require a permit to run this type of operation; a betting office licence is not required.

Credit betting generates an increasing proportion of a bookmaker's turnover. This is where clients have accounts with bookmakers and place their bets using telephone or Online. An account is opened with the bookmaker and statements are issued at intervals, one or two weeks seemingly being the norm, where there is a negative balance, payment is usually requested to be made to the bookmaker within two weeks of the statement date. Where the punter is in credit a cheque will usually accompany the statement.

Bookmakers must record details of the credit bets at the time they are accepted (whatever medium is used - telephone, Internet). Capture of the bet must be included on a betting slip and through a manual or computerised accounting system.

Depending on the size of the shop, the shop manager or owner may be responsible for any bets taken over the telephone from credit clients. In view of the possibilities for fraud this work is not likely to be delegated, unless to a very trusted member of staff. In some cases this aspect of the business is so important, credit bets are usually for much larger amounts than the average cash bet, that the shop owner or manager may spend most of the time on this work.

Debit betting allows the bookmaker to take the money from the customer's bank account when the bet is placed. Statements are usually sent at regular intervals showing the current deposit account balance. Alternatively, a client can have an account with a bookmaker in which the punter deposits an amount of money. Each time a bet is placed the stake is debited from this account until the funds are exhausted. Any winnings which take the amount in the account above the agreed sum are paid to the client.

Bookmakers who operate these systems usually have a minimum bet of at least £10, although this may vary.

Similar records are required as those for cash betting. Additionally bookmakers should also be keeping customer accounts. Where any of the facilities mentioned are offered, there should be a clear audit trail of the transactions.

Where credit betting facilities are provided, bookmakers need to have controls in place to address potential employee fraud.

<p>This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.</p>

Internet betting

Remote gambling refers to any gambling activity that takes place via electronic means, away from the actual event and not present in a betting or gaming outlet. Therefore it includes gambling using the telephone, which has already been covered in this note, interactive TV betting, use of mobile phones and WAP technology and of course gambling on the Internet.

A large number of sites on the Internet contain references to gambling, although many will simply be information sites, and there is a growing number providing the opportunity to gamble Online. New technology is enabling people who may have never gambled before to do so from the comfort of their own homes. This method of gambling is likely to have an adverse affect on those smaller independent betting offices which generally have a traditional 'older' and generally male customer base. If these bookmakers fail to address this growing competition as and when this customer base ceases to place bets, it is unlikely that it will be replaced by the younger computer literate sector of the population.

Bookmakers have for many years been accepting bets made over the telephone from clients with credit accounts and this has been extended to betting by email. In recent years there has been a substantial increase in the number of independent bookmakers offering Internet access to betting sites.

Anyone setting up an Internet betting service in the UK must hold a bookmakers permit obtained from the local licensing magistrates.

The Gambling Act 2005 makes specific reference to remote gambling. Operators based in the UK must obtain an operating licence in order to provide gambling facilities such as via the Internet or Interactive TV.

<p>This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.</p>

Spread betting

Spread Betting has traditionally been associated with betting on financial markets with specialist firms.

Spread Betting enables clients/punters to trade the financial markets. The current legislation still allows for all profits from this activity to be exempt from Capital Gains Tax. Spread betting firms are licensed bookmakers and although these companies quote prices on a huge array of commodities, bonds, interest and shares, any trades are considered to be bets. As the spread betting industry operates in a different way to traditional betting activities it is subject to different regulatory requirements to the conventional bookmaker. The changes in the betting duty regime reflect the differences in this aspect of the trade which has resulted in lower Gross Profits Tax rates being applied;

- 3% for financial spread bets
- 10% for other spread bets, including sporting bets.

Development of sports spread betting has given punters the opportunity to change their bet while a sporting event is actually taking place. For example, bets can be made on the difference on the number of goals scored between the two teams during a football match, or the number of runs in a cricket match, spread-betting companies will react to the current scores changing their spreads on the various bets throughout the game. A punter can change their bet, closing it to take a profit or change it completely to back the opposition depending on how the match is going. The most obvious difference between spread betting and traditional/fixed odds betting is that where it is a traditional bet, the punter's stake is the limit of the amount that can be lost, whereas with spread betting the punter can win or lose many times the original stake. Sports spread betting tends to be offered by the major bookmakers in the UK and although some independents may, these will still tend to be the larger firms. A small independent may not consider it worthwhile employing a spread betting specialist, or at least someone with spread betting knowledge as the majority of the clientele of this type of shop would not be participating in spread betting.

Further information on spread betting and betting duty can be found in Note 451 General Betting Duty.

Spread betting is also subject to the regulatory requirements imposed by the Financial Services Markets Act 2000.

Agency bets

Agency bets are those received or negotiated by an agent as opposed to a bookmaker. As an agent bookmaker a person can either be an agent of a principal bookmaker or an agent of a punter. Where an agent acts for someone else, they will be treated as a bet-broker and so must account for duty as if the bet was made directly with the agent. An agent will have established the status of the bets dealt with, and to this effect there should be written records that reflect the agreement with the principal bookmaker and the terms of the agency agreement.

If the agent is also a bookmaker, it is possible for a punter to place bets with that person in both their capacity as an agent and their capacity as a bookmaker. A betting slip completed by a punter must be clearly identified by placing a prominent A against that bet where received by an agent. Following on from this the bookmaker must then record the details of the agency bet on a separate slip.

As agents, commission will be received from the bookmakers with whom they have an agency agreement; betting duty is not due on commission.

There is opportunity for manipulation of agency bets. It is possible that not all bets are simply forwarded to the main bookmaker. An agent may try and find better odds than those given to the original punter. If this is achieved and the horse wins, then the agent is in a very fortunate position as the agent will receive a proportion of the winnings, the balance between the odds given to the original punter and the better odds obtained. Of course if the horse loses, only the punter is affected, as the agent loses nothing.

Any income received in this way, is not considered as private winnings, but is part of the trade and should be included in business profits.

Bet Brokers

The 'term bet-broker' applies to anyone who provides facilities enabling individuals to bet against each other, and to anyone who makes a bet as the agent of someone else.

Bets made **with** a bookmaker are bets where the bookmaker acts as the principal, that is, the bookmaker stands the risk.

Bets placed **through** a bookmaker are those where a bookmaker acts as an agent or broker for another bookmaker, the principal is the person with whom the agent bookmaker makes the bet.

For general betting duty purposes a bet-broker is treated as a principal whether or not they are a permit holding bookmaker and will be required to account for duty as if the bets were made with the broker.

Betting Exchanges

The introduction of Betting Exchanges, which started around the very late 1990s, is having a major impact on the UK gambling industry. Betting Exchanges work by matching the bets of punters directly with other punters, without the need for bookmaker intervention, in effect person to person betting.

There appears to be several characteristics typical of this activity:

- Odds are generally higher, the market forces dictate the odds – that is at what odds people are prepared to back and what odds people are prepared to lay at. As there is no need for a bookmaker there are none of the business/trading costs that surround a bookmaking business.
- Generally no restriction on size of bets.
- Presents opportunity to back or lay (in horseracing terms, backing a horse to lose).

The exchanges make their money from commission. This is based on a percentage of net winning bets for each customer on each event. Although this varies, generally it appears to be very low at a rate of between 2% - 5%; however the rate of commission usually reduces the more a person bets.

As there are many different options on what and how to bet with exchanges the process is generally more complicated than betting with a traditional bookmaker.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.
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Press reports indicate that bookmakers are also using exchanges to lay bets off which would minimise their risk and provide opportunity to win more than they pay out.

Due to the increasing popularity of betting exchanges, traditional High Street bookmakers have since claimed that they are not competing on level terms with the exchanges, as the exchanges only pay tax on the commission - 'in essence the advent of the exchanges has meant that the bookmakers can't control the prices as they could in the past and that has reduced their profits on horse racing and that has affected everyone of their shops in the country'.

Source: Horserace Betting Levy Board

High Street bookmakers have rallied the Government to impose tighter controls on betting exchanges, to the extent of requiring individuals using the exchanges to be classed as bookmakers and subsequently fulfil legislative requirements. Although these proposals have been rejected, the Government has decided to make it compulsory that all exchange users should be registered as a condition under which licences are to be granted to the exchanges.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Internet

Many businesses, of all sizes, have now created their own websites. Some are fairly static brochure style marketing sites, while others offer interactive facilities; however they all generally provide a profile of the business, such as a detailed account of any specialist services, types of bets available, opening hours and general trading background. The information will also include the rules and regulations under which bets are laid and accepted, together with maximum pay out information.

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Money Laundering

The aim of a money laundering operation is usually to hide either the source or the destination of money. The term is usually used to describe the ways in which criminals process money that has been obtained by illegal activity such as drug dealing, theft, fraud, and tax evasion. By using a number of transactions the source of the money becomes obscured and so 'clean'.

Gambling activity could provide opportunity for money laundering, i.e. the money launderer makes bets at low odds, any profit will be small but all returns that is - profit and stake will in fact be cleansed.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Record Examination

The following is a summary of a number of points that you need to bear in mind when examining records. This section should be read in conjunction with On-course Bookmakers - Records and Off-course Bookmakers - Records.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Here are a few basic points to consider when examining betting slips:

- A daily record of bets must be kept by off-course bookmakers and totalled by 12 noon the following day.

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- Are all consecutive numbers held? Tickets are in batches of 200. In what circumstances might batches have been split?

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- It is necessary to check how the bookmaker keeps their records. Missing numbered slips may be found several days on if the bookmaker records the payout on the actual day of payment rather than on the day the bet wins. A bookmaker may also take ante-post bets, which could be kept separate from the daily bets.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion

- Establish how ante post bets are dealt with and when entered in the records.
- How are 4C rulings accounted for in the records? Records must include details of refunded stakes to punters for the withdrawn horse, and a visible record of the adjustment to the liability of the winning horse.
- What happens if a punter loses their ticket, or fails to cash in a winning bet for some other reason? Records should clearly indicate which bets have not been paid out, and these should not therefore be included in the total shown as the amount paid out. Failure to correctly account for unpaid winnings reduces the gross profit declared.
- Need to understand or establish with the bookmaker at an early stage what the notations used in the records mean.
- Is there a mixture of bets - i.e. doubles, trebles, singles? The amount staked should not be restricted to just smaller amounts being laid.

Other areas

- When considering the daily turnover for the period covered by the accounts, there should be significantly higher amounts on particular race days which attract more betting. Appendix 4 lists some principal race meetings.
- It should also be noted that there is no racing on Good Friday or on 24 and 25 December. Adverse weather conditions also need to be taken into account, where, for example, a cold snap wipes out all Boxing Day cards.
- Horse racing and gambling is allowed on Sundays, and this should be borne in mind when reviewing the bookmaker's records.

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Private betting wins

The bookmaker may claim that any larger winning 'hedged' bets are private. The key question is how the bets are recorded. If the bets are recorded on the same forms and in the same way as the business transactions this is a strong indicator that the bets are not private. Any person who engages in betting should, in their own interest, keep a record of all bets and if subsequently fails to do so the investigator is entitled to reject such a claim. *Brimelow v Price* 49TC41 contains judicial observations on failure to keep records of betting transactions and the possibility of having them attributed to taxable profits.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

In some cases it may be possible to argue that it would be highly unlikely that apparently all 'hedged' bets were losers whereas all the apparent private bets were winners. It is important to ascertain how the bookmaker chooses the horse on which to place a hedging bet. Is it simply the horse 'carrying the risk', or can it also be a horse that the bookmaker fancies to win?

Reference should be made to: BIM22018 Trade: exceptions & alternatives: betting and gambling: organised activity, which clearly advises that:

'Bookmakers may themselves place bets. Where this is done as part of the trade ('laying off'), the proceeds or losses have to be taken into account in arriving at their profit.

The key feature is that the taxpayer is likely to be involved in the organisation of the activity. They are not mere punters. They are carrying on an activity where the odds are in their favour'.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Tax Cases

HH v Forbes SC (1) 1977 TL (1) 113

Profits from bets on races not attended by the bookmaker – where he did not influence the odds – are still not distinct from his business and are taxable.

Brimelow v Price 49TC41 - see EM2109

Evidence to prove winnings are private must be very strong otherwise they will be considered as business profits.

Harvey v Caulcott 33TC165

Evidence to prove winnings are private and consistently private must be much stronger and watertight.

Graham v Green 9TC309 – see BIM22017 and BIM22018

Trader was not a bookmaker by trade. He bet from his house. Profits deemed not taxable.

Partridge v Mallendaine 2TC179 - see BIM 22018

A professional bookmaker systematically attended racecourses for the purpose of carrying on this activity; he could not legally recover amounts due to him. He was held to be carrying on a vocation and hence assessable Case II.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

The Effects of Foot and Mouth

The Foot & Mouth outbreak was confirmed on 22 February 2001 with the ban on livestock movements commencing on 23 February 2001. The eventual all clear from Foot and Mouth was not given until midnight 14 January 2002.

Racing was temporarily suspended throughout Great Britain from 28th February 2001 for a week, resuming on 7th March 2001. However racing continued to be severely restricted: those racecourses within infected areas cancelled meetings, with some racecourses outside affected areas also cancelling meetings.

During the crisis, no race meeting could take place if any part of the racecourse was within 3 km of infected premises. The restriction applied for at least 30 days from the date of an outbreak, after which the situation was reviewed in conjunction with DEFRA.

The guidelines below state that, before taking horses to a racecourse, the trainer had to complete a certificate of compliance to be given to the Jockey Club officials at the racecourse. Following the revised guidance dated 23rd April 2001; horses from a yard within 1 km of any infected premises were not permitted to enter a racecourse for at least 30 days from when the disease was confirmed.

The British Horseracing Board and the Jockey Club issued various fact sheets for those involved in the horseracing industry including trainers and jockeys:

- Foot and Mouth and The Movement of Horses
- Instructions and Guidelines for the Racing Industry
- Revised Foot & Mouth Instructions and Guidelines.

The knock-on effects of the restrictions need to be taken into account when considering the returns of bookmakers, especially those operating on-course. However, it is worth bearing in mind when examining returns of off-course bookmakers, although you would expect to see a downturn in trade, press reports at the time indicated that punters had been substituting UK racing for races overseas and other events.

Point to Point

The 2000/2001 season was scheduled to conclude on 16 June 2001. However 23 May 2001 saw the abandonment of the remainder of the season with only 30 meetings having been staged of the 209 arranged meetings.

Sunday racing in Northern Ireland

Sunday racing in Northern Ireland has been in existence since 1985, although betting activity was not permissible. However under the Betting and Gaming (NI) Order 2004, Sunday racing with on-course betting was approved from 26th February 2004. The first meeting of this nature took place on Sunday 21st March 2004.

However the ban on placing bets in betting shops on a Sunday remains.

Sunday racing, together with both on and off-course betting has taken place in the rest of the UK since starting in May 1994.

Gambling Act 2005

The Department for Culture, Media and Sport (DCMS) is responsible for the law regulating gambling and racing. The DCMS website provides detailed information on the Gambling Act 2005, a summary of changes is shown below.

The Gambling Act 2005 received Royal Assent on 7th April 2005. It is expected to come into full effect on 1 September 2007. Until then, the existing arrangements for the regulation of gambling continue to have effect in full. The Act can be viewed at www.opsi.gov.uk/ACTS/acts2005/20050019.htm.

The DCMS is responsible for the implementation of Gambling Act 2005 which has three main regulatory objectives:

- gambling remains crime free
- making sure that players/punters know what to expect and are not exploited - to ensure that gambling is fair and open
- protection of children and vulnerable people.

By September 2007 all current gambling laws for Great Britain will be replaced by the new Act.

The Act introduces a new regulator for gambling in Great Britain - the Gambling Commission, and also a new licensing regime for commercial gambling, operated and regulated by the Commission or by licensing authorities such as local councils, depending on what is being licensed.

The Act covers two main activities: the provision of facilities for gambling and using premises for gambling. In either case, a licence, permit, or registration according to the Act is required unless the activity falls under specific exemptions given by the Act.

Licensing

Authority to provide facilities for gambling will be subject to varying degrees of regulation, depending on:

- type of gambling
- means by which it is conducted
- people by whom and to whom it is offered.

The responsibility for licensing and granting permission will lay with the Gambling Commission and licensing authorities, taking responsibility for all those matters previously regulated by the local magistrates/licensing justices.

The Act also makes specific reference to remote gambling. Operators based in the UK must obtain an operating licence in order to provide gambling facilities such as via the Internet or Interactive TV.

The Gambling Commission requires HMRC information to vet potential gambling license applicants for financial credibility.

More information on the Gambling Act can be found on the DCMS website.

Associations and Organisations

The websites of the organisations below provide additional useful information.

This area of guidance had been withheld because disclosure would prejudice the assessment or collection of taxes/duties or assist tax/duty avoidance or evasion.

Please note these/the following are included for example purposes only and are not endorsements of the organisations or their products and services.

<p>Department of Culture, Media and Sport</p> <p>The DCMS is responsible for the law regulating gambling and currently for the implementation of the Gambling Act 2005.</p>	<p>www.culture.gov.uk</p>
<p>National Joint Pitch Council Ltd</p>	<p>2b King's Hall St Ives Business Park St Ives Cambs PE27 4WY</p> <p>www.njpc-ltd.co.uk</p>
<p>Horserace Betting Levy Board</p>	<p>52 Grovesnor Gardens London SW1 0AU</p> <p>www.hblb.org.uk</p>
<p>Association of British Bookmakers Ltd (ABB)</p> <p>Formed due to the merger of: British Betting Office Association (BBOA) and Betting Office Licensees Association (BOLA).</p> <p>Trade association for all independent bookmakers in the UK.</p>	<p>Regency House 1-4 Warwick Street London W1B 5LT 020 7434 2111</p> <p>www.abb.uk.com</p>
<p>National Association of Bookmakers (NAB)</p> <p>Represents both on and off-course bookmakers</p>	<p>19 Culm Valley Way Uffculme Cullumpton Devon EX15 3PZ 01884 841859</p>
<p>Scottish Independent Bookmakers Association Ltd</p>	<p>23 Hope Street Glasgow Lanarkshire G2 6AB</p>
<p>Scottish Racing</p> <p>Provides information on Scottish courses and race meetings</p>	<p>01698 427273</p> <p>www.scottishracing.co.uk</p>
<p>Horse Racing Ireland</p>	<p>www.horseracingireland.ie</p>

State body responsible for the overall administration of Irish horseracing and the development and promotion of the Irish horseracing industry.	
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Appendix 1 - Bookmakers' permits and betting office licences in force on 2000 - 2003

Bookmakers' permits				
Year	England	Wales	Scotland	Great Britain
2000	3213	208	370	3791
2003	3059	181	332	3572

Betting Office Licences				
Year	England	Wales	Scotland	Great Britain
2000	7315	453	964	8732
2003	7363	438	1003	8804

Source: Department for Culture, Media and Sport

Appendix 2 - Betting Duty pre 6 October 2001

On the 6th October 2001, Gross Profits Tax replaced General Betting Duty.

General Betting Duty was a tax on the total money taken by bookmakers in stakes on off-course bets or with the Tote. Under this system the punter on placing a bet incurred an additional 9% charge on their stake, representing:

- 6.75% betting duty
- 1.25 - 1.5% approximately, horse racing levy, where appropriate
- a residual deduction for bookmakers' administrative costs.

Rates of betting duty:

- from 1992 to 28 February 1996 - 7.75%
- from 1 March 1996 to 5 October 2001 - 6.75%

Bookmakers generally passed their liability for the Horserace Betting Levy Board and betting duty on to the punter. This was done in one of two ways, either:

- A) The punter paid the 'tax' on top of the stake, this amount being calculated on the amount staked and so avoiding any deduction from the payout should the race result in a return. This is known as 'tax on'.

Or

- B) 'Tax was paid on the stake and the winnings, known as 'tax off'.

In both cases, the 'tax' charged by the bookmaker (that is, on the stake, or on the winnings) was 10% or latterly 9%. Prior to the reduction in the rate of betting duty, the norm had been 10%. In the examples that follow to illustrate the effect of options A) or B), the rate of 10% has been used.

A)

Stake	£5.00
<u>add: tax (10%)</u>	<u>50</u>
	£5.50

If the odds are 10 to 1, and if the horse wins, the return to the punter is £55. Taking into account the 50p 'tax' paid on placing the bet, the net gain from the exercise = £54.50 net.

B)

Alternatively, the punter can opt to suffer tax on returns by having the winnings reduced by 10% - a 'tax off' bet.

Stake	£5.00
Winnings	£50.00
total	£55.00
<u>less: tax (£55 x 10%)</u>	<u>£5.50</u>
return	£49.50

The 'tax' charged by the bookmaker in this way was intended to cover both betting duty and the Horse Race Levy. For betting duty purposes, both the stake and the 'tax' charged by the bookmaker were subject to duty.

The largest firms occasionally offered 'tax free' betting - where they pay the duty - under controlled conditions, on certain races, to tempt the punter to bet with them.

Multiple Bets

These are a series of linked bets, in which the original stake and the winnings from the first bet are carried forward and are staked on the second race and so on. Where all the winnings and stake money due on one leg of the bet is reinvested on the next leg of the bet, these counted as one bet, with duty only being payable on the original stake.

Any To Come Bets

This is a bet which covers two races. If the first selection wins, a set amount from the winnings is placed on the second selection. For betting duty purposes, each leg of this bet counted as separate bets and so subject to betting duty. However rather than account for each 'ATC' bet an off-course bookmaker may have arranged with the former Customs and Excise to apply an agreed percentage uplift to the total amount of stakes received.

Appendix 3 - UK Racecourses

There are 59 racecourses in the UK.

AINTREE	HAMILTON PARK	REDCAR
ASCOT	HAYDOCK PARK	RIPON
AYR	HEREFORD	SALISBURY
BANGOR ON DEE	HEXHAM	SANDOWN PARK
BATH	HUNTINGDON	SEDFIELD
BEVERLEY	KELSO	SOUTHWELL
BRIGHTON	KEMPTON PARK	STRATFORD ON AVON
CARLISLE	LEICESTER	TAUNTON
CARTMEL	LINGFIELD PARK	THIRSK
CATTERICK	LUDLOW	TOWCESTER
CHELTENHAM	MARKET RASEN	UTTOXETER
CHEPSTOW	MUSSLEBURGH	WARWICK
CHESTER	NEWBURY	WETHERBY
DONCASTER	NEWCASTLE	WINCANTON
EPSOM	NEWMARKET	WINDSOR
EXETER	NEWTON ABBOT	WOLVERHAMPTON
FAKENHAM	NOTTINGHAM	WORCESTER
FOLKSTONE	PERTH	YARMOUTH
FONTWELL PARK	PLUMPTON	YORK
GOODWOOD	PONTEFRACT	

Appendix 4 – Major race meetings in the UK

Month	Meeting	Course
MARCH	CHELTENHAM FESTIVAL	CHELTENHAM
APRIL	GRAND NATIONAL	AINTREE
MAY	GUINEAS	NEWMARKET
JUNE	DERBY	EPSOM
JUNE	ROYAL ASCOT	ASCOT
JULY/AUGUST	GLORIOUS GOODWOOD	GOODWOOD
AUGUST	TOTE EBOR	YORK
SEPTEMBER	ST LEGER	DONCASTER
SEPTEMBER	ASCOT	ASCOT
OCTOBER	CAMBRIDGESHIRE	NEWMARKET
OCTOBER	CESAREWICH	NEWMARKET
DECEMBER	KING GEORGE	KEMPTON PARK

The above are just a few examples of major race meetings; there are many more principal and minor meetings held throughout the year. The Unit can supply more detailed information of fixtures and dates upon request. However there are many websites that provide similar information such as: www.britishracecourses.org set up by the Racecourse Association (RCA), www.britishhorseracing.co.uk and www.scottishracing.co.uk.

Appendix 5 - UK Greyhound tracks

Belle Vue/Manchester	Peterborough
Brighton & Hove	Poole
Brough Park/Newcastle	Portsmouth
Coventry	Reading
Crayford	Romford
Hall Green/Birmingham	Rye House
Harlow	Shawfield/Glasgow
Henlow	Sheffield
Hull	Sittingbourne
Kinsley/Pontefract	Stainforth/Meadow Court
Mildenhall	Sunderland
Milton Keynes	Swindon
Monmore Green/Wolverhampton	Walthamstow/London
Nottingham	Wimbledon/London
Oxford	Great Yarmouth
Perry Barr/Birmingham	

Appendix 6 - Conversion of odds to percentage chance

Odds	%
5:1 on	83
4:1 on	80
3:1 on	75
11-4 on	73
5:2 on	71
9:4 on	69
2:1 on	67
15:8 on	65
7:4 on	64
13:8 on	62
6:4 on	60
11:8 on	58
5:4 on	56
6:5 on	55
11:10 on	52
evens	50
11:10 against	48
6:5 against	45
5:4 against	44

Odds	%
11:8 against	42
6:4 against	40
13:8 against	38
7:4 against	36
15:8 against	35
2:1 against	33
9:4 against	31
5:2 against	29
11:4 against	27
3:1 against	25
10:3 against	23
7:2 against	22
4:1 against	20
9:2 against	18
5:1 against	17
11:2 against	15
6:1 against	14
13:2 against	13
7:1 against	13

Odds	%
15:2 against	12
8:1 against	11
17:2 against	11
9:1 against	10
10:1 against	9
11:1 against	8
12:1 against	8
14:1 against	7
16:1 against	6
18:1 against	5
20:1 against	5
25:1 against	4
28:1 against	3
30:1 against	3
33:1 against	3
40:1 against	2
50:1 against	2
66:1 against	1
100:1 against	1

Appendix 7 - Glossary of Bookmaking and Betting terms

The following glossary explains some of the more commonly used and traditional trade terms.

ACCUMULATOR	A bet involving several horses where the returns (stakes and winnings) from each successive winning selection are invested on the next.
AGENT	A person who represents a bookmaker, and who passes bets to that bookmaker.
ANTE-POST BET	A bet before the day of the race or event, based on the odds being offered at the time. In terms of horseracing the stake is lost if the horse is withdrawn before the race. If an ante post selection is balloted out of the race the bet is void, the stake is returned to the punter. Bets may be placed weeks or even months in advance.
ANY TO COME (A/T/C)	A bet covering two races. If the first selection wins, a set amount from the winnings - usually the same amount as the original stake, is placed on the second selection.
BAR	This refers to those horses with the longest odds and not quoted in a betting show. For example: '16-1 bar' means that the horses not quoted in that show of odds are 16-1 or longer.
BETTING EXCHANGES	An individual punter is matched against an individual layer through a website. For more information see Betting Exchanges.
BETTING INSIDE	A bookmaker is 'betting inside' when operating in Tattersalls ring.
BETTING LEVY	A levy payable on off-course bets to the Horserace Betting Levy Board and used for the benefit of horseracing.
BETTING OUTSIDE	A bookmaker operating in a minor ring.
BOARD PRICES	Odds displayed on the boards by an on-course bookmaker. Starting Prices are derived from these.
CLEAR BOOK	When the bookmaker wins all the stakes on a particular race.
COMMISSION AGENT	A person who is not acting as a bookmaker, but who places bets with a bookmaker or several bookmakers on behalf of a client or clients.
COMPUTER STRAIGHT FORECAST (CSF)	A bet predicting the first two home in a race in the correct order. The dividend is calculated by computer.
COP IT	When a bookmaker wins money on a race.
COURSE REPRESENTATIVE	A person who represents an on-course bookmaker and who passes all bets to the bookmaker. Also known as a 'representative'. A representative who fails to pass on all bets to the bookmaker should be deemed to be an on-course bookmaker.
DOUBLE	A bet on two races, which can be either 'win only' or 'each way'. If the runner selected for the first race wins/placed, (if appropriate) the amount that would have been paid out is automatically staked on the second race. If first bet loses, the entire bet is lost.
EACH-WAY BET	A pair of bets placed on the same horse, one to win and one to be placed.
EARLY DOORS	Early-morning exchanges between bookmakers and punters.
FIVE SPOT	£5.
FLAPPING TRACK	An unlicensed dog track.
FORECAST BET	Common in both greyhound racing and horse racing. A bet on the correct order

	of the first two runners to finish. The Tote also deal with dual forecasts - i.e. first and second in either order and 'tote exacta' bets which are first and second horse in the correct order.
GRAND	£1,000
HEDGING	See 'Laying off'.
JOCKEY CLUB	The governing body of horse racing.
JOINT	On-course bookmaker's stand.
LAYING OFF	The practice where one bookmaker, who has run up too great a potential liability, places a bet with another bookmaker to 'lay off' part or all of their potential liabilities.
LIVE MONEY	A bet laid by a skilled punter with 'inside' information.
MIXED DOUBLES/TREBLES	A combination of solely 'Double' bets, or of solely 'Treble' bets, or a mixture of either.
MONKEY	£500.
MUG MONEY	An unflattering term for an unskilled punter's bet.
NAP	A newspapers correspondent's best bet of the day.
MULTIPLE BETS	A linked series of bets in which the original stake and the winnings from the first bet are staked on the second and so on. Often having interesting nick names such as 'Yankee', 'Goliath' or 'Trixie'.
NATIONAL HUNT	Horse racing over jumps. The races with smaller obstacles are known as hurdles, the races with higher obstacles, e.g. the Grand National, are known as steeplechases.
N/O - NO OFFERS	Bookmaker unwilling to offer a price on a horse and N/O is shown on their board.
ODDS ON	The odds being offered are less than evens; e.g. 'two to one on' or 2:1 on would return £1 on a £2 stake.
OVER BROKE	The bookmaker will make a loss regardless of the result of a race.
'PLACE' RULES	The rules vary from bookmaker to bookmaker but generally: <ul style="list-style-type: none"> - less than six runners actually starting in the race - all stakes deemed to be 'win only' - six to seven runners - only the first and second to finish count as 'places'; winnings paid, one quarter of what would have been paid if the bet had been a 'win only' bet i.e. '1/4 win odds') - non handicap races of eight or more runners - first, second and third are 'places' 1/5 win odds paid - handicaps of 12/15 runners - 1st, 2nd & 3rd; 1/4 win odds - handicaps of 16/21 - 1st to 4th; 1/5 win odds - handicaps of 22+ - 1st to 4th; 1/4 win odds.
PONY	£25.
RESULT	A good result for the bookmaker
SKINNER	Another term for a 'clear book'.
STAKE MONEY	Money risked in a wager or bet with bookmaker.
STARTING PRICE (SP)	Odds prevailing on-course at the time the race starts.
SUPER YANKEE	A bet comprising 10 Doubles, 10 Trebles, and 5 Accumulators involving 4 runners, and 1 Accumulator involving 5 runners. Also known as a Canadian.
TANK	A bookmaker's cash in hand.

TATTERSALLS	The committee, composed of representatives of bookmakers' organisations and the Jockey club, can negotiate in betting disputes and can also bar punters or bookmakers from racecourses.
TIC-TAC	A person who provides betting information to bookmakers using a secret sign language. See Self-employed TIC –TACs.
TISSUE	Stems from the circulation of information in paper format. Refers to forecasts of the likely odds when the betting opens, generally made by the larger bookmakers and circulated to all the bookmakers likely to attend the meeting.
TO A NAME	A credit bet made on-course, recorded without the issue of a betting ticket.
TOTE	The Horserace Totalisator Board. A statutory body which operates as a bookmaker. Its operating profits are ploughed back into racing.
TREBLE	The same as 'Double' bet (see above), but it extends over three races instead of two.
TWIST CARD	A race card with the numbers of the runners altered, to enable the tic-tac men to pass on bets without making public which of the runners are attracting the greatest volume of betting money.
WORKMAN	Any person authorised to assist an authorised Bookmaker, Representative of Nominated Officer in the Betting Ring.
YANKEE	A bet comprising six Doubles, four Trebles, and one Accumulator, involving four runners.

Appendix 8 - The Irish Lottery

The Irish Lottery is one of the most popular lotteries in Europe. Originally starting in 1988 when it replaced the Irish Hospital Stakes, it first consisted of 36 numbers - 1- 36, this increased to 39 numbers in 1992 and also saw the introduction of the bonus ball. In 1994 it changed again to its current format to include 42 numbers.

This lottery is played throughout Europe as players do not have to be resident in Ireland. All winnings are tax free and are paid out within 48 hours of the draw result being announced. The draw is made on Irish television every Wednesday and Saturday night. If it is not won, as with the UK National Lottery, the jackpot is rolled over to the next draw.

As with other lotteries, the Irish Lottery can be played online; there are various websites advertising this facility.

Licensed betting shops in the UK offer the opportunity to bet on the outcome of the Irish Lottery as opposed to participating in it. Usually a betting shop will advertise the availability of the Irish Lottery showing how the game works i.e. select any 1, 2, 3, 4 or any 5 from 6 numbers or 7 numbers and receive the appropriate odds on that selection i.e. pick 1 number and match 1 odds will be 5/1, pick 3 numbers and match 3, odds will be 500/1.

Betting on the outcome of the Irish Lottery is becoming increasingly popular and often seen as an opportunity to have a low cost 'flutter', and as such it can make up a substantial part of a bookmaker's turnover.

Betting on the outcome of the UK Lottery is prohibited.