Cour des comptes

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# GAMBLING: AN EVOLVING SECTOR, REGULATORY CHALLENGES

**In order to protect gamblers from the risks of addiction and to prevent fraudulent or criminal activities, gambling has been prohibited in principle since 1836, except where express derogations have been granted on condition that public order is maintained. Gambling activities are divided into four legal categories: lotteries, sports betting, horse-race betting and casino gambling. With almost €43 billion in bets recorded in 2021, the sector is booming, driven by aggressive commercial strategies and a strong capacity for innovation in the digital world. The report published today analyses the economics of the sector, reviews the reforms carried out in 2019 and examines the limitations of the current regulatory framework in the face of changes in the gambling economy.**

## A strict legal framework, a thriving economy

Governed by a strict legal framework, the gambling sector is made up of private operators authorised by the State and subject to its administrative control. Despite these barriers to entry and a heavy tax burden, the sector is growing steadily: almost half of French adults gamble (93 % of them in lotteries) and almost a quarter place bets. Gross Gaming Revenue (GGR), which corresponds to the difference between bets placed and sums paid out to players, amounted to €10.7 billion in 2021 and €12.9 billion in 2022. Economic trends vary from one operator to another and from one gambling segment to another. FDJ, which was privatised in 2019, is the largest operator, with 50.5 % of the sector's GGR in 2022, all segments combined. The sale of the majority of its capital brought in €1.89 billion for the State, which remains a 20 % shareholder with 28% of the voting rights. FDJ has over 30,000 sales outlets in more than 11,000 municipalities. PMU is an economic interest grouping (EIG) formed by horse racing companies, which generated more than 17 % of GGR in 2022 (€1.7 billion) and offers betting at 235 racecourses and some 13,000 sales outlets. The 209 casinos and gambling clubs, either independent or owned by one of the major casino groups, accounted for 20 % of the sector's total GGR in 2022. Lastly, 17 licensed "online" operators, with diverse statuses and frequently located abroad, compete in the online sports and horse-race betting and online poker sectors. This sector accounted for around 20 % of total GGR in 2021.

## A sector modernised in 2019, with new regulatory challenges

The 2019 reform of the gambling sector was threefold: the privatisation of FDJ; the reform of taxation specific to gambling; and the establishment of an independent regulatory authority for the sector as a whole.

The privatisation of the FDJ was primarily aimed at generating a return for the public purse, and was not intended to reform or 'revitalise' the gambling sector. Technically, the sale of the company was carried out successfully, but the Court notes that the nature of the State's close control over the company, as provided for by law, still requires further clarification.

In addition to VAT, corporation tax and local taxes levied on operators, gambling is primarily subject to specific taxes, which accounted for 90 % of the sector's tax base in 2021. Revenue from these specific taxes amounted to €5.8 billion in 2021. Players' winnings, on the other hand, are generally exempt from tax. While these specific levies were generally based on bets, the reform undertaken in 2019 consisted of using Gross Gaming Revenue (GGR) as the tax base, which corresponds to a form of gross margin for operators. Following the reform, the taxation of gambling has become simpler. Setting a tax rate for each category of game, instead of a rate for each game as before, makes the tax rules clearer and simpler to administer, with no negative impact on public revenue. However, it is important that this tax system be monitored and analysed in detail to measure its effects on the various games and their dynamics.

The Autorité nationale des jeux (ANJ), a collegiate regulatory and supervisory authority, took over from the Autorité de régulation des jeux en ligne (ARJEL), which was created in 2010. Its remit is broader and it has significant supervisory powers. Since mid-2020, the ANJ has established its role as an intermediary for operators. In September 2022, the ANJ referred a case to the Sanction Committee for the first time, following a procedure that nonetheless remains lengthy to implement. However, the Court notes that this independent administrative authority does not have all the necessary powers, particularly in view of the innovations emerging in the digital world.

## New challenges for public regulation

Digital creativity and innovation pose challenges for a regulatory framework designed to protect players. The distinction between "land-based" and "online" gambling, which has been central to the French regulatory system since 2010, is being blurred by the development of so-called "omnichannel" offerings by operators present in both segments. The challenges of diversification, particularly with regard to new offers that have the characteristics of gambling but are not subject to regulation: this is the case for games using non-fungible tokens, or NFTs, for which the Court recommends that the legal regime be established with guarantees as strong as those applying to gambling; it is also the case for betting on virtual competitions or eSports, which are not legal and for which some operators are advocating legalisation in order to channel demand towards a legitimate offering. Metaverse platforms also offer the prospect of immersion in closed virtual environments that are conducive to gambling and addiction. These developments, which may present risks in terms of gambling policy objectives, call for vigilance and responsiveness on the part of the State and the regulator.

**Read the report**

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