

Argentine gambling taxes are a sure bet

A queue of two dozen taxis extends along the curbside outside the arched entrance of the Hippodrome Casino. It is 8am on a week day and the all-night punters are beginning to drift out of the largest gaming hall in Buenos Aires.

Business is good. Argentines like to gamble at the best of times. At the worst of times, they like to chance their luck all the more. Argentines spend an estimated USD 4bn-USD 5bn (EUR 3bn-EUR 3.8bn, GBP 2.8bn-GBP 3.5bn) annually on lottery games and slot-machines, known as tragamonedas (“change swallows”). With daily takings per slot machine averaging more than USD 300, Argentina is the largest gaming market in Latin America.

While Brazil, its neighbour, has placed a ban on gambling, the cash-strapped Argentine government is promoting the industry as a critical source of revenue.

The city government of Buenos Aires last month voted in an 8 per cent tax on slot machines and casino profits. Bingo and lottery sales will also be subject to an additional levy of 4.5 per cent.

It does not take a poker strategist to explain the move. While gamblers habitually lose, the government always wins. Taxes on gaming profits differ from province to province, but fiscal thresholds typically exceed 30 per cent. In the case of the Argentine capital, the new tax is expected to add up to 1.8bn pesos (USD 518m, EUR 400m, GBP 365m) to the city’s public coffers.

Argentina’s cash-strapped provinces need the boost. The price of raw materials – the mainstay of public revenues in recent years – dropped 30.3 per cent last year, according to the

Central Bank, while social spending crept up 34.2 per cent from January to November 2008.

Argentina's efforts to increase gambling revenue come at a time when falling commodity prices and slowing industrial growth are hitting provincial treasuries hard. The oil-rich province of Neuquen, for example, which typically generates 39 per cent of its income from hydrocarbon royalties, has seen its tax revenue plummet along with world oil prices.

Agricultural provinces such as Santa Fé and Buenos Aires, meanwhile, face budget shortfalls as prices for cash crops slacken and harvests wilt because of one of the country's worst droughts for half a century.

With its eye honing in on the budgetary jackpot, the province of Buenos Aires recently tabled a bill to extend the number of casinos in the country's most populated province from 46 to 54. The province currently collects about 34 per cent of gambling profits.

Legislators will also be invited to approve a 50 per cent increase in the number of slot machines permitted per gaming hall, an extension of all casino licences through to 2025, and a reversal of a ban on online betting.

Similar moves in Cordoba province promise to increase the number of gaming halls there by 80 per cent. The measure would more than double state gambling revenues from 4.5m pesos to 11m pesos. The plans have not pleased the Church. In an open letter to congressmen, a leading Buenos Aires bishop denounced the "huge influence in the ethical environment" that liberalising gambling would have.

Top of the list of concerns are the industry's political links. The relationships between casino owners and the provincial legislators that regulate them has long been a source of controversy.

Last month Elisa Carrio, leader of the opposition Civic Coalition, publicly accused former president Nestor Kirchner of facilitating the business interests of Cristobal Lopez, owner of the Casino Club, Argentina's largest chain of casinos. One of Mr Kirchner's final acts as president in late 2007 was to sign an extension of Casino Club's concession for the Hippodrome casino through to 2032.

A former advocate of the rule changes, Buenos Aires mayor Mauricio Macri charged the Casino Club with benefiting "from an enormous lack of transparency" in respect to its dealing with the federal government.

Lack of legal clarity also marks a challenge for those investing in Argentina's expanding market.

International investors are moving into the market, all the same. The Greek gaming operator Intralot, for example, recently acquired local gaming technology firm Techno Acción in a joint venture with Casino Club. Spanish gaming company Cirsa counts two gaming boats in Buenos Aires' port among its growing portfolio.

Again the company shares its concession with Casino Club.