



Parliamentary Budget Office

Victorian gambling revenue and expenditure projections

Submission to the inquiry into the regulation
of gambling and liquor and reducing the harm
caused by gambling

Parliamentary Budget Office

We provide independent fiscal, economic and financial advice to all members of the Parliament of Victoria. Our objective is to inform policy development and public debate in parliament and the community.

Postal address Parliament House Spring Street East Melbourne Victoria Australia 3002

Email address enquiries@pbo.vic.gov.au

Telephone 1300 615 862

Online pbo.vic.gov.au



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In brief

In this submission, we examine:

- gambling player losses in Victoria
- the level and hypothecation of Victorian Government tax revenue from gambling activities in Victoria
- Victorian Government operating expenditure on gambling harm minimisation.

We consider 5 types of gambling activities based on gambling tax classifications in the Victorian budget papers:

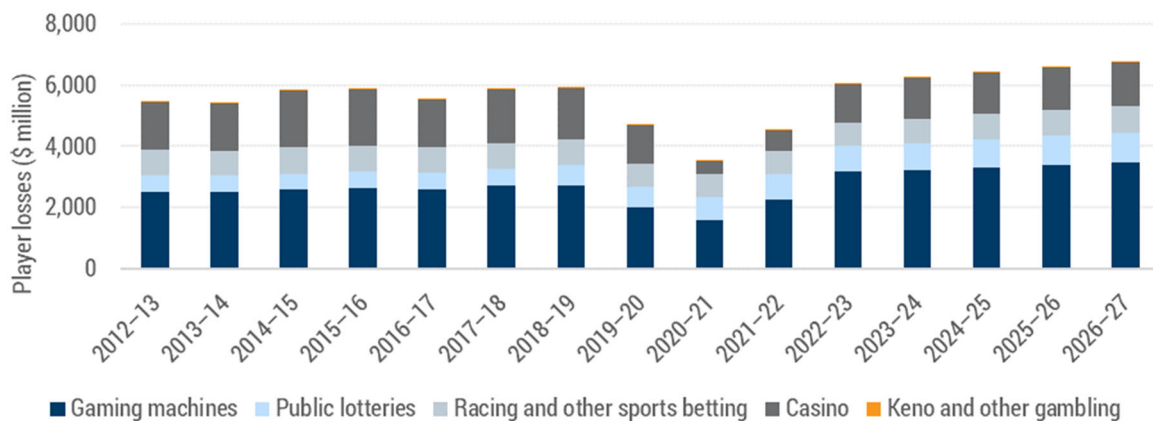
- gaming machines
- public lotteries
- racing and other sports betting
- casino gambling
- Keno and other gambling.

Gambling player losses

Gambling player losses are equal to the total amount spent on gambling less the amount won, and are equivalent to the total revenue earned by gambling operators on gambling activities.

Except for COVID-19 affected years (2019–20 to 2021–22), player losses in Victoria have exceeded \$5,000 million each year since at least 2012–13. Gaming machines generate the largest share of these losses, followed by casino gambling.

Figure 1 – Player losses by gambling activity type



Notes: Reported player losses for racing and other sports betting only include those losses to Victorian based gambling institutions and companies. Keno and other gambling only include player losses from keno games.

Source: Parliamentary Budget Office.

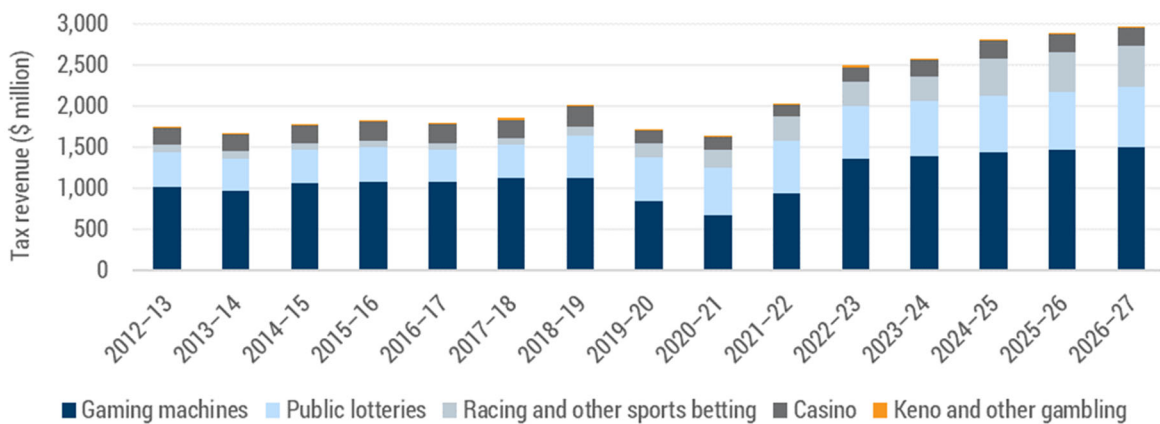
In 2018–19 – the most recent actual gambling data not affected by COVID-19 lockdowns – player losses were \$5,916 million. During the lockdown-affected years of 2019–20, 2020–21 and 2021–22, player losses were lower. We expect that player losses will increase to \$6,768 million in 2026–27, representing a recovery to trend.

Gambling tax revenue

Victorian Government tax revenue from gambling activities in Victoria

Gambling tax revenue includes both the tax revenue generated from gambling activities and from licences to provide gambling activities in Victoria.

Figure 2 – Gambling tax revenue



Note: Racing and other sports betting is taxed at the point of consumption, which means it is levied on player losses for both Victorian, and interstate and international gambling operators.

Source: Department of Treasury and Finance.

In 2021–22, the Victorian Government raised \$2,022 million from gambling taxes, and forecasts this to increase to \$2,493 in 2022–23 and to \$2,972 million in 2026–27.

The largest source of gambling tax revenue is from gaming machines taxes, followed by public lotteries taxes. In 2022–23, these taxes are expected to account for 54.8% and 25.6% of gambling tax revenue respectively.

Revenue from racing and other sports betting taxes increased significantly following the introduction of the Point of Consumption Tax in 2019. In 2018–19, tax revenue from this activity accounted for 5.5% of gambling tax revenue, but has grown to 11.6% in 2022–23.

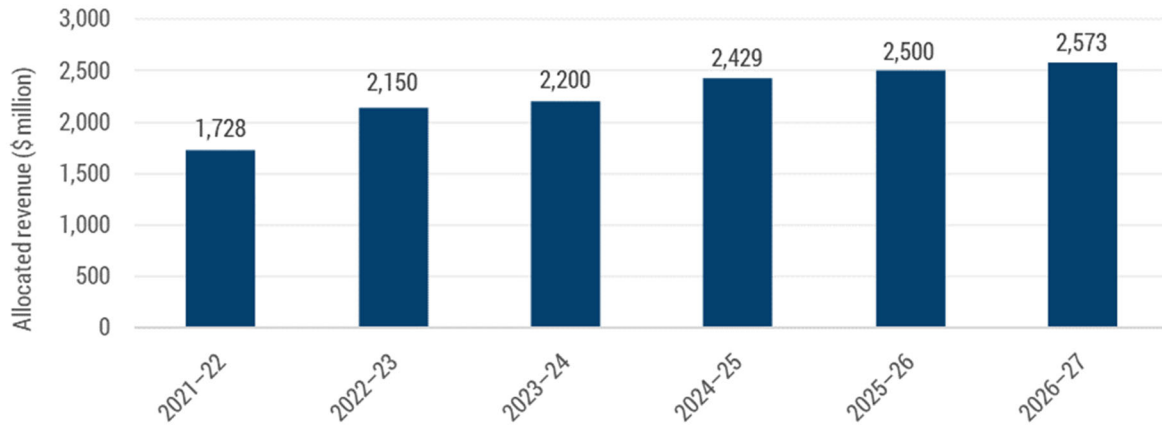
Hypothecated gambling tax revenue

Hypothecation of government funds is a commitment of those funds, by law, to a particular purpose or recipient. In Victoria, most gambling tax revenue is hypothecated to the:

- Hospitals and Charities Fund and Mental Health Fund
- Community Support Fund
- Victorian Racing Industry

- ANZAC Day Proceeds Fund.

Figure 3 – Total hypothecated gambling tax revenue



Source: Parliamentary Budget Office.

Of the \$2,022 million in Victorian Government gambling tax revenue in 2021–22, we estimate \$1,728 million was hypothecated across these funds. We estimate that this will rise to \$2,573 million hypothecated out of \$2,972 million gambling tax revenue in 2026–27.

Gambling harm minimisation expenditure

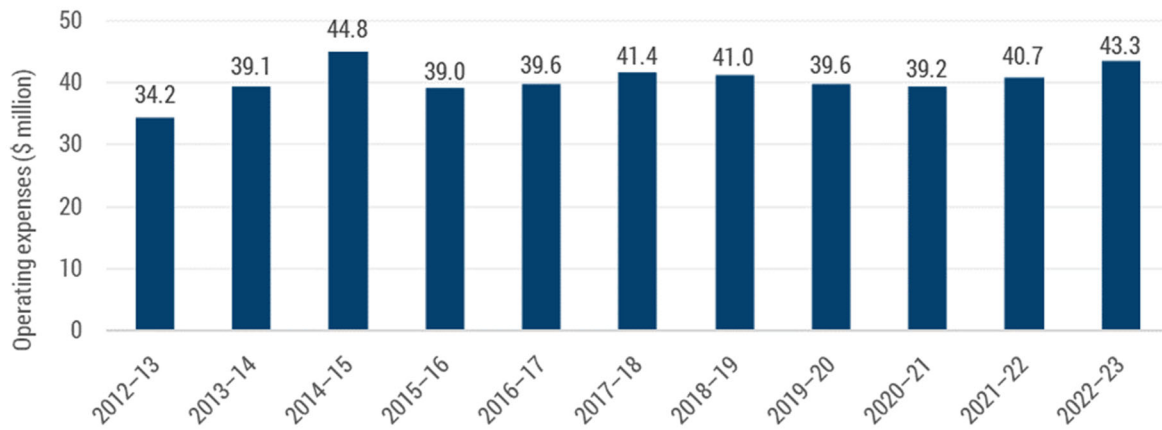
The Victorian Responsible Gambling Foundation (VRGF) is a Victorian statutory authority responsible for prevention and reduction of gambling harm in Victoria. In the 2016 report *Assessing gambling-related harm in Victoria*, commissioned by the VRGF, identified 7 types of gambling harm:

- relationship difficulties
- health problems
- emotional or psychological distress
- financial problems
- issues with work or study
- cultural problems
- criminal activity.

The VRGF funds research into gambling harm and provides prevention programs and other services to those affected by gambling harm.

Total budgeted income for the VRGF in 2023–24 is estimated to be around \$41.9 million. In the most recent budget initiative that allocated funding to the VRGF, funding was provided to the end of 2023–24. Funding in future years is subject to future budget decisions.

Figure 4 – VGRF operating expenses



Source: Department of Justice and Community Safety.

The total operating expenses of the VRGF includes employee expenses, depreciation, grants, and other operating expenses. From 2013-14 to 2021-22, VRGF's total operating expenses have been around \$40 million. In 2021-22, grant expenses of \$22.5 million comprised over half of the VRGF's total operating expenses.

Context

Request

On 20 June 2023, Ms Sarah Connolly MP, Chair of the Public Accounts and Estimates Committee (the Committee), invited the Acting Parliamentary Budget Officer to provide an independent submission to the Committee's inquiry into the Regulation of Gambling and Liquor and Reducing the Harm caused by Gambling. The submission request sought information on gambling revenue projections in Victoria.

On 20 July 2023, Ms Sarah Connolly MP, Chair of the Committee, invited the Acting Parliamentary Budget Officer to add to the previous submission. This further request sought information of gambling expenditure projections in Victoria.

Inquiry terms of reference

On 3 April 2023, the Public Accounts and Estimates Committee agreed to inquire into:

1. The 2019 recommendations of the Auditor-General on regulating gambling and liquor:
 - a. Licensing Industry Participants
 - b. Assuring compliance
 - c. Measuring performance and collaborative engagement
2. The 2021 recommendations of the Auditor-General on reducing the harm caused by gambling:
 - a. Understanding gambling harm
 - b. Preventing gambling harm
 - c. Treating gambling harm
3. Regulating and reducing the harm caused by online gambling.

Scope

In this submission we respond directly to the request from Ms Sarah Connolly MP, Chair of the Committee. This relates to:

- revenue raised by the Victorian gambling industry and Victorian Government revenue from the taxation of gambling activities
- gambling taxes hypothecated to specific funds and other bodies, and government operating expenditure for gambling harm minimisation.

Limitations

Estimates of gambling player losses, or gambling industry revenue, are based on publicly available information. These estimates do not capture all gambling activity in Victoria, as the publicly available information does not capture wagering and betting with operators licensed outside Victoria, and some minor types of gambling.

We are unable to provide a breakdown of hypothecated gambling taxes by gambling type and recipient as this information was classified as confidential by the responsible public sector body.

Our assessment of expenditure on gambling harm minimisation is based on information provided by government departments. We note there may be some instances of government expenditure on gambling-related, or partially gambling-related harm minimisation expenditure outside the Victorian Responsible Gambling Foundation, which are not included in the analysis.

Government funding to the Victorian Responsible Gambling Foundation for gambling harm prevention and minimisation beyond 2023–24 is subject to future budget decisions. We have, accordingly, not estimated this expenditure for 2024–25 onwards.

We prepared this advice on 28 July 2023.

Background

The Victorian Government established the Victorian Gambling and Casino Control Commission (the Commission) on 1 January 2022, replacing the Victorian Commission for Gambling and Liquor Regulation. The Commission maintained liquor regulation responsibilities for 6 months, before passing these responsibilities to the Victorian Liquor Commission.

The Victorian Responsible Gambling Foundation (VRGF) is a statutory authority that aims to prevent and reduce gambling harm in Victoria. The VRGF conducts research into gambling harm, works with other organisations to deliver prevention programs and support services, and conducts advertising campaigns to influence gambling behaviours.

Gaming machines

In this section

In this section we consider gambling on gaming machines (pokies) in Victorian hotels and clubs, focussing on:

- player losses
- tax rates
- level and hypothecation of tax revenue.

Gambling on gaming machines in the Melbourne casino is considered in the Casino section as separate taxation arrangements previously applied.

The Victorian Government regulates the operation of gaming machines. It does this by allocating gaming machine entitlements – permission to operate a gaming machine – to clubs, hotels and the casino. In 2022, the government allocated:

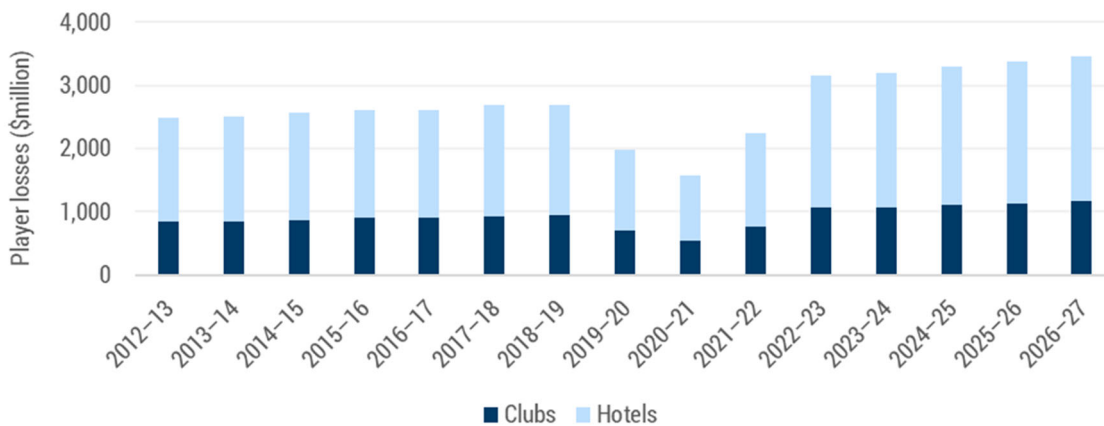
- 13,211 gaming machine entitlements to clubs
- 14,099 gaming machine entitlements to hotels.

Clubs are defined as organisations established for community purposes. A club needs to hold a club liquor licence or a racing club licence, or provide other evidence, to show that it has been established for community purposes.

Player losses

Total player losses for gaming machines are higher than for any other type of gambling in Victoria.

Figure 5 – Player losses on gaming machines



Source: Parliamentary Budget Office.

Player losses are larger in hotels than in clubs, despite the relatively similar number of gaming machines operating in each – this reflects higher average player losses per machine in hotels compared with clubs. The closure of clubs and hotels due to COVID-19 restrictions heavily affected gaming machine player losses in 2019–20, 2020–21, and 2021–22.

Tax rates

There are 3 tax thresholds for gaming machines based on average player losses per machine. The rates at each threshold differ for clubs and hotels. From August 2022, the government introduced an additional tax bracket for average monthly player losses between \$6,667 and \$12,499.

Figure 6 – Gaming machines tax rates

Average monthly player losses per machine (\$)	Pre-August 2022		Post-August 2022	
	Clubs	Hotels	Clubs	Hotels
Under \$2,666	0.00%	8.33%	0.00%	8.33%
\$2,666 to \$6,666	46.70%	55.03%	46.70%	55.03%
\$6,667 to \$12,499	46.70%	55.03%	51.17%	57.50%
Over \$12,499	54.20%	62.53%	60.67%	65.00%

Source: Department of Justice and Community Safety.

Prior to August 2022, tax rates for hotels were 8.33 percentage points higher than tax rates for clubs. Since August 2022, this gap remains the same up to an average monthly player loss per machine of \$6,666. Above this threshold, hotel tax rates remain higher than clubs', but the gap closes as average monthly player losses increase.

Tax revenue

Gaming machines taxes are the largest source of gambling tax revenue in Victoria.

Figure 7 –Gaming machines taxes



Note: 'Other' primarily refers to revenue from gaming machine licence fees.

Source: Parliamentary Budget Office.

Gaming machines taxes raised \$940 million in 2021–22 and are forecast to raise \$1,494 million in 2026–27.

Public lotteries

In this section

In this section we consider gambling on public lotteries in Victoria, focussing on:

- player losses
- tax rates
- level and hypothecation of tax revenue.

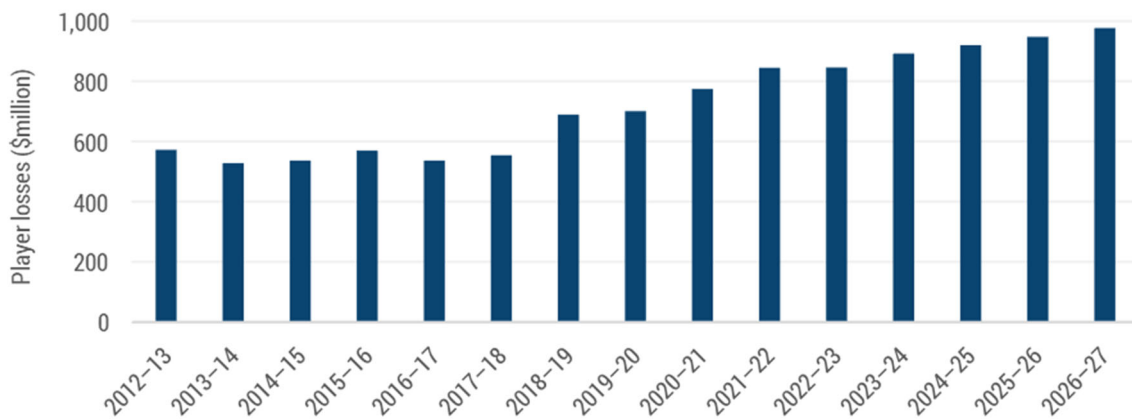
The Victorian Government issues the public lottery licence, which grants an exclusive right to run lotteries in Victoria. On 1 July 2018, it granted a 10-year licence to Tatts Group Limited.

The Victorian Gambling Casino and Control Commission regulates public lotteries operated by Tatts Group Limited.

Player losses

Total player losses for public lotteries are the fourth highest by gambling type behind gaming machines, the casino, and wagering.

Figure 8 – Public lottery player losses



Source: Parliamentary Budget Office.

Player losses on public lotteries in Victoria increased steadily during the COVID-19 pandemic as player losses on gaming machines and casinos fell. We expect these to continue to increase to 2026–27.

Tax rates

Although player losses on public lotteries are the fourth highest by gambling type, tax revenues are the second highest, behind gaming machines. This reflects the relatively high tax rate on lottery player losses compared with other gambling activities.

Individuals located in some overseas jurisdictions can gamble on Victorian public lotteries. Player losses for these individuals are taxed at a higher rate than player losses for individuals in Australia.

Figure 9 – Public lotteries tax rates

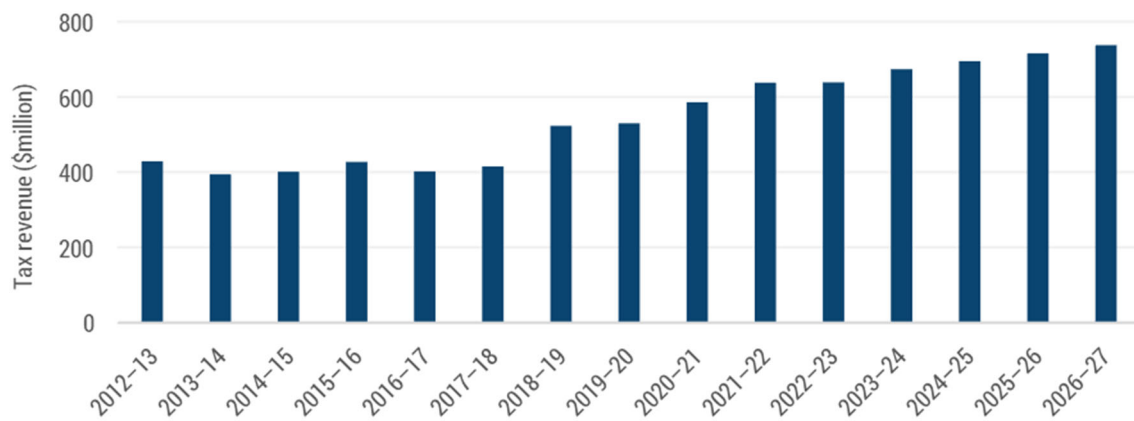
% of player losses	Australian sales	Overseas sales
Tax rate	79.4%	90.0%

Source: Victorian Gambling and Casino Control Commission.

Tax revenue

Public lotteries taxes are the second largest source of gambling tax revenue in Victoria. Public lotteries taxes raised \$638 million in 2021–22 and are forecast to raise \$738 million in 2026–27.

Figure 10 – Public lotteries taxes



Source: Department of Treasury and Finance.

Tax revenue on public lotteries in Victoria increased steadily during the COVID-19 pandemic, consistent with the uninterrupted growth in player losses.

Racing and other sports betting

In this section

In this section we consider racing and other sports betting, which includes online betting, and is subject to the Point of Consumption Tax. We focus on:

- player losses
- tax rates
- level and hypothecation of tax revenue.

Prior to 2019, racing and other sports betting taxes were only paid by gambling operators licensed in Victoria. The introduction of the Point of Consumption Tax (PoCT) on 1 January 2019 replaced this previous framework and applied taxes to all bets taken from people in Victoria, regardless of where the gambling operator is licensed.

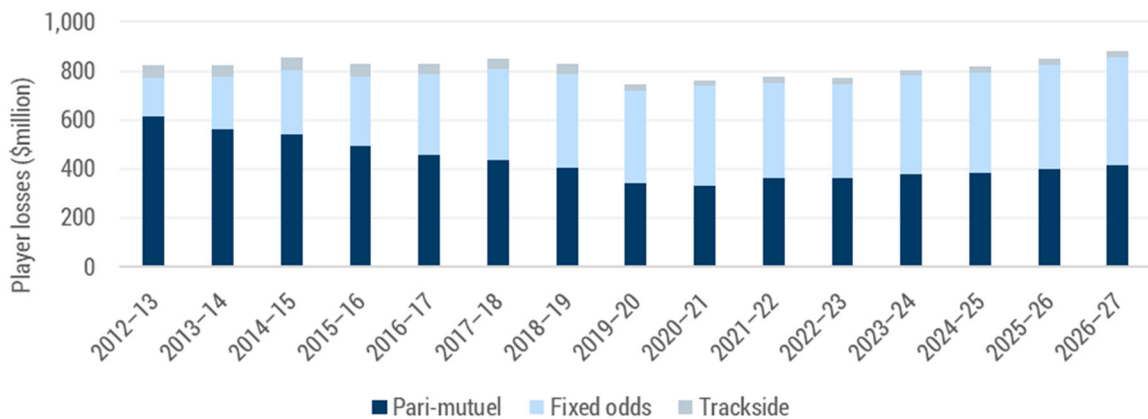
Player losses

We consider player losses to racing and other sports betting operators licensed in Victoria only, in order to exclude revenue to interstate and international gambling operators.

For operators licensed in Victoria, there are 3 types of wagering and betting:

- Pari-mutuel, which includes all betting products that operate via a totalisator – a display that shows the number and amount of bets placed on an event to assist in dividing the total amongst the winners
- Fixed odds, which includes betting where the odds are deemed at the point of investment
- Trackside, which relates to betting on a simulated event.

Figure 11 – Racing and other sports betting player losses



Note: This excludes racing and other sports betting with operators licensed outside of Victoria, which is subject to the Point of Consumption Tax.

Source: Parliamentary Budget Office.

Player losses on wagering with betting operators licensed in Victoria have remained relatively constant since 2012–13. There was a slight decline from 2019–20 to 2021–22, reflecting COVID-19 restrictions.

Tax rates

The aim of introducing the PoCT in 2019 was to apply the same tax for all racing and other sports betting in Victoria to all wagering and betting operators. On 1 January 2019, the tax was introduced at a rate of 8% of player losses above the tax-free threshold of \$1 million.

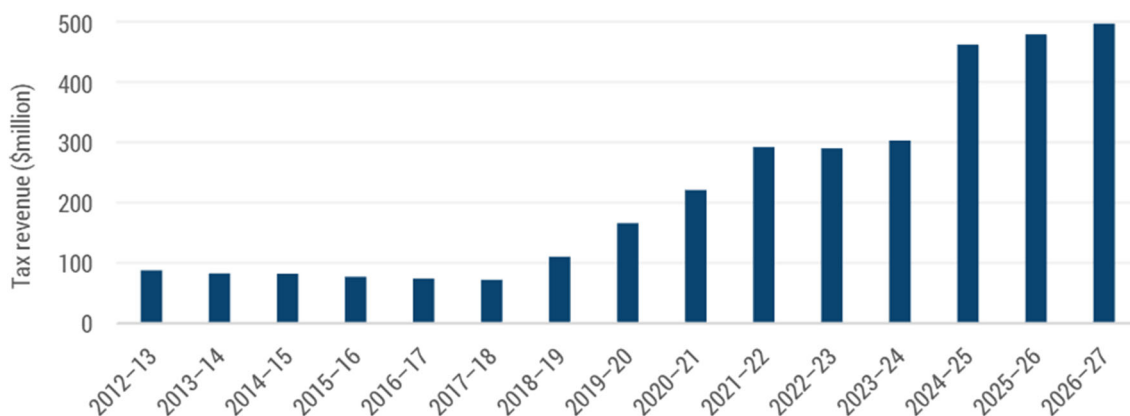
In the 2021–22 budget, the government announced an increase in the PoCT tax rate. From 1 July 2021, the tax rate would increase from 8% to 10%. In the 2023–24 budget, the government announced a second increase in the PoCT tax rate. From 1 July 2024, the tax rate will increase from 10% to 15%. The tax-free threshold remains unchanged at \$1 million in player losses.

Tax revenue

Since the introduction of the PoCT, the Victorian Government has expanded the tax it collects on racing and other sports betting to include bets placed with interstate and international operators.

Racing and other sports betting taxes have been the third largest source of gambling tax revenue since the introduction of the PoCT.

Figure 12 – Racing and other sports betting taxes



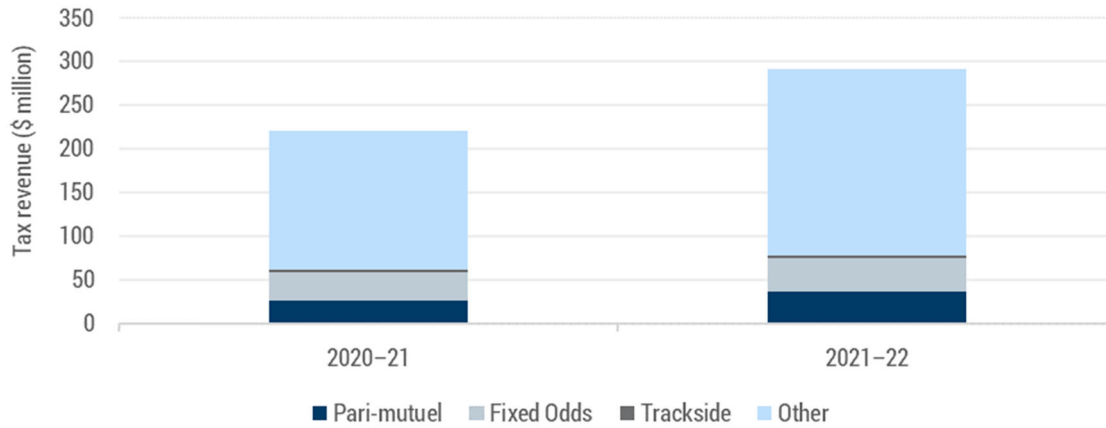
Note: Tabcorp sports betting was classified as a racing and other sports betting tax from 2018–19 onward.

Source: Department of Treasury and Finance.

The introduction of the PoCT in 2019 resulted in a substantial increase in tax revenue generated from racing and other sports betting in Victoria. The large increase in 2021–22 and the subsequent forecast growth in 2024–25 reflect increases in the tax rate.

Racing and other sports betting taxes raised \$292 million in 2021–22 and are forecast to raise \$497 million in 2026–27.

Figure 13 – Racing and other sports betting taxes by gambling type



Note: 'Other' includes racing and other sports betting with operators licensed outside of Victoria as well as licence payments to provide gambling services.

Source: Parliamentary Budget Office.

Most racing and other sports betting revenue is raised from operators with licences outside of Victoria. This aligns with the large increase in revenue following the introduction of the PoCT, as operators with licences outside of Victoria were previously not subject to gambling tax in Victoria.

Casino

In this section

In this section we consider gambling in the Melbourne casino, which has special regulation and taxation arrangements, focussing on:

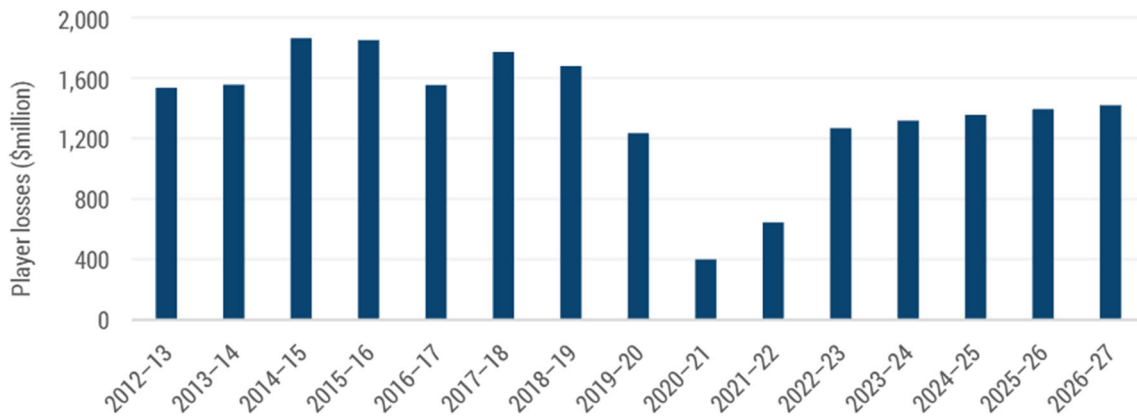
- player losses
- tax rates
- level and hypothecation of tax revenue.

In 2014, the Victorian Government extended Crown Resorts’ sole Victorian casino operating licence to 2050. The Victorian Gambling Casino and Control Commission regulates the Melbourne casino.

Player losses

Total player losses from casino gaming are the second highest by gambling type behind gaming machines.

Figure 14 – Casino player losses



Source: Parliamentary Budget Office.

Casino player losses fell substantially through the COVID-19 restriction period however we expect them to recover over the period to 2025–26.

Tax rates

The sole payer of casino taxes is Crown Resorts, the operator of the Melbourne casino.

Figure 15 – Casino tax rates, 2021–22

% of player losses	General player table games	General player gaming machines	Commission-based players	Community Benefit Levy
Tax rate	21.25%	31.57%	9.00%	1.00%

Source: Victorian Gambling and Casino Control Commission.

The total amount of GST paid from gambling activities in the Melbourne casino is deducted from the casino operator’s tax liability for Victorian taxes.

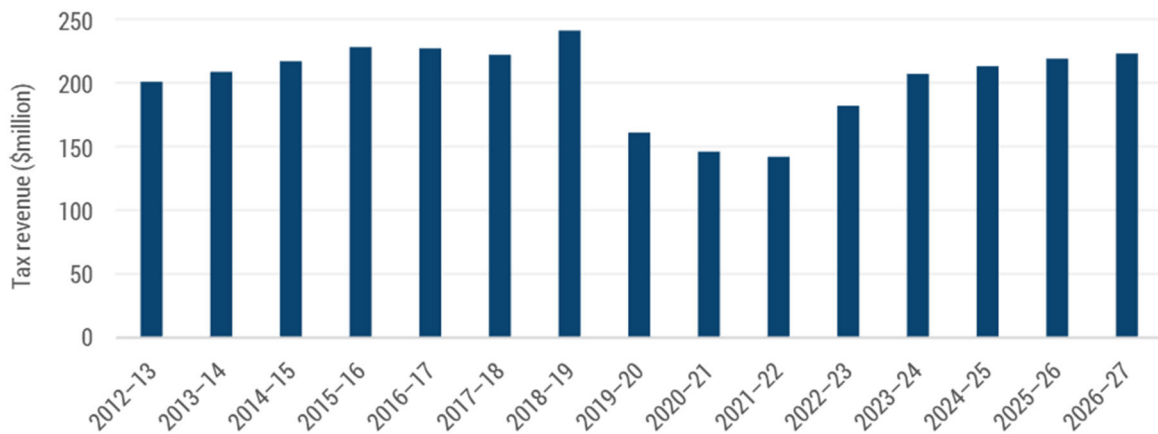
The Victorian Government imposes a super tax if total gross gaming revenue exceeds a specified base amount that is indexed each year by the Melbourne consumer price index. The super tax was last paid in 2018–19.

From 2023–24 onwards, the tax rate on general player gaming machines will align with the rates paid by clubs, while the rate on commission-based gaming machines play will remain unchanged. From 1 July 2023, the tax rate changed from a fixed 31.57% rate to a progressive rate on player losses. Commission-based play on gaming machines remained unchanged at 9%.

Tax revenue

Casino taxes have been the fourth largest source of gambling tax revenue in Victoria since 2019–20 and are expected to remain the fourth largest source to 2026–27.

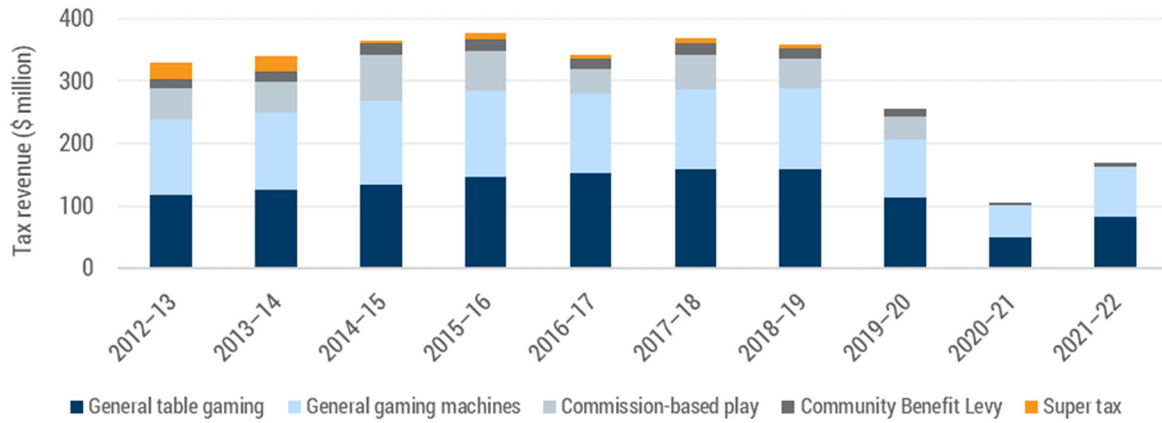
Figure 16 – Casino tax revenue



Source: Department of Treasury and Finance.

Casino taxes raised \$142 million in 2021–22 and are forecast to raise \$223 million in 2026–27.

Figure 17 – Historic casino tax revenue by type



Note: The sum of these tax types does not equal the total casino tax revenue raised, as GST payments are deducted from the total tax amount, other irregular tax payments were made from 2016-17 to 2021-22 and licence fees are not included.

Source: Victorian Gambling and Casino Control Commission.

Most casino tax is raised from general table games and general gaming machines.

Keno and other gambling

In this section

In this section we consider keno and other gambling, focussing on:

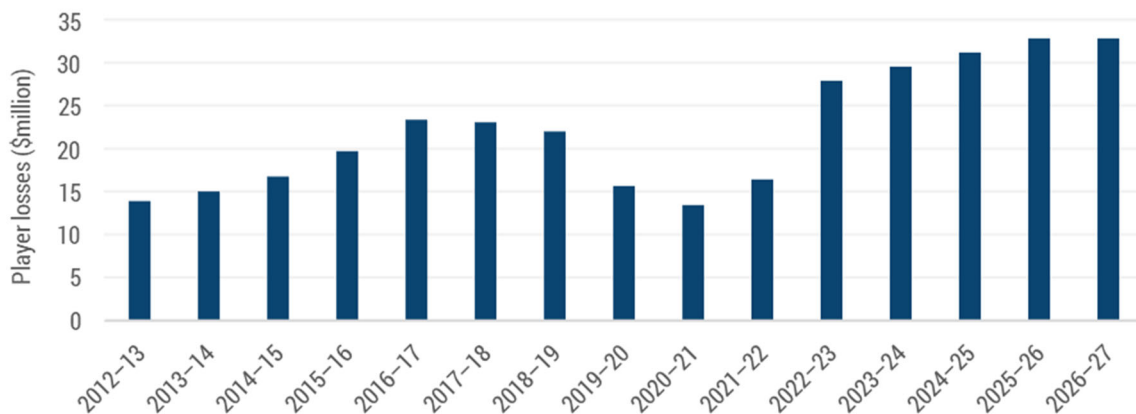
- player losses
- tax rates
- level and hypothecation of tax revenue.

Keno is a rapid-draw game, where a set of numbers are drawn through a random number generator from a pool of numbers. On 21 February 2022, Tabcorp and Lottoland were granted licences to run keno games in Victoria. Prior to this, only one operator was granted a keno licence.

Player losses

Total player losses on keno games are lower than any other major type of gambling in Victoria.

Figure 18 – Keno player losses



Note: Data for other gambling player losses is not available.

Source: Parliamentary Budget Office.

Keno player losses were heavily affected by COVID-19 restrictions in 2019–20, 2020–21, and 2021–22.

Tax rates

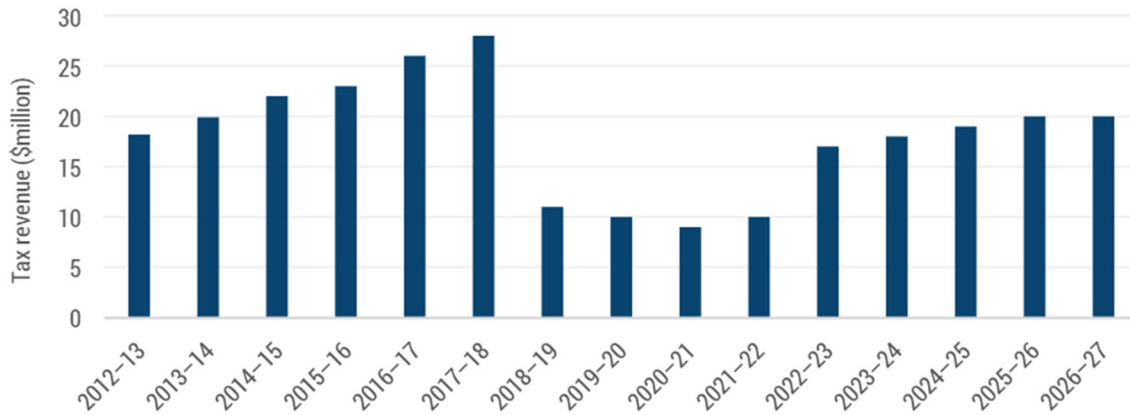
The tax rate on keno games is equal to 24.24% of player losses. There are no planned changes to the tax rate.

The Victorian Government extended the point of consumption framework to keno tax from 15 April 2022. All keno service providers are now liable to pay tax on gambling from people in Victoria, regardless of where the operator is located. This means that the two licensed operators, Tabcorp and Lottoland, are not the only payers of keno tax.

Tax revenue

Keno and other gambling taxes are the smallest source of gambling tax revenue in Victoria.

Figure 19 – Keno and other gambling taxes revenue



Note: Tabcorp sports betting was classified as an 'other gambling tax' from 2012-13 to 2017-18.

Source: Department of Treasury and Finance.

Keno and other gambling taxes raised \$10 million in 2021-22. The government expects these taxes to increase substantially in 2022-23, reflecting the first full year with no COVID-19 restrictions since 2018-19, and the introduction of the point of consumption framework for keno tax. The government forecasts keno and other gambling taxes to raise \$20 million in 2026-27.

Hypothecation of gambling taxes

In this section

In this section we consider tax revenue hypothecated to specific funds and other bodies, focussing on the total amount hypothecated.

Hypothecation is the allocation of funds for a specific purpose or to a specific recipient. In Victoria, most gambling tax revenue is hypothecated to a specific fund or to a specific entity. The rate and destination of hypothecation differs by gambling tax type.

Gaming machines

For gaming machines in hotels, 8.33% of player losses is hypothecated to the Community Support Fund. This is despite the reduction in the difference in tax rates between hotels and clubs, which was introduced in August 2022. All other gaming machine tax revenue is hypothecated to the Hospitals and Charities Fund and the Mental Health Fund.

Public lotteries

All public lotteries tax revenue is hypothecated to the Hospitals and Charities Fund and the Mental Health Fund.

Racing and other sports betting

The Victorian Racing Industry receives 3.5% of all racing and other sports betting player losses, which will increase to 7.5% in 2024–25. 1/30th of racing and other sports betting taxes paid in April is hypothecated to the ANZAC Day Proceeds Fund, and the remaining racing and other sports betting tax revenue is hypothecated to the Hospital and Charities Fund.

Casino

The Community Benefit Levy is the only casino tax hypothecated to a specific fund – the Hospital and Charities Fund. The Treasurer decides on a proportion of the Community Benefit Levy that is paid into the Hospital and Charities Fund, which is typically 100%. All other casino taxes are paid into the Consolidated Fund, the government's primary financial account.

Keno

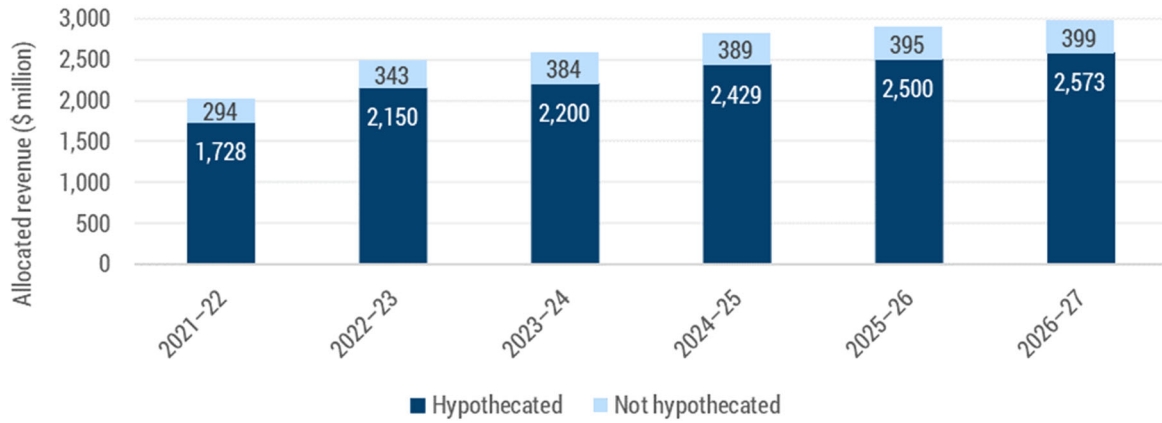
The total amount of keno tax revenue is hypothecated to the Hospitals and Charities Fund and the Mental Health Fund.

Gambling tax revenue hypothecation

We estimate hypothecated gambling tax revenue was \$1,728 million in 2021–22 and will increase to \$2,573 million in 2026–27. The large increase in estimated hypothecated gambling tax revenue in 2022–23 primarily reflects the rebound in gambling activity after the end of COVID-19 restrictions in 2021–22. The large increase in 2024–25 is primarily due to the increase in racing and other sports betting taxes, from 10% to 15%.

A greater proportion of hypothecated funds from racing and other sports betting taxes will be distributed to the Victorian Racing Industry. The amount hypothecated to the Hospital and Charities Fund will also likely increase as a proportion of net player losses.

Figure 20 – Gambling tax revenue by hypothecation status



Source: Parliamentary Budget Office.

The proportion of gambling taxes revenue that is hypothecated is expected to be slightly higher than 85% from 2022–23 to 2026–27. The only revenue that is not hypothecated is all casino tax revenue except the Community Benefit Levy and gambling operator licence fees.

Harm minimisation spending

In this section In this section we consider funding on gambling harm prevention and minimisation, focussing on:

- sources of income
- total expenses.

The Victorian Responsible Gambling Foundation (VRGF) was established in 2011 and aims to prevent and reduce gambling harm in Victoria.

Sources of income

There are 2 main sources of recurrent grant income to the VRGF:

- allocations from the Community Support Fund (\$36.434 million in 2021–22)
- allocations from the Consolidated Fund for Gambler’s Help agencies, associated with wage increases in the social and community services sector (\$2.968 million in 2021–22).

The VRGF also receives income from unclaimed jackpot special prize pools, as venue operators are required to pay these amounts into the Responsible Gambling Fund (\$0.738 million in 2021–22).

Forecasts of the allocations from the Community Support Fund, the largest contributor of income to the VRGF, have been provided in budget initiatives. The most recent budget initiative was the *Preventing and addressing gambling harm* program announced in the 2023–24 budget, where funding to the end of 2023–24 was provided.

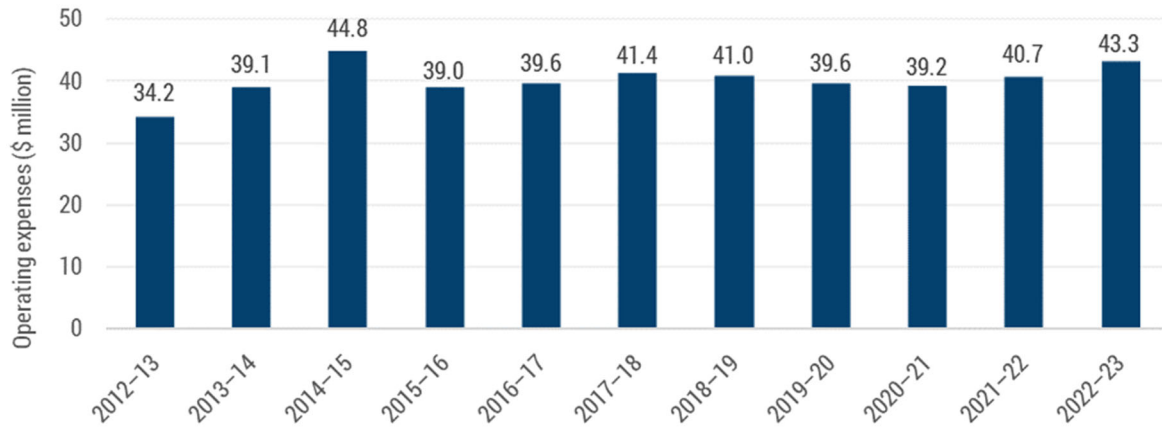
The total funding amount estimated was \$74.5 million, however this funding was allocated to both the VRGF and the Victorian Gambling and Casino Control Commission. The estimated income in 2023–24 from the Community Support Fund to the VRGF is about \$39.0 million. Funding for future years is subject to future budget decisions.

Total budgeted income for the VRGF in 2023–24 is estimated to be around \$41.9 million, after including funding from the Consolidated Fund to Gambler’s Help agencies.

Total expenses

Total operating expenses of the VRGF to deliver services includes employee expenses, depreciation, grants, and other operating expenses. In 2021–22, grant expenses of \$22.5 million comprised over half of the \$40.7 million in total operating expenses. Grant expenses are payments provided to partner organisations to deliver gambling harm-related services and programs.

Figure 21 – VRGF operating expenses



Note: Operating expenses in 2022-23 are an estimate.

Source: Department of Justice and Community Safety.

From 2013-14 to 2021-22, VRGF's total operating expenses have been around \$40 million. The higher amounts in 2014-15, 2017-18 and 2018-19 are due to increased expenditure for the Victorian Population Gambling and Health study.

Our assessment of expenditure on gambling harm minimisation is based on information provided by government departments. We note there may be some instances of government expenditure on gambling-related, or partially gambling-related harm minimisation expenditure outside the Victorian Responsible Gambling Foundation, which are not included in the analysis.

Attachment A – Assumptions and approach

In this section we provide the assumptions and approach we used to forecast breakdowns of player losses and tax revenue forecasts.

Assumptions

When preparing this advice, we made the following assumptions:

1. Player losses increase in line with the respective gambling tax revenue forecasts.
2. The proportion of tax types and player losses remains constant from 2021–22 to 2026–27.

Approach

When preparing this advice, we:

- calculated breakdowns of tax revenue where possible
- indexed net losses using the growth in specific gambling taxes revenue
- accounted for changes in gambling tax rates
- calculated breakdowns of net losses where possible.

Attachment B – Reconciliation against the request

Requested submission	Addressed in submission
Information on gambling revenue projections in Victoria	Gaming machines (pp. 7-8) Public lotteries (pp. 9-10) Racing and other sports betting (pp. 11-13) Casino (pp. 14-16) Keno and other gambling (pp. 17-18)
Information on gambling expenditure projections in Victoria	Hypothecation of gambling taxes (pp. 19-20) Harm minimisation spending (pp. 21-22)

Attachment C – Data sources

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