

ECONOMIA INTERNAZIONALE

INTERNATIONAL ECONOMICS

JOURNAL OF THE INSTITUTE FOR INTERNATIONAL ECONOMICS

Vol. LXVIII, No. 2

May 2015



estratto

CAMERA DI COMMERCIO DI GENOVA

L'ISTITUTO DI ECONOMIA INTERNAZIONALE

(ESTRATTO DAL REGOLAMENTO)

L'Istituto di Economia Internazionale si propone di promuovere gli studi sull'economia internazionale. Esso costituisce un centro di coordinamento e di propulsione tanto per le ricerche scientifiche quanto per le informazioni nel campo dell'economia internazionale.

L'Istituto di Economia Internazionale è una Struttura della Camera di Commercio, Industria, Artigianato e Agricoltura di Genova.

The Institute for International Economics intends to promote the study of international economics with a view to contribute to its advancement. It is a centre for co-ordinating and stimulating scientific research and for furnishing information in the field of international economics.

The Institute for International Economics is a Department of the Chamber of Commerce, Industry, Handicraft and Agriculture of Genoa.

L'Institut d'Economie Internationale se propose de promouvoir les études sur l'économie internationale dans le but de contribuer à son développement. C'est un centre de coordination et de propulsion autant pour les recherches scientifiques que pour les informations dans le domaine de l'économie internationale.

L'Institut d'Economie Internationale est un Département de la Chambre de Commerce de Gènes.

TAX POLICY RESPONSE TO MARKET CHANGES: THE CASE OF THE GAMING SERVICES SECTOR

1. INTRODUCTION

In recent years the gaming services sector has undergone a relevant expansion in several OECD countries. In the EU, for instance, annual revenues of the market have almost reached € 85 billion in 2011. Distinguishing features of this evolution have been the changes in the technological and legal environments, such as the growth of on-line gambling and the liberalisation of the sector. This development has been accompanied also by a change in taxation policy.

Against this background, this paper has a two-fold motivation: first, on applied grounds, to examine the economic rationale behind actual and prospected reforms, analysing the effects of gambling taxes on profits; second, on methodological grounds, to extend existing industrial organisation results on the effects of cost changes in oligopolistic industries to different types of taxation instruments.

The theme unifying our analysis is the question whether taxation of gaming services, rather than impairing net revenues, has possibly contributed to increasing profits in the sector. The problem is, under a theoretical point of view, an old one, and its solution is strictly connected to the structure of the market that one is facing. Intuition suggests that taxation, representing an increase in costs, brings about a decrease in profits. However, there are instances in which empirical evidence seems to go against this suggestion. The most famous observation in this sense is the development of the oil industry in the early Seventies: the profits of the major multinational companies increased after the rise in the cost of crude oil.

The conventional explanation of this finding rests upon the oligopolistic structure of the market: adverse circumstances induced a collusive behaviour on part of the oligopolists, with the consequent increase in profits. In fact, oligopoly, though being the reason for the result, might have provided a different mechanism producing it,

a mechanism that is peculiar to this market structure and is absent both in perfect competition and monopoly regimes.

This mechanism is the following. Producers in an oligopolistic market face a sort of public good problem: restraining output by one firm would raise the price(s) all firms face, thus producing a common benefit. However, the cost of the restraint (loss of profits) would remain a private cost of the firm undertaking it. Taxation, by inducing a cost increase, brings about the output restriction and mimics the collusion that firms are unable to achieve by themselves.

This distinguishing feature of oligopoly has been first put forward by Salop (1981), de Meza (1982), Katz and Rosen (1983) and Seade (1985). In particular, Seade (1985) demonstrates the counterintuitive outcome of a profit increase as a result of the introduction of a specific tax.

In the next two sections, we extend Seade's analysis to a variety of taxes, in order to verify the applicability of his findings to the gambling sector and to explain, on the basis of the results being obtained, the tendency to a shift from specific to *ad valorem* taxation that is taking place under the pressure of the changes in the industry environment (reduction in trade barriers, growth of internet gambling, increase in the number of available substitutes).

Then, section 3 applies the results to the evolution of taxation policy as a response to the structural changes undergone by the gambling sector, in particular the shift from specific to *ad valorem* taxation. We conclude by proposing avenues for further research. The paper ends with a technical appendix.

2. DIFFERENT TAX STRUCTURES IN THE GAMBLING SECTOR AND THEIR IMPACT ON PROFITS

Government regulation¹, together with structural features of the gambling sector, such as the presence of economies of scale and the need for a large capital base because of the high risk involved, has led

¹ Traditionally, the disquiet towards the social costs of gambling activity, in particular the effects on excessive gamblers and the ease of criminal involvement, has explained the regulatory role of the state in the sector as a social guardian and a consumers' protector. While proving more effective than prohibition in reducing illegal gambling, legalisation and regulation have produced a base for taxation, introducing a fiscal stake of governments in the gambling industry (this ambiguity was pointed out at least since De Viti de Marco, 1936; see also Smith, 2000).

to concentrated structures, with a few firms dominating the market. In this context taxation, together with the imposition of licensing fees, can capture firms' profits. Regulation might therefore be a way of limiting entry into the industry not to see this stream of revenues being competed away together with economic rents.

Under a public finance perspective, should gambling taxation hit economic rents generated by government action, it would be both an efficient and equitable way of raising revenues. If, instead, it turned out to be a tax on consumption, it could be distortionary and regressive: taxation could in fact increase producers' (net) prices, therefore falling onto consumers. Moreover, under oligopoly, even firms' profits might increase because of taxation, a result that may be applied to interpret the developments undergone in this oligopolistic industry.

Before doing this, some peculiarities of market variables for the gaming services sector must be taken into account.

In fact, in the gambling market, the definitions of output and price are not so obvious as for other goods and services. Conventionally, quantity is given by a money measure, that is the amount staked, also termed "number of unit bets", while the price is the take-out rate, that is the percentage of the stake retained by the operator after paying out winnings. As a consequence, total revenue is the total amount the operator retains after having paid out winnings.

Thus, (net) profits Π will be given by:

$$\Pi = (1 - w)s - c, \tag{1}$$

where s indicates the total amount of money staked with the firm, w the winnings to stake ratio, $(1-w)s$ total revenues and c total costs; $(1-w)$ is the operator's take-out rate, also called "win percent", that is the price of a one unit bet; in what follows, we will indicate it by r .

These definitions of quantity, price and revenues have implications as for the definitions of taxes once they are applied to the gaming sector. In particular, a tax on stakes, that is a tax on revenues gross of winnings payout, is equivalent to a specific tax:

$$\Pi = s(r - t) - c,$$

where t is the specific tax rate, while a tax on revenues net of winnings payout is equivalent to an *ad valorem* tax:

$$\Pi = sr(1 - \theta) - c,$$

where θ is the *ad valorem* tax rate.

In order to analyse tax shifting, we adopt a conjectural variations model of oligopolistic equilibrium under conditions of industry-wide symmetry as in Seade (1980, 1985). The industry consists of n firms; each firm faces an inverse demand function for the aggregate amount of money staked $r(ns)$ and is characterised by a cost function $c(s, \tau)$, where τ is a shift parameter connected to taxation. Considering taxes as a shift factor on the costs side is done by Seade for the case of a specific tax; we extend this framework to different kind of taxes to explain their different impact².

Profits are maximised over the total amount of money staked with the firm:

$$\max_s \Pi = sr(ns) - c(s, \tau). \quad (2)$$

In the framework adopted, there exist a conjectured functional dependence of responses of $S = ns$ to own output changes, such that

$$\frac{dS^c}{ds} = \lambda, \text{ where the suffix } c \text{ stays for conjectured.}$$

The first and second order conditions for a maximum of (2) are:

$$\lambda sr'(ns) + r(ns) - c_s(s, \tau) = 0 \quad (3)$$

$$\lambda^2 sr'' + 2\lambda r' - c_{ss} < 0 \quad (4)$$

Conditions for stability are:

$$(n + \lambda)r' + n\lambda sr'' - c_{ss} < 0 \quad (5)$$

$$\lambda r' - c_{ss} < 0$$

as demonstrated in Seade (1980).

3. THE COMPARISON OF DIFFERENT TAX STRUCTURES

We now turn to the comparison of different taxation structures.

3.1. The Case of a Specific Tax

Let us consider the introduction of a specific tax, such that:

$$c(s, \tau) = b(s) + \tau s \quad (6)$$

$$c_{s\tau} = 1 \quad (7)$$

² Compare with the analysis of specific and *ad valorem* taxation in Delipalla and Keen (1992).

where $b(s)$ are before tax costs; marginal costs increase by the same amount of the tax.

We are interested in the effects on output, price and profits.

Totally differentiating (3) and solving for $\frac{ds}{d\tau}$ yields:

$$\frac{ds}{d\tau} = \frac{1}{(n + \lambda)r' + n\lambda sr'' - c_{ss}} < 0; \tag{8}$$

the expression is negative given (5). Thus, output falls as marginal costs increase because of the tax, which implies that shifting takes place. One finds the amount of the tax being shifted onto consumers by differentiating $r = r(ns)$:

$$\frac{dr}{d\tau} = r'n \frac{ds}{d\tau} = \frac{r'n}{(n + \lambda)r' + n\lambda sr'' - c_{ss}}. \tag{9}$$

Given that $c_{st} = 1$, we will have overshifting if $\frac{dr}{d\tau} > 1$, that is if $\frac{\lambda}{n}r' + n\lambda r'' - c_{ss} > 0$. One can show (see Seade, 1980) that this will occur if, for $\lambda < n^3$,

$$-\frac{Sr''}{r'} > 1 - \frac{c_{ss}}{\lambda r'}. \tag{10}$$

The term on the left hand side is the elasticity of the slope of inverse demand, that on the right hand side is one minus the effect on the firm’s marginal cost of the perceived change in r due to the change in firm’s output (which, for instance, will be equal to unity under linear costs, with $c_{ss} = 0$). Therefore, overshifting will occur, for instance, under linear costs with any isoelastic demand function⁴.

Overshifting means that the producer’s (net of tax) price rises. Under perfect competition and monopoly, profits nevertheless decrease because of the fall in output, as intuition would predict as a result of the introduction of a tax. Under oligopoly, however, profits might increase with the tax, as outlined above: taxation, by

³ This will be true unless collusion is very high.

⁴ The elasticity of the slope of the inverse demand is related to the elasticity of ordinary demand ϵ , namely:

$$-\frac{Sr''}{r'} = 1 + \frac{1}{\epsilon} + \frac{S(\frac{d\epsilon}{dS})}{\epsilon}.$$

increasing marginal costs, induces the restraint that collusion would have achieved.

Thus, on the one hand, there is the direct, negative effect on profits due to the rise in costs because of the tax, c_τ , while, on the other hand, there is the positive effect deriving from the rise in price due to the fall in output driven by the increase in marginal costs, $c_{s\tau}$. When will the latter effect outweigh the former?

By differentiating (2), one gets:

$$\frac{d\Pi}{d\tau} = r \frac{ds}{d\tau} + sr'n \frac{ds}{d\tau} - c_s \frac{ds}{d\tau} - c_\tau, \quad (11)$$

which, by using (3) and (8), yields:

$$\frac{d\Pi}{d\tau} = \frac{(n - \lambda)sr'}{(n + \lambda)r' + n\lambda sr'' - c_{ss}} c_{s\tau} - c_\tau. \quad (12)$$

For $n \geq \lambda$ and given (5), the sign of the effect of τ on Π depends on the signs of $c_{s\tau}$ and c_τ ; for a specific tax, $c_\tau = s$ and $c_{s\tau} = 1$, that is:

$$\frac{d\Pi}{d\tau} = \frac{\lambda s(-2r' - nsr'' + \frac{c_{ss}}{\lambda})}{(n + \lambda)r' + n\lambda sr'' - c_{ss}}, \quad (13)$$

which is positive if the elasticity of the slope of inverse demand is greater than 2 minus the effect on the firm's own marginal costs of the perceived change in r deriving from the change in own output. For the case of linear costs and isoelastic demand, for instance, profits will increase if $\varepsilon < 1$.

As argued in Seade (1985) and Katz and Rosen (1983), profits and price overshifting is not a curiosity, but a result that is about as likely to take place as not.

3.2 The Case of an *ad valorem* Tax

Let us now turn to an *ad valorem* tax. This will determine a shift in costs such that:

$$\begin{aligned} c(s, \tau) &= b(s) + \varpi(ns)s \\ c_s &= b_s + \varpi(ns) + \varpi'(ns)s \\ c_\tau &= r(ns)s \\ c_{s\tau} &= r(ns) + r'(ns)s. \end{aligned}$$

One should note that, differently from the case of a specific tax, the average cost increases by more than the marginal cost does:

$$\frac{c(s, \tau)}{s} = \frac{b(s)}{s} + \tau r'(ns)$$

$$\frac{d \frac{c(s, \tau)}{s}}{d \tau} = r'(ns).$$

Under this respect, the effect of the tax resembles that of an increase also in fixed costs. This element is crucial in making a profit increase less likely with an *ad valorem* tax than with a specific tax. Starting with the effect on output, (8) becomes:

$$\frac{ds}{d\tau} = \frac{r(ns) + r'(ns)ns}{(n + \lambda)r' + n\lambda r'' - c_{ss}} < 0, \tag{8'}$$

since the numerator is positive by (3), while the denominator is negative by (5). Again, output falls as marginal costs increase with the tax, thus implying shifting.

As for the effect on prices, (9) becomes:

$$\frac{dr}{d\tau} = \frac{r'(ns)n[r(ns) + r'(ns)ns]}{(n + \lambda)r' + n\lambda r'' - c_{ss}} > 0. \tag{9'}$$

Overshifting will occur if $\frac{dr}{d\tau} > 1$, that is if $\frac{r'(ns)n}{(n + \lambda)r' + n\lambda r'' - c_{ss}} > 1$, which is the case if $\frac{\lambda}{n}r' + n\lambda r'' - c_{ss} > 0$, as for a specific tax. This

is because the difference with the previous case stems from the different change in average costs and therefore in profits⁵. In fact, (13) becomes:

$$\frac{d\Pi}{d\tau} = r(ns) \left[\frac{(n - \lambda)sr'}{(n + \lambda)r' + n\lambda r'' - c_{ss}} - s \right] + \frac{S^2 r' (1 - \frac{\lambda}{n})}{[(n + \lambda)r' + n\lambda r'' - c_{ss}] / r'}, \tag{13'}$$

where the numerator is negative for $n > \lambda$, while the denominator is positive if equilibrium is stable.

The beneficial effect of the restraint is lower than before relatively to the direct negative effect on profits (the effect on average costs is

⁵ Compare with equations 2.10 and 2.11 in Delipalla and Keen (1992).

relatively larger than that on marginal costs) – and it will be the lower, the lower λ with respect to n .

3.3 The Case of a Lump Sum Tax

The positive direct effect on profits of course disappears in the case of a lump sum tax:

$$c(s, \tau) = b(s) + \tau$$

$$c_s = b_s$$

$$c_\tau = 1$$

$$c_{s\tau} = 0.$$

We thus obtain:

$$\frac{ds}{d\tau} = \frac{c_{s\tau}}{(n + \lambda)r' + n\lambda r'' - c_{ss}} = 0, \quad (8'')$$

thus implying no effect of the tax on the output level;

$$\frac{dr}{d\tau} = r'(ns)n \frac{ds}{d\tau} = 0, \quad (9'')$$

thus implying no effect on the price;

$$\frac{d\Pi}{d\tau} = \left[\frac{(n - \lambda)sr'c_{s\tau}}{(n + \lambda)r' + n\lambda sr'' - c_{ss}} - c_\tau \right] = 0 - 1 = -1. \quad (13'')$$

A lump sum tax, not affecting marginal costs, only has a negative direct effect on profits. Note that combining a specific tax with a lump sum tax resembles the results obtained with an *ad valorem* tax, by reducing the relative impact of the output restraint with respect to the direct one on profits.

3.4 The Case of Take-out Ratio Tax

Let us finally consider a tax on the take out ratio r . This will be equivalent to a tax on price, analysed, for the perfect competition and the monopoly cases, by Tam (1991). This will affect costs as follows:

$$c(s, \tau) = b(s) + \tau(ns)$$

$$c_s = b_s + \tau'(ns)n$$

$$c_{\tau} = r(ns)$$

$$c_{s\tau} = r'(ns)n.$$

Such a tax introduces a negative relationship between net profits and the take out ratio. Thus, its effect on output will be positive, that on price negative and both the direct effect and the indirect (from the output change) effect on profits will be negative:

$$\frac{ds}{d\tau} = \frac{r'(ns)n}{(n + \lambda)r' + n\lambda sr'' - c_{ss}} > 0, \tag{8''''}$$

$$\frac{dr}{d\tau} = \frac{(r'n)^2}{(n + \lambda)r' + n\lambda sr'' - c_{ss}} < 0: \tag{9''''}$$

price decreases as output increases as a result of this tax structure⁶. As for the effect on profits:

$$\frac{d\Pi}{d\tau} = \frac{(n - \lambda)Sr'}{[(n + \lambda)r' + n\lambda sr'' - c_{ss}] / r'} - r > 0, \text{ for } n > \lambda: \tag{13''''}$$

the indirect effect from the increase in output is now negative as the direct one. Recalling that $r = (1-w)$, that is, one minus the ratio between probability and stakes, a tax that is inversely related to the winning probability would be borne by operators, with a concomitant increase in the total amount of money being staked.

4. THE EVOLUTION OF TAXATION POLICY IN THE GAMBLING SECTOR

Fiscal systems largely differ in their treatment of gambling services. There are, nevertheless, some common tendencies that can be traced out and connected to the previous analysis. These concern the (interconnected) changes in social attitudes towards gambling and in the technological and legal environment.

The gaming sector is marked by a legacy of prohibition. The move to a legal status has typically gone through state monopolisation followed by a partial liberalisation, with firms operating under

⁶ $\frac{dr}{c_{s\tau}} = \frac{r'n}{(n + \lambda)r' + n\lambda sr'' - c_{ss}}$, which, as before, will be greater than one in absolute value if $\frac{\lambda}{n}r' + n\lambda r'' - c_{ss} > 0$, as for a specific and an *ad valorem* tax.

regulatory regimes that, though motivated by the aim of protecting the public, *de facto* have protected national industries. Limited competition results not only from regulation, but also from other market characteristics, in particular the presence of economies of scale (this is especially true for casinos, gaming machine manufacturing and lotteries). The market regime is thus that of an oligopoly.

The analysis of the previous section shows that, in this set up, protection can derive also from taxation policy, given some conditions concerning the elasticity of the slope of inverse demand, which is linked to ordinary demand elasticity. Generally speaking, in oligopoly equilibrium is compatible with an inelastic demand. Quantitative analyses of the elasticity of demand for gambling are relatively few, mostly in the context of a monopoly franchise. The main findings are that: a) demand is elastic but not very elastic; and b) elasticity falls when the monopolistic regime turns to one of imperfect competition (see Swiss Institute of Comparative Law, 2006, for a review).

It is thus plausible to find situations compatible with overshifting and profit increase. Actually, gaming taxes have for a long time been prevalently specific taxes (see, just to take one example, the general betting duty in the UK, levied as a proportion of stakes until the turn of the century). Under conditions of low elasticity, this guaranteed revenues for the government while maintaining firms' profitability, though at the consumers' expenses in terms of taxation burden (the tax generated increase in profits could anyway be hit by the corporate tax).

However, competitive pressures have increased within the gaming sector beginning with the 1990's. Several factors have been at work. First, being part of the entertainment sector, gaming services are subject to a product life cycle: innovation and marketing are needed not to lose customers, legal restrictions constituting a menace for the growth of the sector. Second, technological changes, in particular the growth of e-commerce, and the fall of trade barriers have increased both the number of available substitutes and that of operators, opening national markets to foreign competition. As for the EU, in relation to sports betting there has been a growing number of cases in the Court of Justice on the interpretation of Articles 56 and 49 TFEU, that state the freedom to provide and receive services and the freedom of establishment, respectively.

The Court has held that national restrictions justified by general interest objectives, such as the protection of consumers, must be

consistent and *systematic*: in particular, a member state cannot restrict the access to gambling services if, at the same time, it encourages the participation to games offered by national operators (see Court of Justice of the European Union Case C-260/04; C-42/07; joined Cases C-316/07, C-358/07, C-359/07, C-360/07, C-409/07 and C-410/07; C-46/08; C-64/08; C-347/09; joined Cases C-72/10 and C-77/10)⁷.

National industries have thus been put under threat and, together with them, governments' tax revenues.

The difficulty of maintaining an effective protection of national markets has stimulated a wave of liberalisation concerning both the type of legally available products and the design of taxation. A key feature of the latter has been the shift from specific to *ad valorem* taxation (see, for instance, the replacement of the general betting duty in the UK, as reported in Paton *et al.*, 2002), or the more recent introduction of a tax on stake net of winnings in the case of cash games and casino games in Italy; also, a combination of a licensing fee and a specific tax, that, as previously shown, mimics the effect of an *ad valorem* tax, has in some cases replaced specific taxation, as reported in Swiss Institute of Comparative Law (2006).

This shift represents an adaptation of taxation policy to the changing industry environment.

Actually, in the new situation, the increase in the competitive pressure has undermined the possibility of taxing gaming services without impairing firms' profitability. Given this, value added taxation is preferable to specific taxation because, on the one hand, it induces a lower welfare loss and, on the other hand, it provides an incentive for firm to pursue technical efficiency. In fact, a specific tax typically results in a lower output level and a lower consumer

⁷ In particular, in the joined Cases C-72/10 and C-77/10, the Court held that, on the basis of the principles of equal treatment and of non discrimination on grounds of nationality and the consequent obligation of transparency, a member state that has unlawfully excluded a category of operators from a tendering procedure for licenses and that tries to remedy the breach of the EU law by putting out to tender new licenses is precluded from protecting the market positions of existing operators by requiring a minimum distance between the establishments of the new licensees and those of the old ones. Moreover, the Court held that these excluded operators could not be punished for engaging in the activity without a license, and that it followed from Articles 56 and 49 TFEU, the principle of equal treatment and the obligation of transparency, that the conditions and rules of a tendering procedure should be drawn up in a clear, precise and unequivocal way.

surplus than those obtainable under and *ad valorem* tax yielding the same amount of revenues.

This is connected to the fact that, under *ad valorem* taxation, firms enjoying some degree of price-setting power follow a low margin-high turnover strategy, while a specific tax induces a high margin-low turnover one. Moreover, incentives to pursue technical efficiency and to innovate to reduce costs are higher if taxation is proportional to the price charged. In the present context of the gambling sector, *ad valorem* taxation displays a further advantage for firms: as competition from abroad tends to reduce margins, the burden of taxation automatically decreases, thus providing a stabilisation mechanism in the face of changing market conditions.

5. CONCLUSION: A TAKE-OUT RATIO TAX?

In the context of the gaming sector, the role of the price charged by producers is played by the take-out ratio. The analysis in section 3 shows that a tax on it, besides providing the same incentives for technical efficiency and displaying the same flexibility as in the case of an *ad valorem* tax, also would encourage an increase in output. This, under a market regime of imperfect competition, would be linked to an increase in consumer surplus and to an overall efficiency gain even with respect to a situation without taxes. This reasoning is of course linked to the assumption that governments do use taxation in order to raise revenues and not in order to decrease the amount of gambling in consideration of its social costs. Further research is needed to verify the existence of ways of implementing this form of tax structure.

VALERIA DE BONIS

DIGEF, Sapienza University of Rome, Rome, Italy

ALESSANDRO GANDOLFO

*Department of Economics and Management, University of Pisa,
Pisa, Italy*

REFERENCES

- Delipalla, S. and M. Keen (1992), "The Comparison between *ad valorem* and Specific Taxation under Imperfect Competition", *Journal of Public Economics*, 49(3), 351-367.

- De Meza, D. (1982), "Generalised Oligopoly Derived Demand with An Application To Tax Induced Entry", *Bulletin of Economic Research*, 34(1), 1-16.
- De Viti de Marco, A. (1936), *First Principles of Public Finance*, Jonathan Cape: London.
- H.M. Customs and Excise (2000), *Our Stake in The Future: The Modernisation of General Betting Duty for the 21st Century*, H.M. Customs and Excise: London.
- Katz, M.L. and H.S. Rosen (1983), "Tax Analysis in an Oligopoly Model", NBER Working Paper No. 1088.
- Paton, D., D.S. Siegel and L.V. Williams (2002), "A Policy Response to the E-Commerce Revolution: the Case of Betting Taxation in the UK", *Economic Journal*, 112(480), 296-314.
- Salop, S.C. (1981), *Introduction*, in: S.C. Salop, "Strategy, Predation, and Antitrust Analysis", Federal Trade Commission: Washington, DC.
- Seade, J. (1980), "The Stability of Cournot Revisited", *Journal of Economic Theory*, 23(1), 15-27.
- Seade, J. (1985), "Profitable Cost Increases and The Shifting of Taxation: Equilibrium Responses of Markets in Oligopoly", University of Warwick Discussion Paper No. 260.
- Smith, J. (2000), "Gambling Taxation: Public Equity in the Gambling Business", *Australian Economic Review*, 33(2), 120-144.
- Swiss Institute of Comparative Law (2006), *Study of Gambling Services in the Internal Market of the European Union*, European Commission.
- Tam, M.S. (1991), "Tax on Price: A New Commodity Tax Structure for Efficiency", *Public Finance/Finance Publique*, 46(1), 123-133.

ABSTRACT

Beginning with the 1990's, the gaming services sector has undergone several changes that have induced governments to review gambling taxes. We examine the economic rationale behind actual and prospected reforms, analysing the effects of gambling taxes on profits and extending existing industrial organisation results on the effects of cost changes in oligopolistic industries to different types of taxation instruments.

Keywords: Gaming Sector, Government Policy and Regulation, Taxation and Profits

JEL Classification: H22, K34, M38

RIASSUNTO

*L'adeguamento della politica fiscale ai cambiamenti di mercato:
il caso del settore del gioco pubblico*

I cambiamenti che hanno interessato il settore del gioco pubblico in Italia nell'entità e nella struttura della spesa dei giocatori hanno indotto i governi a ripensare profondamente la modalità di imposizione. Questo articolo prende in esame le motivazioni economiche alla base degli interventi riformatori, estendendo alcuni risultati tipici dell'organizzazione industriale relativi agli effetti dei cambiamenti nei costi di produzione di industrie oligopolistiche alle diverse regole di tassazione.

Direttore responsabile: Prof. AMEDEO AMATO
Autorizzazione del Tribunale Civile di Genova N. 334 del 17 marzo 1955

FINITO DI STAMPARE NEL MESE DI MAGGIO 2015

 **erredi**
GRAFICHE EDITORIALI

