



Crown Melbourne Limited 8 Whiteman Street SOUTHBANK VIC 3006

Telephone: Personal Facsimile: Information

#### LEGAL & INSURANCE DEPARTMENT CONFIDENTIAL AND LEGALLY PRIVILEGED

To:

File Note

From:

Debra Tegoni

Date:

April 2013

File:

Gaming Machine's Tax Deduction File (F&B Program)

Subject:

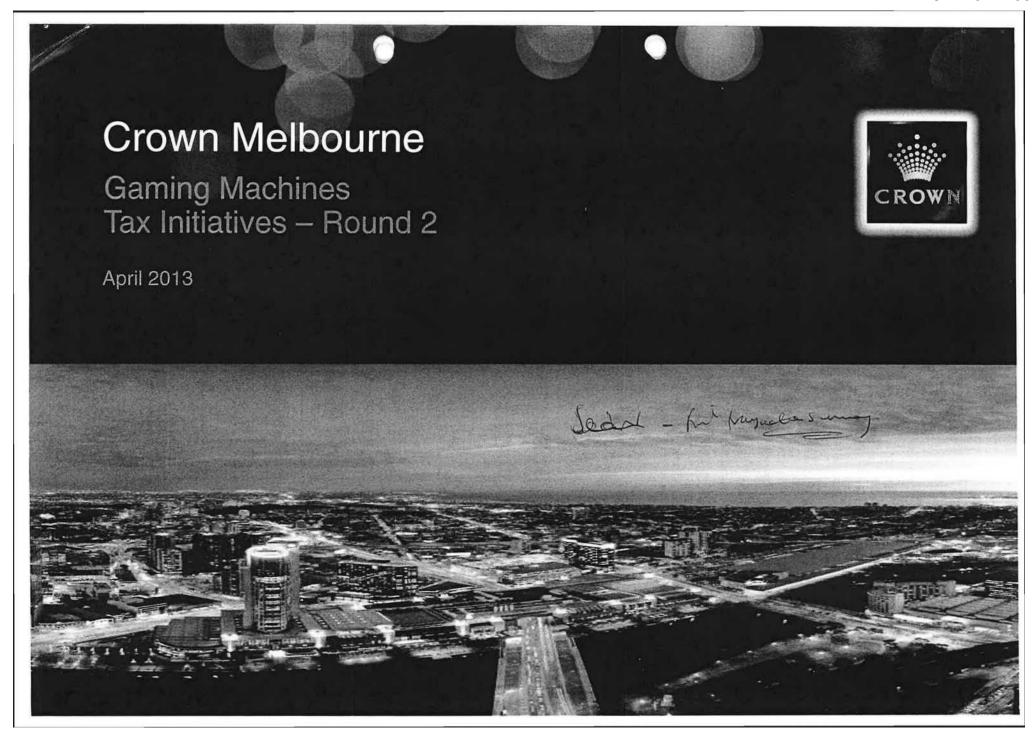
Gaming Machines Tax Initiatives - Round 2

#### CONFIDENTIAL AND LEGALLY PRIVILEGED

#### Notes for Debra Tegoni regarding meeting with Neil Spencer and Peter Herring 10-04-2013

- Basically they are saying that parts of the Crown Signature Club Program, which have been a cost of doing business for the program will be allocated as a deduction where it can be linked with play.
- Essentially it is an internal adjustment whereby where the reward, wining in terms of deduction under the Casino Management Agreement (can be linked to play) than a transfer price deduction will be deducted. If there is no link to play eg silver members who are entitled to general free car parking, Crown will in its discretion continue to offer, as a benefit of membership, car parking. We may be forced to defend this at some point with the Regulator but it is agreed that it is the issue of "winnings" like the other deductions that will potentially be an issue and also this with an additional element of us providing a member benefit and deducting it when it is linked to play, which on one view is appropriate.
- This also applies to the hotel benefit;

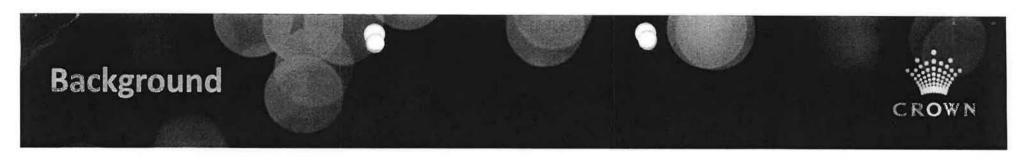
1 DT raised like appeals be TG3. See McLeany



Objective - March 2012



Change Gaming Machines Food Program to be controlled by the Linked Jackpot Equipment to reduce costs and increase profit/margin.



- Gaming Machine Jackpots and Bonuses are issued as part of the linked jackpot environment
- Gaming Machine Jackpots and Bonuses are a deduction from Revenue prior to applying the legislative tax rate
- Linked Jackpot Equipment is tested and approved by the VCGLR and audited at regular intervals
- Crown currently issues to patrons and claims as a tax deduction on bonusing and jackpots on an annualised basis

# Deductable Jackpots and Bonuses - March 2012



**Extra Credits** 



**Welcome Back** 



**Mailed Credits** 



**Consolation Prizes** 



**Jackpot Start-outs** 



**Jackpot Increment** 



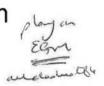
Lucky Time Jackpots



## **Proposed and Implemented**



 Transfer the Issuance control of the Gaming Machine Food Program and Signature Bronze 25 pokie point general parking from Syco to Dacom



- Classify the Gaming Machines Food Program and Signature Bronze 25 pokie point general parking to be a Bonus/Jackpot
- Allow these bonus jackpots to be a Gaming Machine Tax Deduction

## **Deductable Jackpots and Bonuses - F13**







**Welcome Back** 



**Jackpot Start-outs** 



**Jackpot Increment** 



**Mailed Credits** 



Lucky Time Jackpots



**Consolation Prizes** 



2 most

GM Food Bonus Jackpots



GM Parking Bonus Jackpots



The late

#### Round 2 Proposal - Objective



- Staged transition of additional Gaming Machines Loyalty benefits to tax deductable bonus jackpots:
  - Hotel (Platinum and Black Hotel Entitlements)

\$1.8m

- Platinum (2 Free Nights every 6 month renewal period)
- Black (3 Free Nights every 6 month renewal period)
- Parking (All Signature Valet and General Parking)

\$2.5m

- Silver General Free Parking
- Gold General Free Parking and Discounted Valet
- Platinum General Free parking and Valet
- Black General Free parking and Valet

• Room based Complimentary / Discounted

Total \$6.6m @ 30% tax

**Saving \$1.98m** 



## **Round 2 Proposal - Implementation**



- Update Signature Club Rules and Tier Brochures with added conditions on earn criteria for Hotel, Parking and Complimentary Beverage benefits.
  - Draft Examples (Parking and Hotels)
    - General Parking Silver

Eligibility for free general car parking is subject to a member being at Silver tier and earning X points on gaming machines on a prior visit during the membership tier period. If the member has not earned X points on gaming machines on a prior visit during the membership tier period then Silver Tier members will still qualify for free general car parking.

Hotel Benefits - Platinum

Eligibility for the offer of two complimentary hotel nights is subject to a member being at Platinum tier and earning of X points on gaming machines on a prior visit during the membership tier period. If the member has not earned X points on gaming machines on a prior visit during the membership tier period then Platinum Tier members will still qualify for complimentary hotel nights.

#### **Round 2 Proposal – Implementation**



- Update Crown Systems to accommodate:
  - Scenario 1: Gaming Machine Earn Criteria Satisfied: or the restricted
    - Issuance and Redemption of Bonus Jackpot via Dacom
    - Cost of Bonus Jackpot is deducted from Gaming Machine Revenue
  - Scenario 2: Gaming Machine Earn Criteria Not Satisfied:
    - Issuance and Redemption via Syco
    - Cost of Loyalty Benefits expensed via Syco as per current

Transition to new structure rolled out by benefit by Tier over minimum 3 months

25 points

#### **Deductable Jackpots and Bonuses - F14?**







Welcome Back



**Mailed Credits** 



**Consolation Prizes** 



**Jackpot Start-outs** 



Lucky Time Jackpots



GM Food Bonus Jackpots



**Jackpot Increment** 



GM Hotel Bonus Jackpots



**GM Comp Bev** Bonus Jackpots



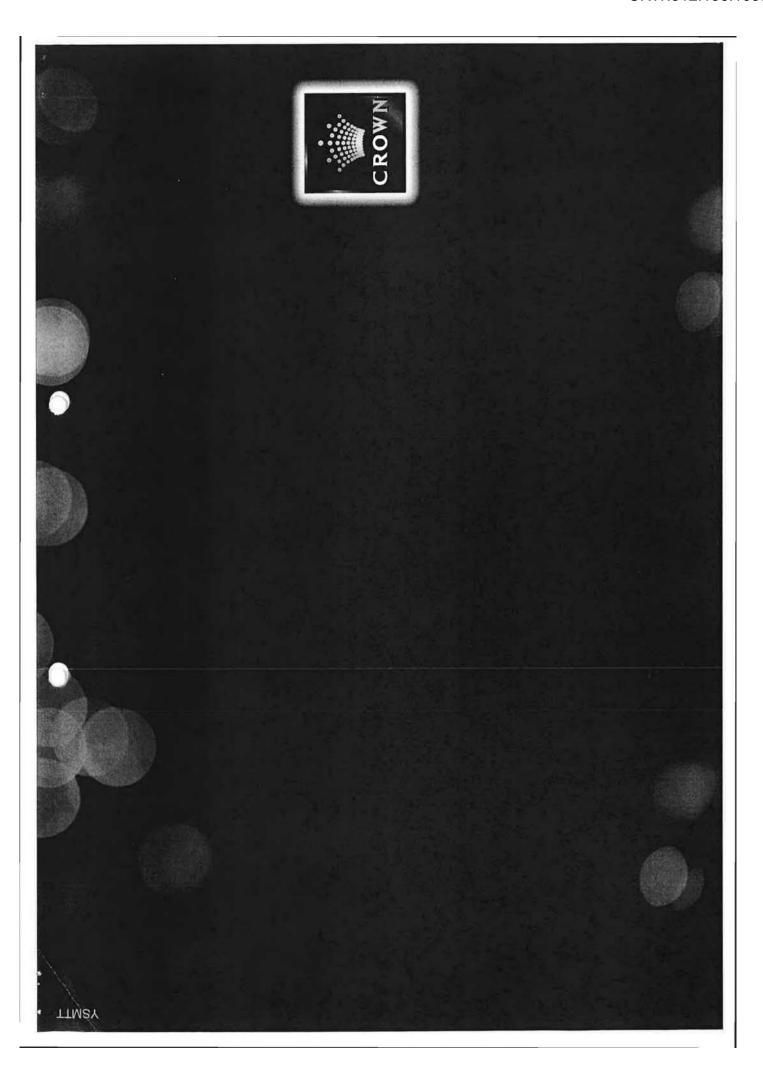
GM Parking Bonus

Jackpots





- Present to Legal and Compliance
- Approval to Proceed
- Create Technical Specification
- System Changes
  - Development
  - Testing
  - System Change Approval
  - Installation



#### **Catherine Young**

Subject: discuss a Tax Deduction initiative for Gaming Machines

**Location:** Legal Team Meeting Room

 Start:
 Wed 10/04/2013 4:00 PM

 End:
 Wed 10/04/2013 5:00 PM

Recurrence: (none)

Meeting Status: Meeting organizer

Organizer: Debra Tegoni

Required Attendees: Peter Herring; Neil Spencer; Legal Meeting Room