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**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**

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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, winning 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 benefits .

DT raised like approach to TGS. / Sean McKeary

Crown Melbourne

Gaming Machines Tax Initiatives – Round 2

April 2013



Sedal - full page 5/11/13



Objective – March 2012



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

Background



- 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

Deductible 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

*play on
Egna
available*

Deductible Jackpots and Bonuses – F13



Extra Credits



Welcome Back



Mailed Credits



Consolation Prizes



*2 \$2M
2 cc 3 mont
17/6/24*

*20/6
GTJ*

Jackpot Start-outs



Lucky Time Jackpots



GM Food Bonus Jackpots



Jackpot Increment



GM Parking Bonus Jackpots



*Internal
transfer
\$1.27*

Round 2 Proposal – Objective



- Staged transition of additional Gaming Machines Loyalty benefits to tax deductible 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

Major

?

e

- ~~Comp Beverage~~ - *variable cost. Swipes & amts for gratuity/audit* \$2.3m
 - Room based Complimentary / Discounted

*Play = wavy
Unltd to
Play.*

Total \$6.6m @ 30% tax
Saving \$1.98m *annualised*

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.

NOT needed in interval

- 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: *on the revenue*
 - 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

Deductible Jackpots and Bonuses – F14 ?



Extra Credits



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**



Next Steps / Timeline



- 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