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Dear Colleagues,

Society Lotteries

I am grateful to the Earl of Clancarty for calling a debate in the House on 16 July on the steps being taken to maximise income from the National Lottery, and its use for the arts and good causes. This timely debate also raised some important issues relating to the Government's consultation on society lotteries reform, and in particular the question of competition between the National Lottery and society lotteries.

In this letter I address the questions that regrettably I did not have time to answer in the debate, and also provide some further background on the Government's current consultation, which may be of interest.

Addressing issues relating to society lotteries raised in the debate

Advertising disparities

The Earl of Clancarty and Lord Foster of Bath expressed concerns regarding the disparities between advertising and marketing spend of some of the larger society lotteries and the National Lottery, and recommended reinstating the pre-2005 expenses cap on society lotteries of 15%. The Government has no current plans to reintroduce an expenses cap. This was addressed in the Gambling Commission's advice on society lotteries. The Commission has a role in considering whether a society lottery's expenses are reasonable. They feel a cap would limit the flexibility which lotteries have in deciding how best to apportion their proceeds. A cap on expenses may prevent or inhibit new large lotteries developing, as marketing costs are often high at the outset, and it can take a number of years for a lottery to establish itself.

Tax on society lotteries

The Earl of Clancarty and Lord Foster of Bath, together with Lord Griffiths of Burry Port also raised the issue of tax on society lotteries, in particular on umbrella lotteries such as the Health Lottery and People's Postcode Lottery. It is the case that the National Lottery is subject to 12% Lottery duty on every ticket sold, and that society lotteries do not pay this duty or other gambling duties on ticket sales. This is because they are treated on a par with fundraising for registered charities.

However, where a society uses an External Lottery Manager to run its lottery, as is the case with many umbrella lotteries, the ELM will be subject to corporation tax in the normal manner.

Lotteries sector differentiation

Lord Foster of Bath asked if the Government still believe that that distinction between society lotteries, with their relatively low prizes and generally limited distribution, which differentiates them from the National Lottery should be maintained? We do indeed continue to support that distinction and the National Lottery's monopoly status. In 2016/17 the society lotteries sector raised a record £255 million for good causes, whereas the National Lottery raised over £1.6 billion, and a total of more than £38 billion to date. The Gambling Commission has advised that the preferred options for changes to sales and prize limits in the consultation are likely to have minimal impact on the National Lottery.

Background on society lotteries

Society lotteries raise hundreds of millions of pounds every year for many causes, and lotteries are also used as a fundraising tool for charities and non-commercial organisations. They are subject to sales and prize limits, and are required to allocate a minimum of 20% of their ticket sales to their chosen good cause. However, the average contribution in the sector is well above this at 43%.

Society lotteries reform consultation

Government launched a consultation on society lotteries reform on 29 June 2018, and will close on 7 September 2018. The Government's aim in looking at changing the sales and prize limits of society lotteries is to allow for further growth in the society lottery sector, whilst ensuring that growth does not have a detrimental impact on the National Lottery.

The consultation includes a wide range of options for changing society lottery sales and prize limits, in the following areas:

- Large society lotteries: sales limits for individual draws
- Large society lotteries: prize limits for Individual draws
- Large society lotteries: annual sales limits
- Small society lotteries: individual draw and annual sales limits

The Government's preferred options for large society lotteries are:

- To raise the current individual per draw sales limit from £4 million to £5 million
- To raise the current individual per draw prize limit from £400,000 to £500,000
- To raise the current annual sales limit from £10 million to £100 million

I hope this has been helpful. I will place a copy in the House of Lords Library and send a copy to all Peers who spoke, and Lord Ashton of Hyde.

*With best wishes,
James Younger*

VISCOUNT YOUNGER OF LECKIE