

To: [REDACTED]
From: Jason Cremona [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=1BA6BB88F273419A99B93FB3D2582E0F-JASON CREMO]
Sent: Tue 2021/06/08 12:56:52 PM (UTC+10:00)
Subject: FW: Crown

From: Jason Cremona
Sent: Wednesday, 6 June 2018 1:15 PM
To: Catherine Myers [REDACTED]
Cc: Alex Fitzpatrick [REDACTED]
Subject: RE: Crown

Catherine,

As requested for your consideration:

Cate,

In relation to your email below, I provide the following dot points which hopefully address the various concerns expressed:

- *current Crown system capabilities allow players to convert loyalty points and promotional vouchers earned, into credits on gaming machines. As these are not accompanied by cash into the machine, they are treated as 'bonuses' paid out by Crown, in addition to standard EGM game wins or jackpot wins. Since inception, Crown has been able to deduct bonuses from gaming machine revenue*
- *Bonus jackpots/prizes differ from standard 'jackpots', however standard jackpots are also deducted from revenue in the form of contributions to jackpot pools and start outs paid (upon awarding the jackpot)*
- *Using the definition of 'bonus jackpots' as defined in the Technical Requirements, and articulated in your email, it is not a condition that the EGM must award the prize, nor does the awarding of the prize have to relate to gaming machine play. The technical requirements, which are severely outdated and currently being revamped by BMM via an external engagement through the Licensing Division, require an external device to instruct the EGM to pay a prize. Since Crown's inception, the interpretation of 'bonus jackpot/prizes' has included bonus credits to the EGM, transfer of rewards points to credits, and awarding redeemable prizes, ie; food and beverage vouchers, car park passes, etc.*

In relation to the Gross Gaming Revenue (GGR) calculation applied to gaming machines at the Casino, the calculation extends beyond revenue minus winnings. GGR is calculated as Turnover less game wins less jackpots (contributions plus start-out) less bonuses.

Upon redeeming a 'bonus', as a credit to a machine or a tangible prize (F&B voucher as an example), the impact on the GGR calculation is:

1. *Credits to Machine: Turnover is accumulated, as such credits cannot be cashed out, and so is bonus jackpots. Therefore, the net tax impact of the bonus payouts is nullified.*
2. *Awarding of F&B Voucher or other redeemable voucher: upon redemption, the GGR calculation accounts for the value of this as a bonus prize. This clearly only include 'bonus vouchers' awarded through the conduct of gaming on the gaming machine, and not vouchers earned via other loyalty schemes (ie; hotel stays, etc)*

Essentially, because Crown has awarded 'bonuses' from/to a gaming machine, and has not received a cash inflow for the awarding of the prize, it has always been an allowable deduction from Gaming Revenue.

Happy to discuss further if you have any concerns re this accounting treatment of bonus payouts.

regards

Jason Cremona CPA
Manager, Licence Management & Audit
 Licensing Division

Phone: [REDACTED]

Mobile: [REDACTED]

From: Catherine Myers
Sent: Wednesday, 6 June 2018 9:41 AM
To: Jason Cremona [REDACTED]
Cc: Alex Fitzpatrick [REDACTED]
Subject: RE: Crown

Thanks for the explanation Jason.

Can you please turn this into a factual response (exclude commentary) and then I can send it back to Cate?

Much appreciated.

Catherine

From: Jason Cremona
Sent: Wednesday, 6 June 2018 9:37 AM
To: Catherine Myers [REDACTED]
Cc: Alex Fitzpatrick [REDACTED]
Subject: RE: Crown

Catherine,

A couple of points in response to Cates email:

- current system capabilities allow players to convert loyalty points and promotional vouchers earned to credits on gaming machines. As these are not accompanied by cash into the machine, they are treated as bonuses, of which Crown are able to deduct from gaming revenue (revenue calculation outlined further below). If not, Crown will be paying tax on investments for which it has received no player contributions.
- I can't see any issue with Crown offering players free or bonus loyalty points or promotional vouchers, rather than points awarded from EGM play. This has been accepted for many years, probably since Crowns inception.
- Bonus jackpots differ from standard 'jackpots'. Jackpots are also deducted from revenue in the form of contributions to jackpot pools and start outs paid (upon awarding the jackpot).
- A condition of 'bonuses' is not that the EGM must award the prize, nor does it have to relate to gaming machine play. The technical requirements outlined in Cates email, which are severely outdated and currently being revamped by BMM via an external engagement through Licensing, merely require an external device or 'bonus system' to instruct the EGM to pay a prize. My interpretation is that it does not require the EGM to award the prize from game play. This has been interpreted forever and a day to be in the form of credits to the EGM or redeemable prizes, ie; food and beverage vouchers, car park passes, etc.
- I am unsure how to respond to Cates comment that 'bonus jackpots are not taxable....because jackpots are considered winnings'. Bonus payouts are winnings per se because the player does not pay for the value of the credits to the machine or the external prize voucher, therefore it is a win to them. This has again, been accepted for quite some time. Welcome Back is the classic Crown bonus. A patron plays on a machine and earns points to achieve a 'welcome back bonus'. On return to Crown, their player card automatically recognizes they have achieved/awarded this bonus and awards a value of credits to the machine. At this point, the tax treatment allows the value of the credits to be deducted from gaming tax. The player cannot cash out these credits, therefore upon playing them they are treated as taxable revenue (turnover). However because Crown has awarded this as a 'bonus' and has not received a cash inflow for the awarding of the credits, it deducts this as a bonus.

Just an FYI, the gaming tax calculation for Crown is:

TURNOVER - WINS FROM GAMING MACHINES PLAY – JACKPOTS (contributions + startout) – BONUSES

Therefore Bonus payouts on a machine, whether credits or rewards, have always been treated as a tax deduction

I hope this provides the right advice you need, however it is quite difficult to interpret Cates email with little evidence regarding the specific product she is referring to.

But essentially, on face value, current operations at Crown allow for deduction of 'bonus payments' from gaming tax, including conversion of loyalty points or redemption of bonus promotions, both of which occur where the EGM is instructed to pay a bonus prize to the player (credits to the meter).

Regards

Jason Cremona CPA
Manager, Licence Management & Audit

Licensing Division

Phone: [REDACTED]

Mobile: [REDACTED]

From: Catherine Myers
Sent: Tuesday, 29 May 2018 9:01 AM
To: Jason Cremona [REDACTED]
Cc: Alex Fitzpatrick [REDACTED]
Subject: Fwd: Crown

Hi Jason

As discussed this is the information Cate sent through to me. Can you please review and provide me with some advice?

Thanks

Catherine

Begin forwarded message:

From: [REDACTED]
Date: 28 May 2018 at 5:44:41 pm AEST
To: [REDACTED]
Cc: [REDACTED]
Subject: Crown

Catherine

Further to our telephone conversation this evening, I think it goes like this:

Crown wants to give a benefit to a high value gaming machine player. They award them "free loyalty points", which can then be converted by the player into gaming machine credits when the player inserts his or her card into an EGM.

Crown accounts for this as a "bonus jackpot" - see below - even though the amount is not related to gaming machine play as would be the case with other jackpots (which are 'won' at the gaming machine - I don't see how it could be considered to be a "prize")

Because it is deemed a 'bonus jackpot' the amount is not taxable as "Gross Gaming Revenue" under the Casino Management Agreement because jackpots are considered winnings (ie total revenue minus winnings = taxable GGR)

I think this is worthy of investigating.

Technical Requirements for Gaming Machines
and Electronic Monitoring Systems
in the Melbourne Casino

7.1.5 Bonus Jackpot

A Bonus Jackpot is one where an EGM is instructed by an external device to pay additional bonus prizes where the amount/multiplier, bonus eligibility criteria and time period are specified by the external device.

Cate Carr
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