

TRENDS IN THE DEVELOPMENT OF THE GAMBLING BUSINESS IN UKRAINE

ТЕНДЕНЦІЇ РОЗВИТКУ ГРАЛЬНОГО БІЗНЕСУ В УКРАЇНІ

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The gambling industry in Ukraine is going through a period of transformation as the government tries to find a balance between business interests and social responsibility. After the adoption of the Law on Gambling in Ukraine in 2020, this market was legalized. There are certain features of the regulation of this business that are worth considering in more detail. In 2024, new legislation aims to curb excesses, allowing the industry to continue to develop in the right direction. Interesting changes have occurred relatively recently, which is why most users may not yet know what to expect from online casinos and bookmakers in the coming years.

After a long ban, gambling was legalized again in Ukraine in 2020. Since then, the online gambling market has been growing rapidly, although not without problems. According to expert estimates, the volume of the Ukrainian gambling market in 2024 will reach about 40 billion hryvnias, with the lion's share falling on the online segment. However, despite the high volumes, the gambling business has not yet become a significant source of revenue to the budget due to a number of unresolved issues, including the activities of illegal operators, taxes on the Ukrainian gambling business, regulatory shortcomings and the lack of effective government supervision. Cases of gambling addiction and related social problems are also not uncommon.

In an attempt to correct the situation, the government is taking a number of measures to strengthen market regulation. On April 20, 2024, the President of Ukraine enacted the decision of the National Security and Defense Council "On Counteracting the Negative Consequences of Gambling on the Internet", which provides for a number of tighter restrictions.

The main measures include restricting the advertising of gambling in Ukraine, introducing restrictions on participation in online casinos, including bets, implementing an online monitoring system, and banning gambling for military personnel. Measures are also provided to fight with gambling addiction and strengthen sanctions against violators. Although some initiatives have been criticized as insufficiently elaborated and over-regulated, especially in the context of customer protection, in general, these measures are aimed at increasing market security and transparency.

Key words: gambling business, gambling, legalization of gambling business, Gambling and Lottery Regulation Commission, administrative and legal regulation.

Індустрія азартних ігор в Україні переживає період трансформації, оскільки уряд намагається знайти баланс між інтересами бізнесу та соціальною відповідальністю. Після такого як у 2020 році було прийнято закон про азартні ігри в Україні, цей ринок було легалізовано. Є певні особливості регулювання цього бізнесу, які варто розглянути детальніше. У 2024 році нове законодавство має на меті приборкати надмірності, дозволяючи галузі продовжувати розвиватися в правильному напрямку. Цікаві зміни відбулися відносно нещодавно, через що більшість користувачів поки що можуть не знати, чого варто очікувати від онлайн-казино та букмекерських контор в найближчі роки.

Після тривалої заборони азартні ігри були знову легалізовані в Україні у 2020 році. Відтоді ринок онлайн-гемблінгу стрімко зростає, хоча й не без проблем. За експертними оцінками, обсяг гемблінг-ринку України у 2024 році сягне близько 40 мільярдів гривень, причому лівова частка припадатиме на онлайн-сегмент. Однак, попри високі обсяги, гральний бізнес ще не став значним джерелом надходжень до бюджету через низку невирішених питань, зокрема діяльність нелегальних операторів, податки на гральний бізнес України, недоліки регулювання та відсутність ефективного державного нагляду. Випадки ігрової залежності та пов'язані з нею соціальні проблеми також не рідкість.

Намагаючись виправити ситуацію, держава вживає низку заходів щодо посилення регулювання ринку. 20 квітня 2024 року Президент України ввів у дію рішення Ради національної безпеки й оборони «Про протидію негативним наслідкам функціонування азартних ігор в мережі Інтернет», яке передбачає низку жорстких обмежень.

Основні заходи включають обмеження реклами азартних ігор в Україні, введення обмежень на участь в онлайн-казино, включаючи час і ставки, впровадження системи онлайн-моніторингу, заборону азартних ігор військовослужбовцям. Також передбачено заходи щодо боротьби з ігровою залежністю та посилення санкцій до порушників. Хоча деякі ініціативи критикують як недостатньо продумані та зарегульовані, особливо в контексті захисту споживачів, загалом ці заходи спрямовані на підвищення безпеки та прозорості ринку.

Ключові слова: гральний бізнес, азартні ігри, легалізація грального бізнесу, Комісія із регулювання азартних ігор і лотерей, адміністративно-правове регулювання.

Problem Statement. The relevance of government regulation of the gambling business in Ukraine is conditioned by a number of economic, social and legal aspects. Legalization of gambling and its careful regulation allow not only to provide the government with stable tax revenues, but also to protect the interests of citizens, reduce the risks of social problems and increase the transparency of the activities of gambling operators.

State of scientific research on problematic. The historical, social, legal and economic essence of the gaming business and gambling sector in Ukraine and other countries during different time periods has been the subject of research by such scientists as Burlakov B. M., Bezzub I. V., Zaborovsky V. V., Kostyuchenko O. D., Lukash E. Yu., Manzyuk V. V., Pogoretsky M. A., Profatilo K. V., Toporetska Z. M. and others.

The aim of the article is a study of the current state of the gambling business market in the context of legal support and government regulation.

Main material. To achieve the set goal, we propose to determine the goals of government regulation of gambling in Ukraine. Government regulation of the gambling business is defined by a number of legislative acts, the main of which are the Law of Ukraine "On Government Regulation of Activities in the Sphere of Organization and Conduct of Gambling" and the Tax Code of Ukraine. According to them, government regulation of gambling has several key goals:

1. Ensuring social responsibility and protection of citizens:

The main goal is to protect the rights of citizens, including ensuring access to gambling only for persons over 21 years old (in some cases with the possibility of restricting access based on medical indicators).

The goal is also to fight with gambling addiction by introducing measures to help players suffering from addiction and obliging operators to take measures to reduce the risks of gambling addiction among the population.

2. Legalization and control:

One of the main goals is the legalization of gambling, which allows the government to establish clear rules for its conduct, including operators licensing, their activities monitoring and ensuring safety and integrity standards.

Creating a clear licensing system allows to minimize the activities of illegal operators, which improves government control.

3. Ensuring economic benefits and increasing tax revenues:

Gambling is a source of significant tax revenues to the state budget. Government regulation of this sphere makes it possible to monitor and collect taxes from gambling organizers, which allows them to finance social programs and support the national economy.

Tax revenues from this activity are used to finance various social initiatives, such as supporting people affected by gambling addiction, as well as other social programs.

4. Preventing criminal and fraudulent schemes:

Since gambling was largely carried out in the shadow sector before legalization, the goal of government regulation is to ensure the safety of participants and to stop illegal gambling that can lead to fraud and other criminal offenses.

5. Creating a transparent and competitive market:

Government regulation of gambling aims to ensure transparency and fairness in the activities of gambling operators, which helps create a competitive environment and reduces the likelihood of manipulation of game results.

Important are the norms that relate to the technological aspects of gambling (in particular, for online games), ensuring their fairness and security.

6. Preventing the growth of negative social consequences:

One of the key goals is to minimize the negative social consequences of gambling. This includes measures to reduce gambling addiction, implementing information campaigns, and imposing restrictions on gambling advertising [1; 2].

We agree with Bodrov Y. V., who defines administrative and legal regulation in the sphere of organization and conduct of gambling. Namely, that it is the creation of legal conditions for effective public administration of this sphere, sustainable economic development of the state and its regions, establishment of the principles of economic diversity, realization of private and public economic interests, unhindered realization of property rights and the right to entrepreneurial activity [3, p. 293].

However, in the process of government regulation and implementation of the goals set in the gambling business, problems arise that are related to both the quality of such government administration and external influences, such as the war with Russia. On the one hand, the government reports on tax revenues from the gambling business to the budget. According to the head of the relevant committee of the Verkhovna Rada of Ukraine, Danylo Getmantsev, the organizers of gambling games paid UAH 11.7 billion taxes to the state budget of Ukraine for eight months of 2024, which is 2.1 times more than for the same period last year. And here:

The main sources of revenue are income tax – 63.6% and personal income tax – 35.9%.

UAH 7.4 billion of income tax was paid in January-August. “This is compared to UAH 2.5 billion that the gambling business paid in the same period in 2023.

Personal income tax revenues also increased: UAH 4.2 billion was paid in 2024 compared to UAH 3.1 billion in 2023 [4].

On the other hand, the first deputy chairman of the Finance Committee of the Verkhovna Rada of Ukraine, Yaroslav Zheleznyak, says that a bill was approved in the first reading, which, in particular, liquidates the Commission

for the Regulation of Gambling and Lotteries (hereinafter referred to as the Commission), creates tighter restrictions for advertising and removes “any mention of the military so that this is not manipulated in advertising”. He explains the need for changes by saying that: “The legalization of the gambling business took place “through one place”, and this place is not the head. Because many things have obviously emerged as problems. Starting with advertising – which is de jure prohibited, de facto you see it all over Kyiv, and not only Kyiv – and ending with the online monitoring system, which is written on paper, but still does not exist in practice” [5].

According to him, the bill contains a lot of steps aimed at fighting with gambling addiction. These are restrictions on advertising, an impeccable business reputation of the owners and management of gambling operators, the possibility of blocking illegal websites, and so on. He also noted that a “simpler” body should be created on the basis of the Commission for the Regulation of Gambling and Lotteries, which would more effectively perform the functions of regulating the gambling market [5].

The question arises, what is wrong with the Commission for the Regulation of Gambling and Lotteries, as a body that, according to the Regulation on the Commission for the Regulation of Gambling and Lotteries, “is a central executive body with a special status that ensures government regulation of activities in the field of organizing and conducting gambling and lotteries, the activities of which are directed and coordinated by the Cabinet of Ministers of Ukraine” [6]. This issue is widely covered in the works of Profatilo K. V. Thus, as Profatilo K. V. notes, currently the Commission for the Regulation of Gambling and Lotteries, in fact remaining a relatively new and small central body of executive power, concentrates a fairly wide range of regulatory, organizational, licensing and registration, control and other powers in the sphere of gambling with potentially high corruption risks. Therefore, ensuring the coherence and consistency of the principles, tasks and functions of the Commission for the Regulation of Gambling and Lotteries, their adequacy and compliance not only with the current needs of government regulation in the field of organizing and conducting gambling and lotteries, but also with the rights and interests of gambling organizers, lottery operators, etc. [7, p. 50].

In another article, analyzing the mechanism for implementing the Commission’s tasks, Profatilo K. V. points to the following gaps, namely, that a significant part of the administrative and legal regulation of the status of the Commission for the Regulation of Gambling and Lotteries consists of subordinate normative and legal acts, which, compared to legislative acts, provide an operational and detailed definition of the rules of organization and activity of this central body of executive power and its individual divisions. At the same time, the general disadvantages of such subordinate regulation are its disorderliness, the actual substitution of missing profile legislative acts, duplication and inconsistency of certain legal norms, and in some cases, the haste of their adoption and amendment. In view of this, improving the organization of the activities of the Commission for the Regulation of Gambling and Lotteries requires balancing and coordinated development of legislative and subordinate normative and legal regulation of its status [8, p. 37].

We also agree with the opinion of Profatilo K. V. regarding the presence of functions not inherent to a control body in the Commission Regulations documents, in particular regarding the creation of favorable conditions for attracting investments in the sphere of gambling and ensuring equal business conditions in this sphere [9, p. 178]. These regulations should be ensured by the relevant ministry through the development of economic development programs and the creation of favorable conditions for attracting foreign investments. And these are only fragmentarily identified problems of government regulation in the sphere of gambling business.

Conclusion. Ukraine is actively developing the gambling infrastructure, ensuring legal regulation through clear licensing and monitoring rules. However, there are certain challenges related to bureaucracy, social aspects and international competition. To ensure sustainable development of the gambling business, it is important to continue improving legislation

and eliminating illegal operations. The government declares an increase in tax revenues from the gambling business, and in the meantime, it is developing draft laws to improve the activities of the Commission (including its liquidation and creation on the basis of a new body), recognizing that problems with government regulation of the gambling business exist.

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