

LITHUANIA

Country Report

NGGBA - National Gambling and Gaming Business Association was registered on the 5th of October, 1994 year. The Chairman of the Board is Mr. Samoilas Kacas (Contact e-mail: association@mail.lt).

NGGBA is the oldest and the biggest gambling and gaming business unification in Lithuania. Its' main target is to defend the rights of the consumers, business people participating in gaming and gambling business. NGGBA from the end of 1994 strived for the legalization of gambling in Lithuania, actively participated in this process. In 2001 in May gambling in Lithuania was legalized. NGGBA also actively participates in the improvement of the Gambling Law and other Law acts. Currently the modifications of the Gambling Law are proposed, and we would appreciate the help of EUROMAT to help them come into effect.

The NGGBA tries to attain these main objects:

The consolidation of the European moderate gambling market in Lithuania, conscientious gambling organization, the limpidity of the gambling market, that would form the basis of social responsibility for society. NGGBA strives for healthy society leisure time activity in the market segment. Trying to attain these objectives NGGBA actively participates in the educative activities (articles and publications in the press, participation in telecasts and etc.), keeps in touch with the competent institutions of the State.

NGGBA unites the absolute majority of the companies having licensees to organize the gambling on B category machines, the betting company, the biggest gaming business representative companies, companies importing and repairing gambling and gaming equipment.

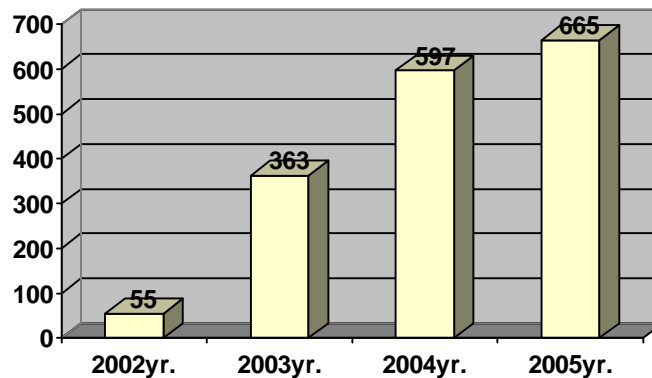
SIZE OF INDUSTRY

In the end of 2004 year there were 39 arcades (597 B category machines are being exploited in them), 1 bingo salon and 118 betting centers in Lithuania. Comparing to the year 2003 the number of arcades increased by 18 (i.e. 66 %), the number of betting centers increased by 65 (i.e. 122%). During the first quarter of 2005 year the number of gaming arcades increased by 5 units, and the number of betting centers increased also by 5 units.

There are currently 170 types of non pay out machines registered, and 400 machines are being exploited.

Comparing to 2003 year the number of B category machines increased by 234 units (i.e. 64 %). And during the first quarter of 2005 year the total number of B category machines increased by 68 units, which now makes the total of 665 gaming machines of category B in the market. Currently certificates issued by 6 laboratories are accredited.

The Dynamics of the Number of Gaming Machines of Category B (2002-2005 year)



As the new legislation is being proposed, the organizers of gambling on B category machines hope that the new changes will be approved- i.e. that the multiplayer machines, pushers, and the inner accumulative funds will be allowed in the gaming arcades. The organizers also hope for the allowance of single sites. As currently it is becoming difficult to attract the clients, when there is so little to offer in the sector.

The Dynamics of the Number of Gambling Organization Places (2002-2005 year)

	Company	The Number of Gambling Organization Places											
		Gaming arcades				Betting centers				Bingo salons			
		2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
1	JSC „Olympic Casino Group Baltija“	2											
2	JSC „Nesé“	1	1	3	3								
3	JSC “Lydia Ludic”	3	10										
4	JSC “Jokey club”		6										
5	JSC “Tete-a-tete” kazino		3	23	25								
6	JSC “Egivela”		2	5	5								
7	JSC „Unigames“			8	11								
8	JSC „Top Sport“					3	33	70	72				
9	JSC “Orakulas”						19	35	37		1	1	1
10	JSC “Omnibetas”						9	13	14				
	Total	6	22	39	44	3	61	118	123	0	1	1	1

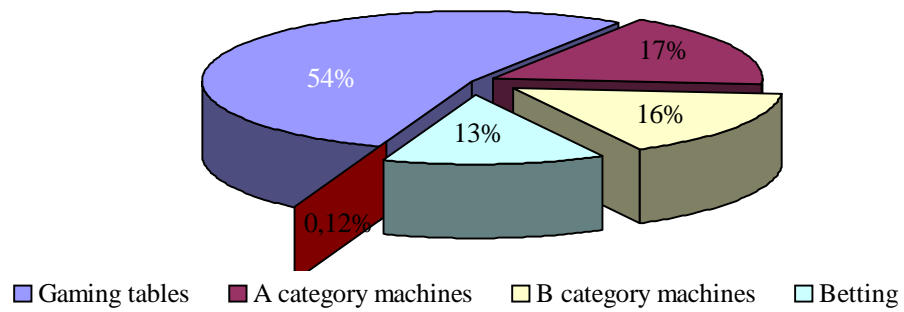
In 2004 year there were 5 companies organizing gambling on B category machines and 3 companies organizing betting.

The Activity Indexes of the Companies Organizing Gambling

Reporting period	Income	Winnings	Result from gambling activity	The number of companies	The number of gaming devices, betting centers
The companies organizing gambling on B category machines					
I quarter, 2004 yr.	8.546.445	6 912 980	1.633.465	5	450
II quarter, 2004 yr.	11.212.699	9.511 773	1 700 927	3	366
III quarter, 2004 yr.	13.335.468	11.241.731	2.093.737	3	502
IV quarter, 2004 yr.	21 450 045	18 045 657	3 404 389	3	597
Total 2004 year.	54 544 658	45 712 141	8 832 517	3	597
2003 year indexes:	7 551 741	6 144 188	1 407 554	5	363
I quarter, 2005 yr.	23.117.313	19.585.349	3.531.964	3	665
Companies organizing betting					
I quarter, 2004 yr.	9.619.870	8.103.320	1.516.550	3	92
II quarter, 2004 yr.	13.551.310	11.465.450	2.085.860	3	109
III quarter, 2004 yr.	13.363.141	12.160.304	1.203.837	3	111
IV quarter, 2004 yr.	13 243 007	11 019 347	2 223 659	3	118
Total 2004 year.	49 778 328	42 748 421	7 029 907	3	118
2003 year indexes:	7 729 593	5 458 242	2 271 350	3	61
I quarter, 2005 yr.	15.368.884	12.691.883	2.677.001	3	123

The income of the companies organizing gambling on B category machines (2 companies stopped their activity) increased 7.2 times and in 2004 year was 54,5 million LTL (in 2003 year it was 7.5 million LTL). The income of the companies organizing betting increased 6.4 times and was 48.9 million LTL (in 2003 year – 7.7. million LTL).

The Repartition of the Income of the Companies organizing Gambling according to the types of Gambling in 2004 year

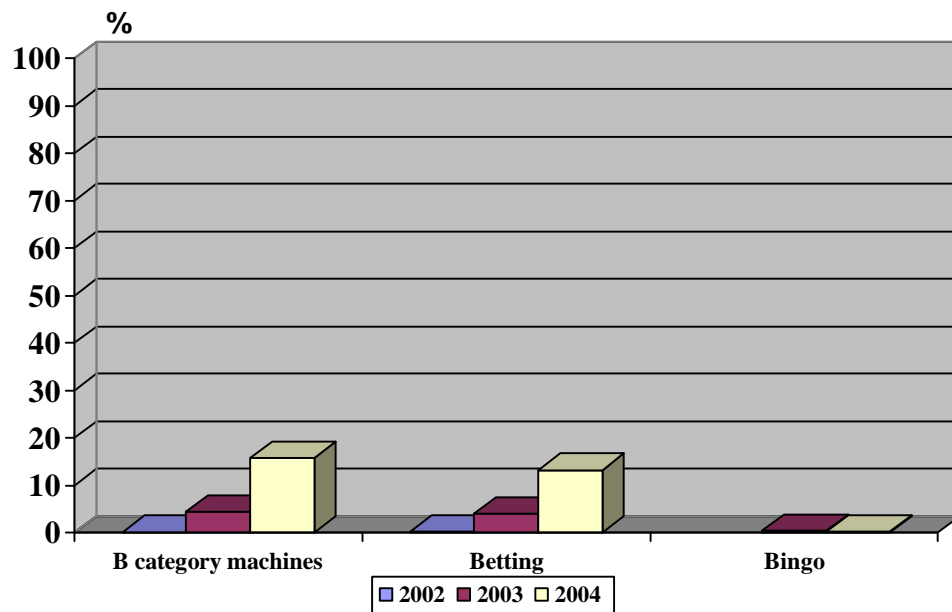


The revenue of the companies organizing gambling on B category machines made 17%, and the income of the organizers of betting – 13% and bingo – 0.12%.

The Dynamics of the Income Structure According to the Types of Gambling (2002-2004 year)

	2002 year, %	2003 year, %	2004 year, %
Gaming tables	58,48	69,17	53,55
A category machines	41,24	22,01	17,38
B category machines	0.07	4.45	15,76
Betting centers	0.21	4.05	13.19
Bingo		0,32	0,12

The Changes of the Market Structure

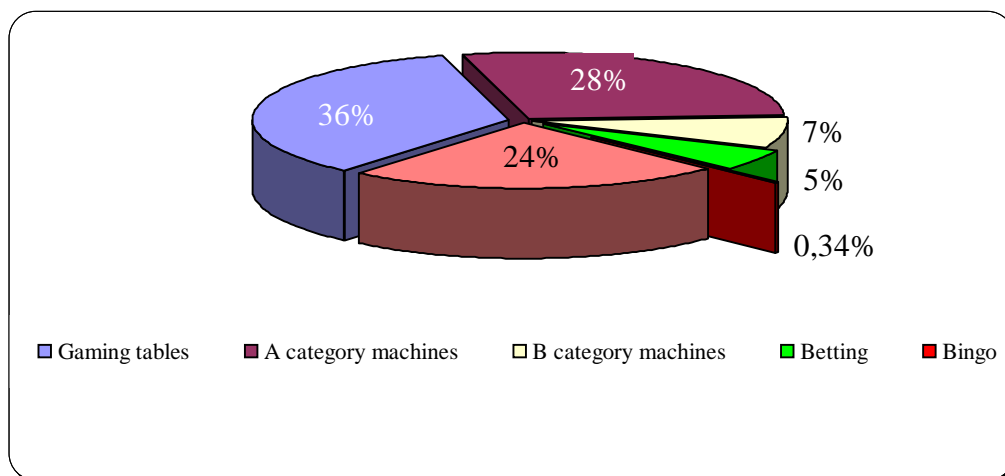


During the 2004 year the share of the market of B category machines increased by 11.31%, the share of betting increased by 9%, however it is clearly seen that they still have too little of the market, and that the gaming houses (casinos) have occupied the market.

TAXATION

The taxation period in Lithuania is a quarter of the year. The gaming houses (casinos) and the gaming arcades pay taxes according to the number of exploiting gaming machines: for the gaming table – 12 000LTL, for the category A machine (in casinos) -1800LTL, and for category B machine (in gaming arcades) – 600LTL per quarter. The organizers of bingo, totalizator, and the betting, pay the 15% tariff from the gambling taxes base (the difference between pay-in and pay-out). The organizers of the lotteries pay 5% from the value of the distributed lottery tickets.

The Repartition of the Gambling and Lotteries Taxes According to the Gambling Types in 2004 year



The principles of the tax system currently in force are as follows:

1. The fixed tax from each equipment item of the gambling market (a slot-machine, a table).
2. The amount of levied taxes - other conditions being equal - mostly depend on the number of equipment items in the market.
3. The laws on taxes in the gambling market promote unwholesome competition, i.e. the state benefits from the larger amount of slot-machines acting in the market because it is believed that consequently more and more taxes will be levied.
4. The tax system currently in force also distort the social costs, i.e. the tax system stimulates the state to encourage the industry of gambling-houses (casinos), which is on principle orientated into the most venturesome gamblers. The highest social costs of the state will arise particularly from this industry in the future, since most people come off losers and the largest amounts are gambled away particularly in gambling-houses (casinos).
5. The tax system currently in force also distort the structure of both the gambling market and lottery market, in which gaming houses (casinos), gaming arcades with the slot machines of B category, bingo salons, lotteries and betting centers should operate taking into account the motivation and needs of consumers, social costs of the state and the experience countries of the EU. Currently, gambling-houses (casinos) and lotteries dominate in the market due to the distorted tax system.

The principles of the proposed new tax system:

1. The table gambling and slot machines of A category should be rated with the percentage from the result received in the place of organization. The base of rating is the result of gambling, i.e. from the difference of the received inflows and paid out winnings.
2. Taxing period should be one month but not a quarter, as it is currently. In such case, the term of repeated start of business while starting gambling houses (casinos), gaming

arcades with the slot machines of B category, bingo salons, betting centers would be a month and not a quarter as it is now. This is very important factor for the development of business.

3. The taxing period should be the first decade of the next month.
4. The amount of levied taxes in such case would depend not only on the equipment items but also on the factors determined by the competition, i.e. place which determines attendance, service level etc.
5. The new tax system also encourages the competition, since the main aim of business becomes not to pay the taxes, but to earn the incomes.
6. The most important thing is that the new tax system will stimulate the competition inside the segments of the gambling market, i.e. there must be internal competition, among gambling-houses (casinos), gaming arcades with the slot machines of B category, betting centers etc. separately.

NOTES:

- *1 EUR = 3.4528 LTL*
- *Gaming machine games:*

- a game by gaming machine of category A is played by putting tokens into the gaming machine and the winnings is paid out through the gaming machine in tokens. The result of the game and the amount of the winnings are determined by the gaming machine.

A category gaming machines can be exploited only in gaming houses (casinos).

- a game by gaming machine of category B is played by putting metal coins and (or) tokens into a gaming machine and the winnings is paid in money or tokens. The result of the game and amount of the winnings are determined by the gaming machine.

B category gaming machines can be exploited only in gaming arcades.

Sources of Information:

- *State Gaming Control Commission website: <http://www.vlpk.lt>*
- *Article “Will Gambling in Lithuania Become European?” by S.Kacas, published in the magazine “Veidas” (“The Face”), 2005-02-17.*

*Country Report made by **Dovile Buinauskaite**, e-mail: dovile@tatkazino.lt*