

# G3-247 Report

BULGARIA MARKET REPORT

## Striking the right gaming balance

We last visited the Balkans seven years ago and there have been several changes since then as we re-visit Romania and Bulgaria. Most importantly the online gaming sector has made its mark and in particular, the online market in Bulgaria is a prime example of how it can be done.



Bulgaria is home to many prehistoric sites, historical buildings and beautiful architecture. It once served as a bridge between the Eastern and Western Roman Empires and today is still a strategic focal point.

It is said to be the oldest country in Europe and today it is marked with reminders of its history which is a huge pull for tourism coupled with the cheap offerings in terms of hotels, beach life and night time entertainment.

Bulgaria is located in south east Europe and is bordered by Romania to the north, Serbia and Macedonia to the west, Greece and Turkey to the south and the Black Sea to the east.

It is Europe's 16th largest country and is made up of 28 provinces which take their names from their capital cities. These provinces are then divided into 264 municipalities.

Bulgarian lands were developed during the Neolithic period and ancient history saw the

- 01 In 716 AD, the Bulgarians, under the command of Kanasubigi Tervel, came forward at the gates of Constantinople to help the Byzantines against the Muslim threat. In a crucial battle in 718 AD the Bulgarian cavalry defeated the Arabs. Tervel's sweeping victory left between 60,000-90,000 dead and put an end to the penetration of the Old Continent through the Balkan Peninsula. Historians have called Tervel "The Saviour of Europe."
- 02 Bulgaria is the only country in the world to have fired an elected municipal official over playing Farmville. In 2010, Dimitar Kerin, a Plovdiv city councilor, was dismissed in order to "have more time to tend to his virtual farm."
- 03 Bulgaria was once home of the Thracians, and a certain hero called Spartacus was born here.

Thracians and later the Greeks and Romans arrive and settle.

A unified Bulgarian state dates back to the First Bulgarian Empire in 681CE which dominated most of the Balkans and functioned as a central hub for Slavs during the Middle Ages.

The Second Bulgarian Empire fell in 1396 and the territories came under Ottoman rule for nearly five centuries whilst the Russo Turkish War in 1877 led to the formation of the Third Bulgarian State.

Bulgaria aligned with Germany during both world wars and in 1946 it became a single party socialist state as part of the Soviet led Eastern bloc.

Between 1912 and 1918 Bulgaria was involved in three conflicts – two Balkan Wars and World War I. They resulted in significant territorial losses and almost 90,000 soldiers were killed and more than 253,000 refugees immigrated to Bulgaria due to the effects of these wars which placed additional strain on the ruined national economy.



Political unrest as a result led to the establishment of the royal dictatorship by Tsar Boris III until he died in 1943 which saw political turmoil in the midst of World War II.

The USSR invaded in 1944 and the communist dominated Fatherland Front took power and joined the Allied side until the war ended.

In 1944 a left wing uprising led to the abolition of the monarchic rule and two years later a single party people's republic was established under the leadership of Georgi Dimitrov who laid the foundations for a rapidly industrialising Stalinist state.

By the 1950s the standard of living rose significantly and political repressions dropped and by the 1980s national and per capita GDP quadrupled despite the economy being prone to debt spikes.

Todor Zhivkov introduced Soviet style policies whilst his daughter bolstered national pride. They did however try and erase the identity of the ethnic

Turk by closing mosques and forcing Turks to adopt Slavic names which resulted in the emigration of 300,000 Turks back to Turkey.

Under the influence of the collapsing Eastern Bloc in 1989 the Communist Party gave up its political monopoly. Zhivkov resigned and Bulgaria embarked on a transition to parliamentary democracy and the first free elections held in 1990 were won by the Bulgarian Socialist Party (renamed Communist Party).

It took a while for living standards to improve and although in 1997 a reform package restored economic growth, living standards continued to suffer. After 2001 this all began to improve and Bulgaria achieved high Human Development status. It joined the EU in 2007.

In February 2013 the government resigned after nationwide protests caused by high cost of utilities and low living standards and the failure of the democratic system. As a consequence the parliament was dissolved and a new provisional

government was set up by the President. The snap elections in May 2013 resulted in the narrow GERB win.

In May 2013 Plamen Oresharski of the Bulgarian Socialist Party became Prime Minister whilst GERB's Rosen Plevneliev was elected President

Today Bulgaria's political structure dates to the adoption of a democratic constitution in 1991 and is a unitary parliamentary republic with a high level of political, administrative and economic centralisation

The majority of the population are located around urbanised areas in the 28 provinces and most commercial and cultural activities are centred around the capital and largest city Sofia.

Bulgaria has an emerging market economy in the upper middle income range and the private sector accounts for more than 80 percent of GDP. To stimulate private growth the government has placed better roads, rail and water infrastructures.

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Although historically Bulgaria was largely an agricultural country by the 1980s it had transformed into an industrial economy with scientific and technological research as main concerns. The loss of the COMECON markets in 1990 caused a steep decline and ultimately followed by an economic collapse in 1997.

It did recover but the average salary remains one of the lowest in the EU at around €419 per month and more than a fifth of the work force are employed on a minimum wage of €1 per hour.

With the global economic crisis the situation has worsened and GDP contracted 5.5 cent in 2009 and unemployment is around 12 percent. Although there was some growth in 2010 inter company debt exceeded €51bn which by 2012 had increased to €83bn. Strict measures were introduced to help but this caused 'catastrophic' results.

Meanwhile the government took out a €1.5bn loan from a collection of private banks to support the banking system in December last year after the Corporate Commercial Bank, the fourth largest lender, collapsed.

By 2013 GDP was €41bn and growth was 1.1 percent. Today Bulgaria is an upper middle income economy with a per capita income of €5,671. Growth in 2015 is predicated to be 1.6 percent.

Today the main industries are production of chemicals, machinery and vehicle components, extraction of metals and minerals, petroleum refining and steel and mining. Tourism is the most significant contributor to economic growth and it has emerged as a travelling destination with its inexpensive resorts and beaches. Most visitors are British, Romanian, German and Russian.

A total of 6.5 million tourists visited Bulgaria in 2012 which was a 3.4 percent increase on the previous year. Revenues from international tourism amounted to €2.9bn.

Bulgaria is well known for its simplified registration procedures when setting up companies and the most popular types of companies under Bulgarian law are a limited liability company and a joint stock company, general partnership, limited partnership and a partnership limited by shares.

- 01 Bulgaria comes third in the list of countries with most valuable archaeological sites discovered on their territories, preceded only by Greece and Italy.
- 02 Over 15 000 Thracian tombs have been discovered on the territory of Bulgaria. The bulk of them are yet to be explored.
- 03 There is solid historical evidence that wine has been produced on the territory of what is now modern-day Bulgaria ever since the Stone Age. Today the country has earned the reputation of a world-class wine producer.
- 04 The famous Bulgarian rose oil is used for making some of the world's most popular and expensive perfumes. One gram rose oil is produced out of 1000 rose blossoms.
- 05 Sofia, the capital of Bulgaria, is the only big city in Europe that lies just 15 minutes away from an imposing mountain – Vitosha. Cherni Vrah (Black Peak – 2290m) is its highest peak.
- 06 A third of Bulgaria is forested.



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Gambling Commission which runs via the Ministry of Finance and consists of a Chairman (Ognemir Mitev) and four members all with at least five years experience.

The commission not only governs the laws but also checks sites where gambling activities are held, organises inspections of games and other activities, controls the implementation of draws of lotteries and lotto games and checks licences.

The commission keeps a register of all gambling operators, the organisation of manufacture and distribution, issued and revoked licences and approved gambling equipment.

The sector runs via the Gambling Act. A new Bulgarian Gambling Act was introduced in March 2012 and this laid the foundations for the legalisation of online gaming and betting. It was amended in January 2014 which saw a new taxation regime introduced.

The new act brought in several changes including a minimum threshold for the number of gaming sites, a new investment requirement and a smoking ban.

The Gambling Act includes the following points:

Gambling games can only be conducted in Bulgarian levs and Euro. Gambling games and activities can be organised by:

- Companies which must be registered in the Republic of Bulgaria or another EU member state, another state signatory to the European Economic Area Agreement or the Swiss Confederation.
- Sole proprietors – only gambling games on gambling machines and activities of manufacturing, import, distribution and service.
- The state – supporting sports, culture, health care, education and social services.
- Non profit legal entities for social work activity.
- Non profit legal entities registered in an EU member state, European Economic Area Agreement or Swiss Confederation.
- A licence for operating a casino can only be issued to a limited liability company or joint stock company with registered shares.
- For lottery – investments must be not less than BGN1m and funds for organising the game not less than BGN1m
- For sports betting and horse and dog racing and game of chance events – investments must be not less than BGN1m and funds for organising the game not less than BGN1m.
- For raffles, keno, instant lottery and slot gaming – investments must be not less than BGN100,000 and funds for organising not less than BGN200,000.

Corporate tax is set at a flat rate of 10 percent and as such is one of the lowest in the EU. The income tax rate for individuals is also 10 percent and VAT is 20 percent with a rate of nine percent for some services particularly in the tourist industry.

### WHAT'S HAPPENING IN BULGARIA?

The growth of gambling in Bulgaria has in part worked hand in hand with tourism whilst also cashing in on anti gambling neighbours in Turkey and Greece.

Casinos have existed in Bulgaria since 1979 when the first one opened at the hotel Vitosha-New Otani, a Japanese hotel chain. This was the first casino in the ex-socialist countries and was Lebanese owned and managed by a UK group for the first six years.

At this time the casinos were only permitted for foreigners visiting or living in the country or organised junkets from Israel and Greece.

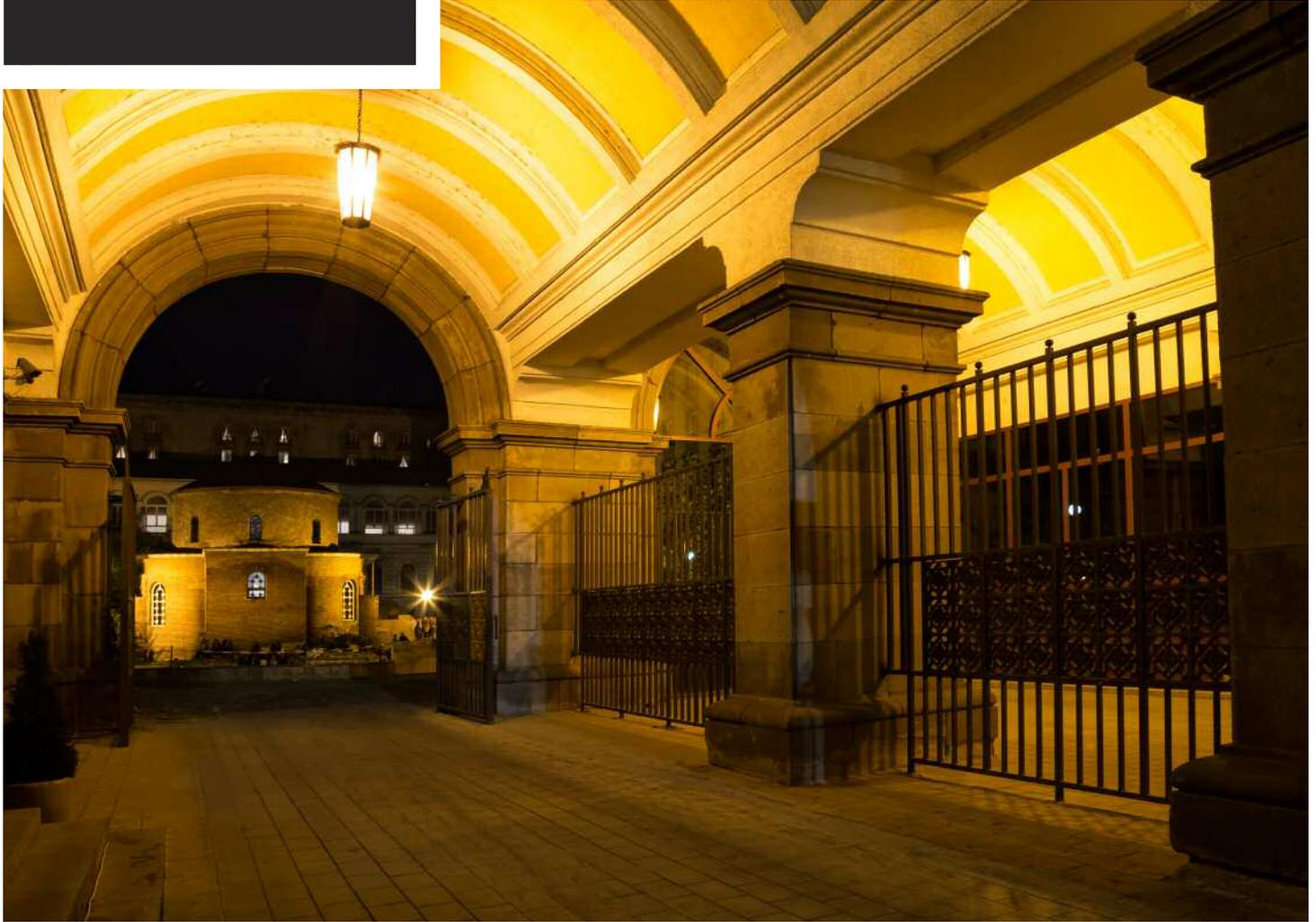
This continued after 1989 until the demise of the Communist government. After this time there was no real gaming law and hotels just opened up

*Casinos have existed in Bulgaria since 1979 when the first one opened at the hotel Vitosha-New Otani, a Japanese hotel chain. This was the first casino in the ex-socialist countries and was Lebanese owned.*

parlours or casinos to cater for the foreign market. For two years the market was unregulated and chaotic. Then in 1993 gaming was officially regulated through a government decree.

Initially the law was a little obscure and gaming grew rapidly. Limited payout machines came into the market and gaming halls opened up. In 1998 the law added further requirements and tightened up the operational control of casinos and gaming halls and a licensing system was introduced.

Today the gambling sector is governed by the State



*Foreigners can open casinos but only in a hotel with three stars or more where the hotel is owned by the company or a company under its control. They must invest in Bulgaria with funds not less than €10m*

- For casino gambling – investments must be not less than BGN600,000 and funds for organising not less than BGN600,000.
- Online gaming – investments must be not less than BGN600,000 for online betting and BGN300,000 for other types and funds for organising not less than BGN1m.
- For manufacture, distribution and serving investments must be not less than BGN600,000.
- For import and distribution – funds must not be less than BGN200,000
- Foreigners can open casinos but only in a hotel with three stars or more where the hotel is owned by the company or a company under its control. They must have invested in Bulgaria with funds not less than €10m and made at least 500 jobs available.

- Gaming slot halls and casinos must be at least 300m from schools and orphanages unless they are housed in four or five star hotels.

- Legal gambling age is 18 years.

- Slots in gaming halls shall have a payout of not less than 80 per cent.

- Gaming hall rules are as follows:

- 50 slots (seats) permitted in towns with 500,000 plus inhabitants.

- 30 slots (seats) permitted in towns with 50,000 – 500,000 inhabitants.

- 15 slots (seats) permitted in towns with less than 50,000 inhabitants

- The minimum area for installation and operation of slots is 2sq.m

#### **CASINO RULES:**

- Gaming tables permitted are roulette wheel and card games (poker, dice etc)

- There must be a minimum of five gaming tables in casinos (at least two roulette wheels) and minimum of 15 slots.

- Linked jackpots and tournaments are permitted.

- Licences are issued for five years unless investments exceed a certain limit then 10 year licences are given.

#### **LICENSING FEES:**

- Traditional lottery – BGN20,000

- Lottery – BGN5,000

- Numerical lottery, bingo, keno – BGN20,000 for each game.

- Instant lottery – BGN20,000 for each game.

- Sports betting, horse and dog racing – BGN20,000 each game

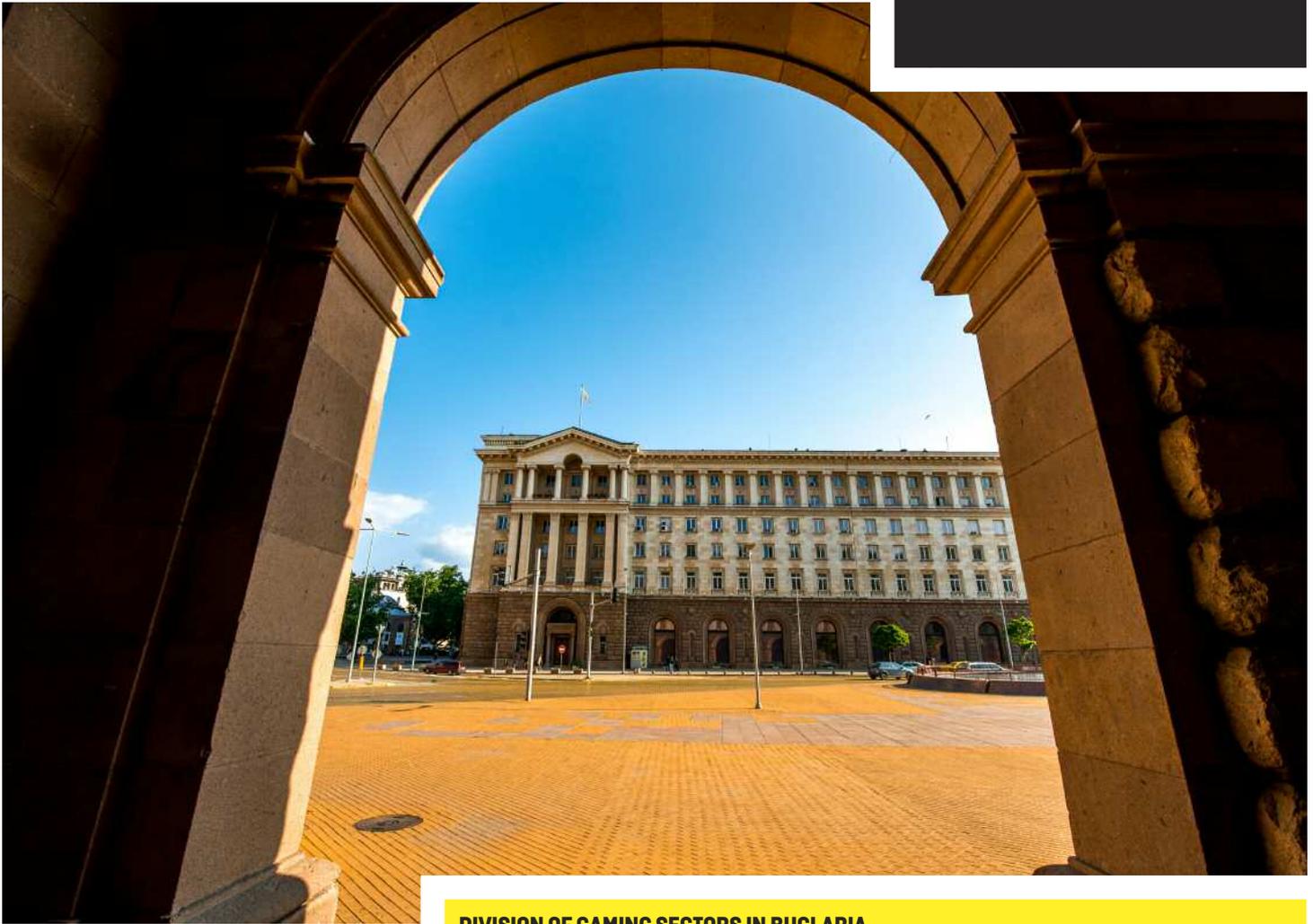
- Games of chance – BGN20,000

- Slot halls with 15 slots – BGN7,500 plus BGN100 per each additional gaming space

- Slots halls with 30 slots – BGN15,000 plus BGN100 per each additional gaming space

- Slots halls with 50 slots – BGN25,000 plus BGN100 per each additional gaming space.

- Casinos with five tables and 15 slots – BGN35,000 plus BGN2,000 per each additional table and BGN100 per additional slot.



Trade association BTAMOGI states that the overall decline of the gambling sector between September 2009 and December 2013 amounted to 45 per cent market shrinkage, with the highest decline in the number of gaming machines.

- Manufacture, distribution and service – BGN20,000
- Import and distribution – BGN20,000

Annual contributions to the SCG is BGN50,000 for online betting operators; BGN10,000 for casino operators and BGN5,000 for all other gambling game operators.

#### TAXES:

- Online Gambling – 20 percent on GGR plus BGN100,000 fixed rate. Since Jan 2014 they also pay BGN50,000 towards problem gambling.
- Casino – BGN500 per quarter per gaming seat plus BGN22,000 per quarter per gaming table

#### DIVISION OF GAMING SECTORS IN BUGLARIA

TOTAL NUMBER OF:	2010	2011	2012	2013	2014
CASINOS	23	20	27	27	26
GAMING HALLS	855	808	730	653	703
BINGO HALLS	17	12	7	4	4
GAMING MACHINES	16,613	15,804	15,606	13,920	
CASINO TABLES	171	219	313	330	

(roulette) and BGN5,000 per quarter for other gaming equipment. Since January 2014 casino operators also pay annually BGN10,000 for problem gambling.

- Slot halls – BGN500 per quarter per seat plus BGN5,000 annually for problem gambling programmes.
- Betting – 15 percent on turnover plus BGN5,000 annually for gambling programmes.
- Lottery – BGN5,000 for gambling programmes.

According to Bulgarian trade association BTAMOGI the overall decline of the gambling sector between September 2009 and December 2013 amounted to 45 per cent market shrinkage, with the highest decline in the number of gaming machines in the Bulgarian market. Meanwhile the number of operators have dropped to 313 for gaming halls and 26 for casinos.

Revenues generated by the gaming industry for the National Revenue Service for 2012 amounted to BGN120m. State taxes for the same year was BGN5.26m.

In February 2015 the number of gaming halls stood at 703 a slight increase on 2013 figures. There was however an increase in the number of machines as many slot halls tried to comply with the new minimum machine rule introduced in the 2012 Act. On the other hand many slot halls closed down seeing a reduction in the number of halls by 10 percent

Linked jackpot systems are permitted in gaming halls and this can be an accumulation formed by allocations up to five percent of each bet.

At the moment the Bulgarian government is still refining the existing gaming legislation and clearing some confusion in the law and working alongside businesses and NGOs to iron out some details.

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In December 2014 new amendments to the Gambling Act were adopted and this concerned taxation for lotteries whose regulation was missed in the previous amendments.

At the moment bingo and keno don't fall under control of the Gambling Act and under the amendments these will be subject to 15 percent tax on turnover if they are organised in land operation and 20 percent on the difference between bets placed and winnings paid if organised online.

Rumyana Parusheva of BTAMOGI said: "Business expectations are focused on the introduction of clear and specific statutory rules to attract investors in Bulgaria not only in the gaming sector but also in tourism. Development of tourist services, streamlining of administrative regulations and the introduction of incentives for investors will stimulate Bulgarian economy, which will inevitably affect positively the domestic gaming industry."

### THE LOTTERY

The Bulgarian Sports Totalisator (BST) was set up back in 1957 and since then has been the leader in the lottery sector.

It is run by the state which governs lottery, number lottery games, instant lottery, sports wager and horse and dog racing through this company via the Ministry of Youth and Sports. The management is appointed by the Minister of Physical Education and Sports.

It is the sole organisation today which has the rights over the three number games 5/35, 6/42 and 6/49 – all with two draws a week whilst the latter also have a rolling jackpot.

The lottery began with the game Toto 1 in 1957 followed by 6/49 a few months later. In 1989 they launched 5/35 game.

A fourth game, Toto Joker is also run by the company and this is a game which is won from the prediction of winning pairs of positions and numbers of the serial number of the slips. The draws are held on Thursdays and Saturdays and televised.

Meanwhile since 2002 the Bulgarian Toto has been conducting a game called 'A Second Toto Chance' which involves a slip from all three drawings with winners chosen by a pre-printed number of the slip through an additional drawing. The company also has several different types of instant scratch cards.

There are 1,800 toto terminals throughout the country where players can buy lotto tickets and although all processing is done off line the group is establishing an online system, SMS toto and different games to be added soon.

Some 17 per cent of revenues are granted to the Ministry of Youth and Sports whilst 15 per cent of corporation tax is also returned to the ministry. It's motto 'You win and so does our sport' is linked to the amount of funding it gives back to Bulgarian



- 01 Bulgarian yogurt is claimed to be best in the world. This is thanks to the unique *Lactobacillus bulgaricus* bacteria used for its production that can only be found in Bulgaria.
- 01 Bulgaria is the country with the highest number of natural mineral springs in Continental Europe – over 600.
- 01 The Bulgarian army has never lost a single flag in battle, yet it actively participated in all major wars in Europe since the end of the 19th Century.
- 01 Facebook creator Mark Zuckerberg has a Bulgarian background and is named after his Bulgarian grandfather – Marko. His grandfather emigrated from Bulgaria in 1940.
- 01 The first digital wristwatch was also invented by a Bulgarian. His name is Peter Petroff.

sports and Olympic organisations. Over the years it has dished out some BGN2bn in prizes whilst revenues in 2013 reached BGN160m compared to BGN157m the previous year. They distributed €80m profits and paid €24m in taxes whilst sports and physical education associations received €26.9m.

The Bulgarian lottery hit the world wide headlines back in 2009 when the exact same six numbers were drawn in two consecutive rounds of the lottery within the same week.

On September 6 and 10 the numbers 4, 15, 23, 24, 35 and 42 were both drawn which is apparently a one in four million chance. Many believed the lottery was fixed whereas others said it was a freak coincidence. No one won the big jackpot although 18 people did predict the numbers and won BGN10,164 each (equivalent to €5,000)

The year 2012 was very successful for BST. Participants in the TOTO2 games won over BGN74m whilst between 2009 and 2012 the total amount of distributed profits was BGN265m from BGN530m revenues.



#### BETTING AND ONLINE GAMING

Sports betting is permitted on horse and dog racing plus football, basketball, volleyball, tennis, boxing, hockey and motorcycle and car racing.

Sports betting in Bulgaria was illegal under communist rule and it was not until 1990 that Eurofootball, the first private bookmaker, launched their operations in this country.

State run operator Bulgaria Sports Totalisator also started to run pari mutual style betting games and the two dominated the market for a good while.

In 1998 the Gaming Act put together a serious framework for operators in this field and later in 2008 the law was amended to permit online services. In practice only the BST was licensed to do this and Eurofootball was allowed to advertise their prices.

The BST monopoly on online gaming lasted until 2013. This didn't stop illegal betting sites being set up or international sites taking bets hence laws were tightened up as the government realised how much it was losing in revenues and taxes.

*17 per cent of revenues are granted to the Ministry of Youth and Sports, whilst 15 per cent of corporation tax is also returned to the ministry. Its motto 'You win and so does sport' is linked to the funding it gives back to Bulgarian sports.*

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**TCSJOHNHUXLEY**



In March 2012 Bulgaria implemented legislation which attempted to regulate online gambling for the first time in Bulgaria. It was loosely based on the Danish model and this permitted sports betting and casinos and brought in a licensing system and a blacklist for any unregulated sites. The new law also involved a clause to restrict gambling advertising. When this law was brought in the government estimated that it would bring in an additional BGN100m (€50m) of annual revenues for the economy.

At the time only efbet was drawn by the offer of a new market whilst others simply held back. Then

Bulgaria introduced a new gambling taxation regime which came into place in January 2014 and this is aimed at making the country more appealing for local licensing.

Eurofootball was the first sports betting site to gain a licence under the new laws in September 2013 and BST gained their licence in January 2014.

After the government reduced taxes this saw an increase in applications including two licences

- 01 The Cyrillic alphabet was invented in the 9th century AD by two Bulgarian monks – Cyril and Methodius.
- 02 The Bulgarian national football team finished fourth in the 1994 World Cup. Their best footballer, Hristo Stoichkov, finished the tournament as a top scorer, netting six goals in seven games. Later that year, he also went on to become the first Bulgarian player to win the Ballon d'Or.
- 03 The first air-dropped bomb in military history was developed by the Bulgarian Air Force during the First Balkan War and was used on October 16, 1912.
- 04 Bulgaria is second in the world in international IQ tests and SAT scores and fourth in the world in per capita university education after the US, Japan and the UK.
- 05 "Name Days" are celebrated in addition to birthdays in Bulgaria. As a matter of fact, most Bulgarians value their 'Name Day' more than their birthday. A Name Day, or "Saints Day" is celebrated by people named after a particular Saint.

granted to Betfair in February 2014 enabling them to offer sports betting and wagers on horse and dog racing and casino/poker games.

Bulgarian players are not taxed on their winnings as yet although there were proposals in 2013 for a 10 percent tax to be introduced.

The amendments to the online gaming SG No 1/2014 came in at the beginning of 2014 which outlined changes for the online gambling via internet or other electronic means such as mobile or landline phone, radio, television or satellite.

Although this is 18 months after the Bulgarian Gambling Act was introduced the tax base has been changed to a regime based on GGR.

The amendments also set up organisations for underage gambling and gambling addiction programme, responsible advertising and resolution of disputes between players and operators. It states that websites should contain information in Bulgarian and include the company's data such as trade registration number licence issued by the SCG, rules, help desk service and contact details. Those



## LIST OF THE 12 LICENSED WEBSITES IN BULGARIA FOR ONLINE BETTING

WEBSITE	TYPE OF BETTING
EFBET.COM	ONLINE SPORTS BETTING, HORSE AND DOG RACING
TOTO.BG	ONLINE SPORTS BETTING, HORSE AND DOG RACING
TOTO.BG	ONLINE LOTTERY GAMES
POKERSTARS.BG	ONLINE CASINO GAMES
EFBET.COM	ONLINE CASINO GAMES
BETFAIR.COM	ONLINE SPORTS BETTING, HORSE AND DOG RACING
BETFAIR.COM	ONLINE CASINO GAMES
EUROFOOTBALL.BG	ONLIEN SPORTS BETTING AND HORSE AND DOG RACING
NOVABET.BG	ONLINE SPORTS BETTING, HORSE AND DOG RACING
EUROBET.BG	ONLINE LOTTERY GAMES
EUROBET.BG	ONLINE BETTING ON CHANCE EVENTS
ECASINO.BG	ONLINE CASINO GAMES

apply. Since the beginning of 2014 Pokerstars and Betfair were granted licences and they joined Efbet and Eurofootball and state owned Bulgarian Sports Totalisator. At the moment there are 12 licences granted to eight legal companies.

Eurofootball Malta was the first operator with a licence for operating online games in Bulgaria and although the company was officially registered in Sofia at the beginning of 1993, the history of the company dates back to 1990 when the bets on football matches were accepted in seven bookmaking points in large towns around the capital.

Eurofootball Limited was established three years later and in August 1993 the first nationwide Eurofootball draw was organised. In the same year the company also received a licence from Bulgaria's Ministry of Finance to organise bets on football matches in agent shops throughout the whole country. The group also has a licence to organise bets on other sport competitions.

In February 2002 the Greek Intralot Group acquired a 49 percent stake within the company and a year later a new centralised computer system for online betting in real time was introduced.

In 2012 this was updated to provide the Loto OS platform offering better betting options including more products and additional live betting. In 2011 the company launched 'Races' which bet on the outcome of greyhound races transmitted liver from the UK. In March 2013 a new virtual races product was also added.

Despite the tax rate of 15 percent on turnover and illegal operations in Bulgaria the company remained in the market place and today remains the largest taxpayer in the field of gambling in Bulgaria. In 2012 the company saw bet incomes of BGN204.1m paying gambling taxes of BGN30.6m.

Eurofootball currently has more than 770 points of sale across the country and employs nearly 3,000 trained bookmakers.

Many predicated an influx of around 40 companies that would apply for licences in reality only a dozen applied however the bill was said to be one of the most 'reasonable and competitive' and could turn out to be one of the best in Europe.

There are on the other hand over 320 plus banned domain names (by November 2014) on the blacklist which includes 20 of the biggest online gaming sites such as Bet365 and Ladbrokes for instance. The blacklist was introduced in June 2013. The commission announced its plan to IP block unlicensed gaming sites in 2012 and the move was to precede the introduction of a regulated online gambling regime.

Since introducing the regulations the SCG has blocked 283 domains. Only licensed operators are allowed to advertise albeit in a strictly regulated way but this is the main hurdle for unlicensed operators.

Pokerstars received its licence in August 2014 and as such became the first online poker site to be given permission to operate in Bulgaria.

"Bulgaria is full of promise" said Pokerstar's Eric Hollreiser, head of Corporate Communications at the time. "We believe in the potential of the Bulgarian market and that is why our company has invested in the local licence. Regulation provides peace of mind for players and ensures that local regulators can protect consumers and collect much needed revenue."

Buglaria's online players also now have the chance to take part in all major online events planned such as the World Championship of Online Poker.

Unlicensed companies are eligible for fines ranging from BGN500,000 to BGN1m for an individual and between BGN1m and BGN2m for a company. State tax receipts were in 2013 around BGN120m.

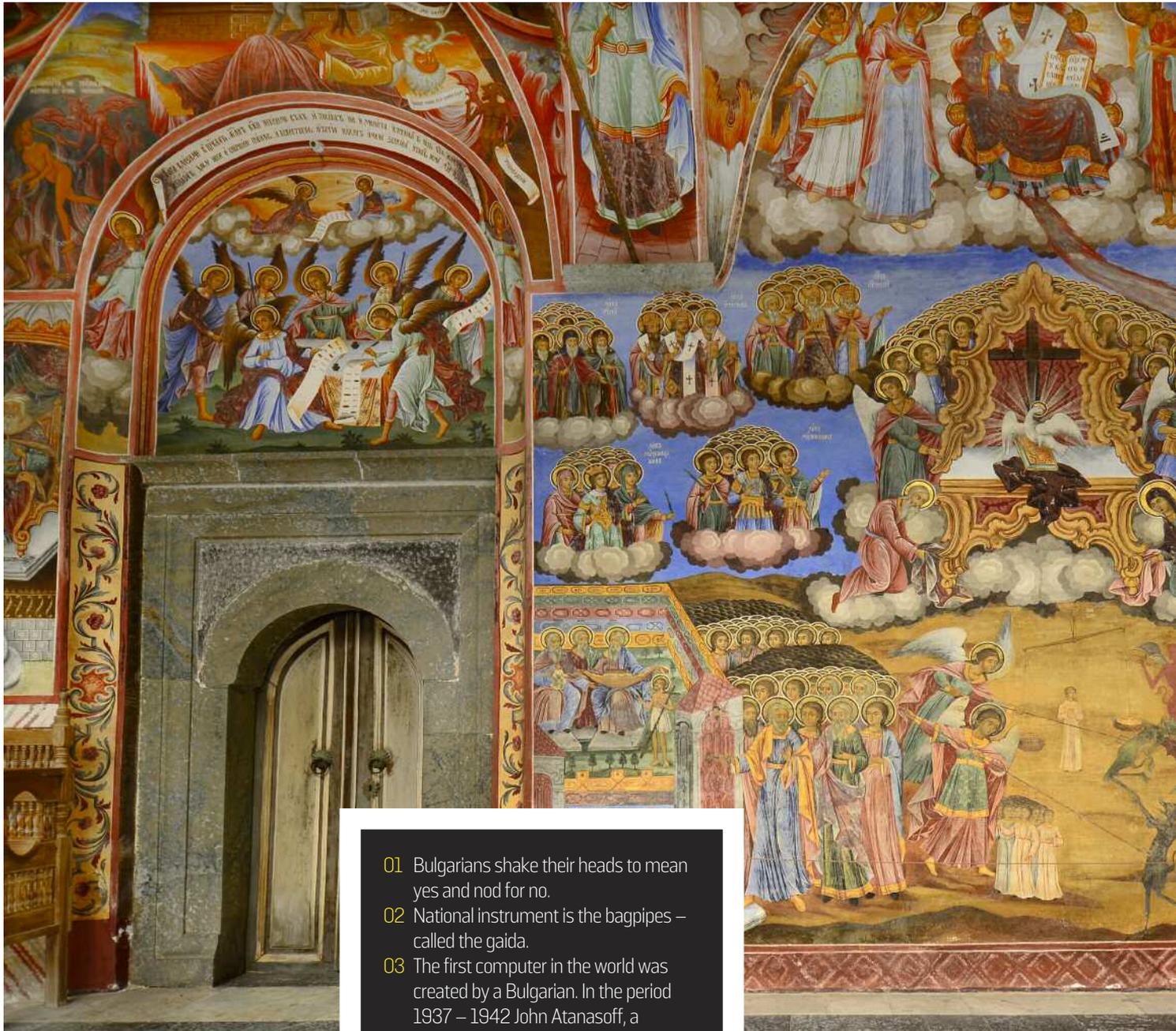
Many say Bulgaria is now one of the most balanced online markets in Europe.

wishing to operate games must have a Local Control Server (LCS) which is then connected to a central computer system for the purpose of storing data

Meanwhile and more importantly the tax system changed to include:

- 15 percent turnover tax was replaced with 20 percent tax on GGR
- A one off fixed rate fee to the gaming board of BGN100,000 (around €50,000) which is for the five year licence.
- For games in which fees and commissions are collected (ie poker) the tax rate is 20 percent of the collected fees.
- Offline bingo and keno is taxed at a 10 percent corporate tax rate.
- In addition since Jan 2014 they also pay BGN50,000 annually which goes towards problem gambling programmes.

This seemed to do the trick and operators began to



## THE CASINO SECTOR

The Bulgarian Black Sea coast line runs all the way from the mouth of the Rezovo River on the Turkish border to the south to Cape Sivburun on the Romanian border. The total length of the coastline is 350km of which 200km are taken up with beautiful sandy beaches.

The two biggest coastal cities are Varna and Burgas located in the northern and southern part of the region respectively. Thousands of visitors come to spend their summer vacation here as it is regarded as an affordable destination coupled with a stunning clear water and beaches and weather.

Entertainment is a huge lure for tourists and there are the famous party centres at Sunny Beach resort and Golden Sands resorts which are littered with nightclubs, bars and casinos.

Sunny Beach is the largest and most popular resort in Bulgaria with more than 200 hotels and is located on the south part of the coast some 40km north of Burgas and in the territory of Nessebar. It is situated in a crescent moon shaped bay and offers a host of sporting activities on its beautiful

- 01 Bulgarians shake their heads to mean yes and nod for no.
- 02 National instrument is the bagpipes – called the gaida.
- 03 The first computer in the world was created by a Bulgarian. In the period 1937 – 1942 John Atanasoff, a scientist of Bulgarian descent, together with Clifford Berry, an American inventor working for the University of Iowa, designed and developed the first electronic digital computing device.
- 04 The country is one of the world's biggest winemakers – 200,000 tonnes a year.
- 0 Mastika, a 47% proof spirit made with tree resin, is a popular drink. Average price of a lager is 64p.
- 01 A third of Bulgaria is forested.
- 01 Bulgaria is the oldest country in Europe that hasn't changed its name since it was first established. This happened in 681 AD.
- 01 Sofia, the capital of Bulgaria, was founded 7000 years ago. This makes it the second oldest city in Europe.
- 01 The gold treasure discovered in the Varna Necropolis is the oldest one in the world. It dates back to 5000 BC.

beaches plus a night life many young are drawn towards.

There is a music festival hosted here, Zlatniq Orfei, and has been classed a mini Las Vegas because of its numerous night clubs, bars and casinos. The population today is around 6,000.

The Golden Sands is the oldest sea resort located 13km northeast of Varna and is similar to Sunny Beach in that it offers hotels, beaches and entertainment.

Today there are 26 licensed casinos in Bulgaria. When the Turkish government closed down the casino sector operators looked at neighbouring Bulgaria as a profitable option. Istanbul to Sofia is about one hour flying time. Both Turkey's Princess group and Viva have casinos in Bulgaria.

Vina's casino Viva Sofia was opened in 2004 and the company is planning a second spacious casino in Svilengrad, a town in the south east region of Bulgaria that is just 14km from the Turkish border and 7km from the Greek border. WIN BET is another popular online casino chain which has opened a



**BULGARIA: The Numbers**  
**LOTTERY:** Bulgarian Sports Totalisator  
**LOTTERY RETAILERS:** 1,800  
**LOTTERY REVENUE:** BGN160m (2012)

**ONLINE GAMBLING:** 12 licences.  
**SLOT HALLS:** 703  
**BINGO HALLS:** 4

**CASINOS:** 26  
**SLOTS (ALL VENUES):** 13,920  
**CASINO TABLES:** 330

## THE MAIN CASINOS

**VIVA SOFIA CASINO** is located at the Sheraton Sofia Hotel Balkan in the heart of the city. The casino has two entrances either via the hotel lobby though an a-la-carte restaurant or via the front of the hotel. It was opened in 2004 and was recently renovated and there are nine gaming tables and more than 59 slots. Russian Poker is also available and is the first and only one in Sofia.

**RODINA PRINCESS CASINO** operated by Princess Casinos and has 76 slots and eight table games. The property also has three restaurants and a bar and hotel with 500 rooms.

**SOFIA PRINCESS CASINO** operated by Princess Casinos is located in the heart of the city in the four star Princess Sofia Hotel which has 603 rooms, restaurants, conference halls, fitness centre. The casino has 220 slots and 14 table games.

**MLADOST PRINCESS CASINO** opened in 2007 after a full renovation and is located in the Princess Outlet Shopping Centre in Sofia. It has seven table games and 81 slots.

**CASINO EFBET SOFIA** is situated in the heart of the city in the five star Radisson Hotel and offers table games and poker and 100 slots.

**ROYALE PALMS CASINO** is located at the Hotel Anel in Sofia and offers a range of table games from American Roulette, Blackjack, Stud Poker, Texas Hold 'em and Punto 2000. The hotel is five star and has 58 rooms in total.

**KUBAN CASINO** is also located in Sunny Beach resort and hosted at the Kuban Hotel. There are 120 slots and six table games in the casino which is 1,200sq.m.

**COLOSSEUM CASINO** in Sunny Beach Resort was originally opened in 1966 as a night club casino and

casino in Hotel Bulgaria whilst Princess International operates five casinos in Bulgaria.

Casinos pay BGN500 per quarter per gaming seat plus BGN22,000 per quarter per gaming table (roulette) and BGN5,000 per quarter per other gaming equipment. Since January 2014 casino operators also pay annually BGN10,000 for problem gambling which can cover all aspects from underage gambling prevention and addiction problems.

According to one source in the casino sector, Bulgaria is a troubled market particularly after the global economic crisis and profitability for many casinos has been decreasing over the years.

Apparently the only business which is seeing an increase in turnover are the road side cafes and cheap restaurants.

The Black Sea region is one of the most sought after in terms of investment although many of them close during low season. There's a shortage of VIP players and daily flow of mid scale players.

*According to one source in the casino sector, Bulgaria is a troubled market particularly after the global economic crisis and profitability for many casinos has been decreasing over the years. Apparently the only business which is seeing an increase in turnover are the road side cafes and cheap restaurants.*

One of the main problems is the uncertainty regarding legislation plus the fluctuation of the country's economy, changes of government and stricter rules for the leisure industry, such as the smoking ban and paying off winning amounts via bank only.

# G3-247 Report

## BULGARIA MARKET REPORT

### BULGARIA: Vital Statistics

**Capital:** Sofia

**Population:** 6,924,716

**Land Area:** 110,879 sq.km

**Currency:** Leva (BGN)

**Median age:** 42.6 years

**Languages:** Bulgarian official (77%), Turkish (8%), Roma (3.8%) and other

**Ethnic Groups:** Bulgarian (80%), Turkish (8%), Roman (4.4%) and others

**Government:**

Parliamentary democracy

**Chief of State:**

President Rosen Plevneliev

**Head of Government:**

Prime Minister Plamen Oresharski

**Cabinet:**

Council of Ministers nominated by the prime minister and elected by the National Assembly.

**Elections:** President and vice President elected by popular vote for a five year term. Last election held in October 2011. Chairman of the Council of Ministers elected by National Assembly.

today is a variety show and casino and in 2004 became part of the hotel complex Colosseum. It offers table games and slots

**CRYSTAL CROWN CASINO** is located in the largest resort on the southern Bulgarian Black Sea coast – Sunny Beach resort which is famous for its nightlife and beautiful beaches. The casino is 4,500 sq.m and right on the beach side and has 11 table games and 130 slots and there are several hotels located nearby.

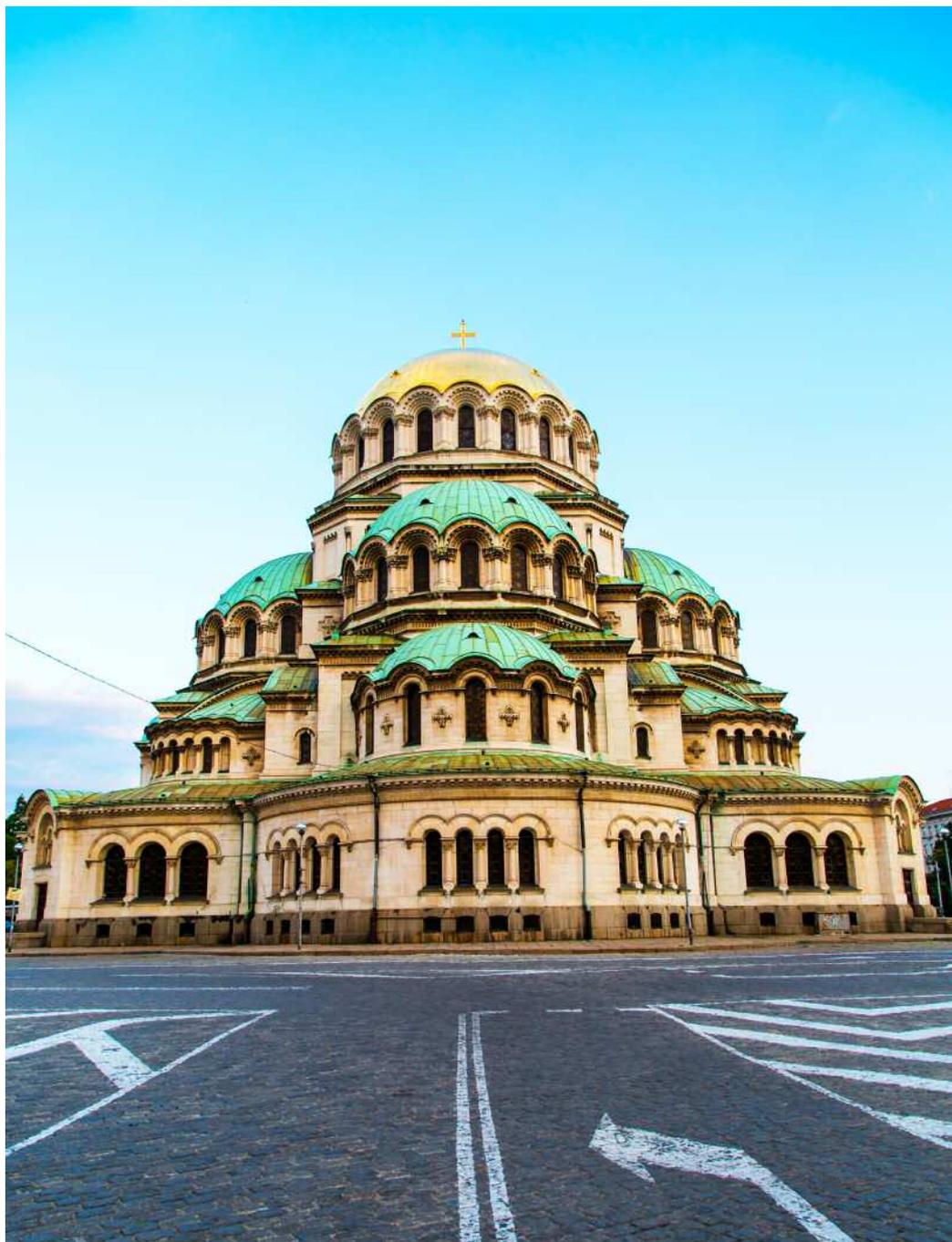
**HRIZANTEMA CASINO** in Sunny Beach Resort is located at the hotel of the same name located on the East of the Sunny Beach resort. It was reconstructed in 2004 and the hotel has 420 rooms and 10 family rooms and 5 apartments.

**PLATINUM HOTEL AND CASINO** opened in 2011 and has 3,000sq.m of gaming space and is among the largest casinos in Bulgaria. There are 19 table games and 12 Texas Hold'em Poker tables and 121 slots. The hotel is located in Sunny Beach resort with 95 rooms.

**FINIX CASINO** is located just a few kilometres from Sandanski, near the checkpoint Kulata at the Bulgarian/Greek border. It has a unique interior and gaming consists of 12 gaming tables and 320 slots.

**CASINO XO** opened in July 2013 and is located on Marina Dinevi in Sveti Vlas. It offers table games and slots.

**PEGASUS CASINO** located in Svilengrad and is operated by Pasha International. It is just 15km from Kapikule border of Bulgaria and Turkey and a



two hour drive from Istanbul. There are two American Roulettes and seven card tables plus 66 slots.

**TRIMONTIUM PRINCESS CASINO** is located in the heart of Plovdiv and has more than 1,000sq.m of gaming space and has table games and 170 slots. It is operated by Princess Casinos.

**RITZ STAR CASINO** opened in 2008 and is located next to the largest five star hotel in Bulgaria – the Novotel Plovdiv, Maritza and Sanct Peterburg in the city of Plovdiv. The casino is divided via two floors of gaming with 1,700 sq.m in total and 220 slots on the first and 17 table games on the second floor. It is located in the city centre and a short walk to two major hotels.

**CHERNO MORE INTERHOTEL** in Varna houses the Black Sea Casino and is the biggest in Varna with 100 slots and 12 table games.

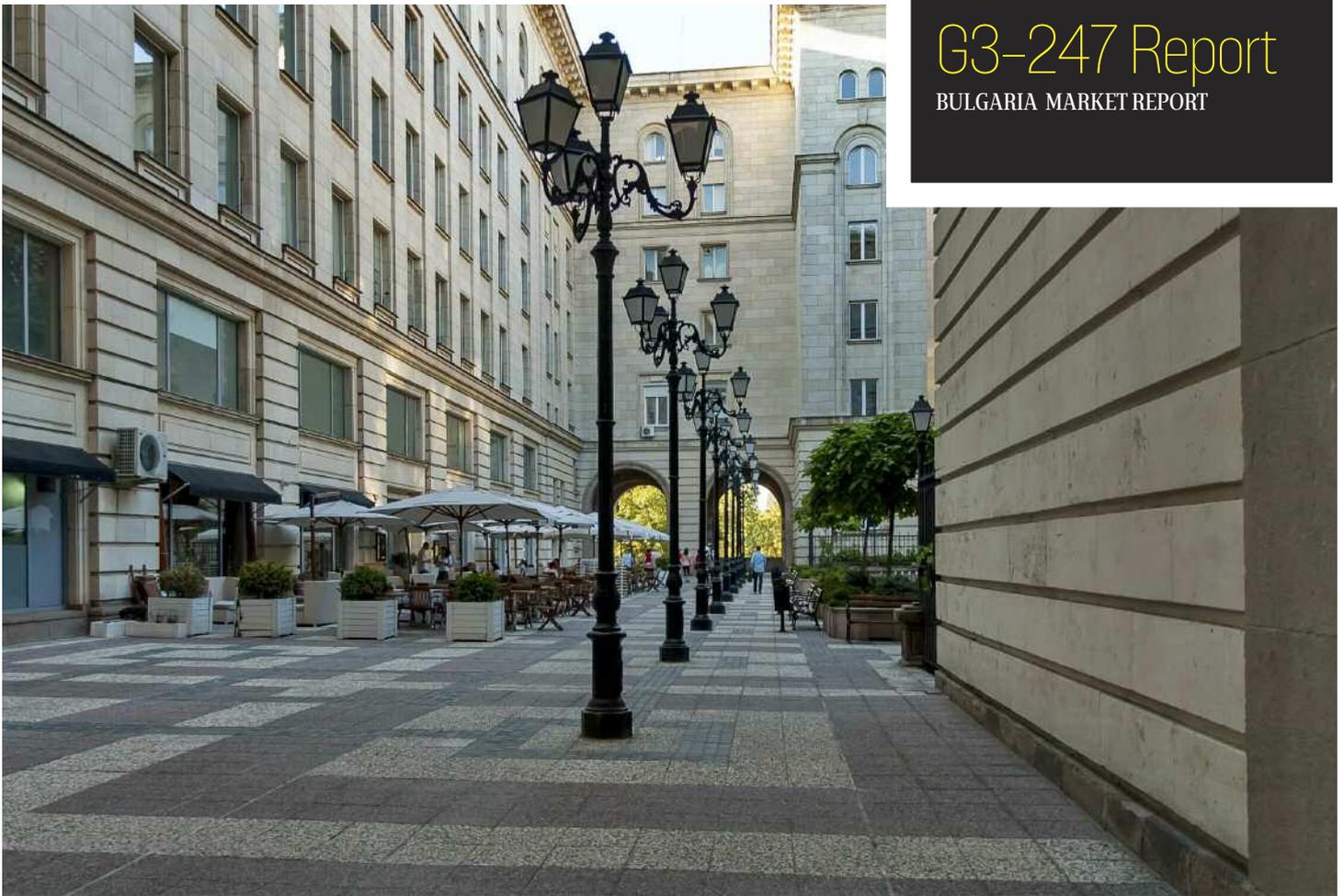
**NYPHES PRINCESS CASINO** is located in Svilengrad and offers 23,700 sq.ft of gaming with 155 slots and 11 table games.

**PLATINUM CASINO** is located at the Hotel Perun in Bansko. It is part of a casino chain although this one is the only casino in the Bansko region offering live gaming. The hotel is four stars and located in a ski resort just 500m from the starting station of the cable ski lift.

**EFBET CASINO** in Plovdiv opened in 2012 and is operated by the City Casino Group (CCG) which has 15 casinos in total.

**CASINO HOTEL BULGARIA** operated by Win Bet and located in Burgas. The hotel has 17 floors each with a view of the Gulf of Burgas or the old town and offer 158 rooms, eight suites and three Presidential suites. The casino is open 24/7 and there are table games and slots. Win Bet is a European online casino operating under the name Win Again.

**INTERNATIONAL CASINO** in Golden Sands Resort has over 100 machines, live table games and poker club. It is located at the International Hotel which is a renovated five star just 90m from the beach. There are 325 rooms in total.



**Rumyana Parusheva**  
Bulgarian Gaming  
Association  
(BTAMOGI)

“Online gambling in Europe is a fast growing business with an annual growth of almost 15 percent. Revenue from online betting in Europe is expected to reach €13bn in 2015 according to European Commission statistics, published in October 2012. Internet gambling within the European market represents 45 percent of the global market. The economic significance of the sector is reinforced by the high level of innovative technologies developed and used, as well as continuously increasing tax revenue for Member States.

The regulation of online gambling in Bulgaria is considered as one of the best in Europe, but of course, it could be improved further. In the last years the government took decisive measures to improve the business environment for internet gambling through key amendments in the Gambling Act. Previous taxation of online gambling operators was abolished by introducing a two-component fee consisting of a fix rate of BGN100,000 for an online betting licence and variable proportion of 20 percent of the difference between the value of the bets made and the winnings paid out, and for games for which participation fees and commissions are collected – in the amount of 20 percent of the value of the fees and commissions received.

In line with European trends to improve regulations on responsible gambling, an annual contribution was introduced for organisers of games of chance. Collected funds in the state budget should be spent on organising of events and promoting of responsible gambling measures.

A number of changes were made in the subsidiary gambling legislation. With amendments to the Tariff of fees collected under the Gambling Act, fees have been reduced for registration of amendments on already issued licence, concerning certain categories such as a change of a management or controlling

body, and also of owner, partner or shareholder, or transformation of an organiser. The fee for submitting documents electronically was decreased by 20 percent. Changes in other regulations reduced amount of information that organisers need to collect for registration of online betting participants as well as documents that laboratories should submit to be listed by the State Commission on Gambling. As a result of these amendments Bulgarian gaming market witnessed a rapid influx of foreign legal entities to the local market, competing with local licensed online operators.

Currently there are 12 licences granted to eight legal entities. At the same time the State Commission on Gambling continues its activities on monitoring and closure of websites offering unlicensed online betting.

In general, the market prospects for online betting in Bulgaria are excellent, not least due to the favourable tax regime. Lower fees and lower taxes allow gaming operators to compete and grow their business, so we expect new online operators, both foreign and local, to enter the market in the coming months and years.

The government is expected to prepare a comprehensive strategy on taxation of organisers of gambling activities, as well as ordinance on procedures and way of spending of responsible gambling funds, that the state collects from all organisers of games of chance as a fee.

Another challenge is to strike a balance with the taxation of land-based operators. Maintaining high taxes in this sector is a common practice of governments to ensure stable and predictable substantial budget revenues. Furthermore, according to experts that big difference between taxation of online and land-based gaming creates arbitrage opportunities and artificially erodes land-based business revenues in favour of their online competitors, mostly foreign operators. All this justifies the need to rethink and demand balance in long term.

There is still a deficit in regulation of advertising, albeit under strict control, as well as in regard of establishing a working mechanism for raising and spending of funds for prevention of problem gambling, protection of minors and consumers in general. There are also some reserves to further reduce unnecessary administrative burden in terms of collection and storage of information for the purposes of regulation and control.”





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**Nadya Hambach**  
Gaming Lawyer  
VLAW.BG

"Bulgaria has a new gambling taxation regime effective January 1, 2014, which, together with the reasonable and balanced regulations currently in place, makes the country attractive for local licensing and gambling operations based upon a low corporate tax and highly qualified and low priced technical specialists. One and a half years after the Gambling Act (Act) was introduced, the tax base for gambling has been changed and is now in line with good business practices: switching from a turnover base to a Gross Gaming Revenue (GGR) base.

On December 19, 2013, amendments in the Act (Amendments) for liberalising gambling regulation in Bulgaria passed successfully the second reading in the Bulgarian Parliament amidst tense disputes. The Amendments were promulgated in the National Gazette on January 3, 2014, and came into force effective January 1, 2014.

The Amendments assure that as of January 1, 2014 the taxation of any online games in Bulgaria will be based on GGR with a 20 percent tax rate. For games in which fees and commissions are collected (such as poker), the tax rate will be 20 percent of the collected fees. In addition, there is a single fee for issuing and maintenance of a five-year licence in the amount of approximately €50,000 (BGN100,000). No annual fee will be required during the five years' validity of the licence. Offline bingo and keno will be taxed at a 10 percent corporate tax rate.

The GGR-based taxation is not a part of the common tax system, but rather it is an administrative fee regulated entirely in the Act instead of the tax laws. Nevertheless, any operator who decides to have an establishment in Bulgaria can take advantage of a favourable and stable corporate tax – only 10 percent. The low corporate tax rate would apply only to operators who decide to establish a local company in Bulgaria, which might be strongly supported from other economic arguments – for example, a very well-educated and qualified labour force at insignificant costs.

The Amendments introduce a new requirement for any licensed operator not established in Bulgaria but established in any other EU/EEA country or Switzerland. Such operators must have an authorised representative in Bulgaria, but this would not constitute having a local business in the country for purposes of obtaining the 10 percent corporate tax rate. An operator, in all events, is required to have a local representative in Bulgaria, who should be authorised for representation before Bulgarian authorities and courts.

From a regulatory perspective, the Bulgarian gaming regime is now one of the most balanced in Europe. It does not require a local establishment and main server in Bulgaria for any foreign operator who decides to obtain a local Bulgarian licence (nevertheless, a local control server in Bulgaria is required). There are no specific requirements for performing payments through a local bank or to make certain investments in the country. The operators are not required to operate a dot bg domain. Foreign operators – registered, investing, and having a main server anywhere within EU, EEA, and Switzerland – can apply for a licence. Nevertheless, the restrictions the Act imposes on applicants, whose shareholder is an offshore company, should be carefully considered in line with the provisions of the, voted almost simultaneously with the Amendments at the end of last year, Act on the economic and financial relations with companies registered in preferential tax regime jurisdictions and their actual shareholders.

A significant number of online gambling operators are expected to apply for a licence in Bulgaria. The first online operators have already submitted applications. They are eager to enjoy not only reasonable taxation, but also liberal regulation. The Bulgarian government has further stimulated the licensing of online operators by approving amendments that allow the operator to be removed from the blacklist even before being granted a licence if the online operator applies for such removal not later than March 31, 2014.

The Amendments also permit the operators to perform any other business activity apart from organised gambling, which was not the case until now.

The efforts of the Bulgarian Parliament are of major significance. Instead of concentrating on blocking measures (such as ISP and/or payment blocking), the government has focused on best practices and introduced regulations that motivate the online gambling operators to get a licence and work not only in a balanced regulatory environment but also under a favourable tax regime. These changes are aimed at balancing and optimising the new sector regulation model that was introduced back in 2012. They give the online operators promising conditions to work legally in the Bulgarian market. At the same time, the new regulations impose stricter administrative sanctions on illegal online gambling operations."

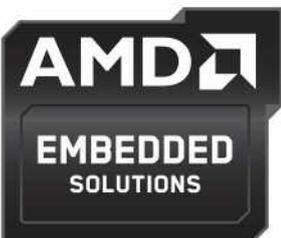


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