

G3-247 Report  
CENTRAL AMERICA

Central  
reservation

While many countries in Latin America have over the last 10 years passed wide sweeping gaming legislation in order to more regulate the industry and generate additional gaming tax revenue the situation in Central America remains a complex issue. Governments have been faced with widespread illegal gaming with little legislative framework in place with which to curb illegal gaming.



01 Although gaming is expressly forbidden by article 477 of the Penal Code which puts in place heavy fines and prison terms for those found to be operating casinos or slot parlours, gaming has proliferated widely throughout Guatemala and slot parlours have swiftly spiralled out of control unchecked and have, as a consequence.

02 According to statistics released by the Nicaraguan Tourist Board there are currently 85 slot machine operators who run 270 slot machine parlours nationwide and 18 casino operators who run a total of 37 casinos. It is estimated that the new act will increase government revenue made from the sector from US\$ 1.7m to US\$46m a year.

of significant tax hikes. So that the government could pay money owed to the International Monetary Fund casinos were singled out by the Nicaraguan Internal Revenue Service for emergency taxes. These emergency taxes meant that casinos in Nicaragua had to pay over 110% in the

form of additional taxes on top of other taxes and licence fees.

In 2011 it was found that a large number of minors were playing illegal slot machines in small business and shops and so the government once again turned its attention to gaming which was again considered a matter of urgency. A number of proposals were put forward in the National Assembly, including allowing casinos to operate in three- to five-star hotels. However despite these proposals the government finally went back to the act which had been submitted to the National Assembly in 2001 which had been stalled now for almost ten years.

In May 2011 the act was presented once again before the National Assembly and was passed in almost its original form in less than three hours of debate. Going into effect in December 2011 the act forbids slot machines in chemists and grocery stores and puts casinos and slot parlours under the Ministry of Tourism. The new act divides casinos and slot parlours into distinct categories depending on the number of slot machines and tables for each

with a casino falling into Category A.

Category A establishments must house a minimum of 71 slot machines and a minimum of three gaming tables; Category B are slot parlours with 25 to 70 slot machines; Category C may have from 16 to 24 slot machines on the premises while Category D establishments may house a minimum of 10 and a maximum of 15 slot machines. Each category also requires a minimum investment ranging from \$10,000 to \$50,000.

The new act it is hoped will also lead to much wider crackdown on illegal gaming as it creates a new Casino Gaming Control Board. Inspectors will have much wider powers when it comes to inspecting premises and will work alongside local police forces to ensure that operators are paying the correct tax while ensuring that slot machines pay back at least 85% of the stake back to the player.

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**GUATEMALA**

Although gaming is expressly forbidden by article 477 of the Penal Code which puts in place heavy fines and prison terms for those found to be operating casinos or slot parlours, gaming has proliferated widely throughout Guatemala and slot parlours have swiftly spiralled out of control unchecked and have, as a consequence, been infiltrated by organised crime. Known widely as "video loterías" (video lotteries) slot parlours in

Guatemala also in a great many cases house table games and can be large scale.

While there are no official statistics it is believed that the illegal gaming industry could be worth over US\$120m a year and while there have been a number of attempts to crackdown on the industry they have proved ineffective. The situation is made worse still by the fact that although the law prohibits the existence of casinos, video lotteries are often granted a licence via administrative decisions made by members of the Interior Ministry. This is despite a decree published in 2006 by the Interior Ministry itself which ruled that such licences should be revoked

In the face of such a chaotic landscape there have also been a number of legislative attempts to regulate the industry. In 2011 members of the Partido Unionista, brought forward a bill to Congress which would legalise all gaming establishments in the country so that the government would be able to regulate the industry and combat money laundering. The proposal, which received a favourable opinion by the Commission of Economy, Trade and Government in 2012 also proposed strict controls over who could run gaming in the country as well as a 10 to 20 percent tax on monthly income.

The most recent proposals were put forward in May 2013 by local party Encuentro por Guatemala. The bill proposes the establishment of a new gaming board which would be responsible for monitoring and regulating the industry and proposes fines and prison terms for those found to be operating outside the terms of their licences. A new body would also be created which would work alongside the Tax Office. This body would be responsible for monitoring transactions in casinos and slot parlours while gaming operators would be legally bound to report any transaction above 10 thousand dollars to the board.

**HONDURAS**

Gaming in Honduras remains very small scale and gaming law has remained in many way unchanged since 1977 when Honduras passed its first gaming act. The act was designed specifically so that casinos would attract more tourists and improve tourist infrastructure and allows for table for both games as well as slot machines. Licences are valid for twenty five years and are renewable after that period every five years and casinos must be part of a five star hotel or resort. The law has been amended twice. In 1988 the government amended the law raising the age limit from 18 to 21 but the most significant change came two years later in 1990.

Although the law was designed to promote tourism it was found that casinos were marketing themselves almost exclusively to locals and not to foreign tourists. As the vast majority of visitors were locals the government changed the law making it illegal for Hondurans to play. Consequently, there are only three fully-fledged casinos which cater exclusively to tourists. They are located in the three largest cities of Guatemala: La Ceiba, San Pedro Sula, and capital Tegucigalpa.



01 Dating back to 1879 Article 68 of the Police Law expressly bans all types of gaming in El Salvador. The Assembly reaffirmed the validity of the act and decreed that any kind of authorisation for the opening of gaming establishments was illegal. It also ordered local mayors to close down all gaming establishments in their jurisdictions. As gaming continued to proliferate on a local level, in 2007 the Supreme Court reaffirmed the legal validity of the Police Law act when it came to gaming. Both moves have had very little impact on the industry as casinos and other gaming establishments continue to be granted licences on a local level.

## EL SALVADOR

Casinos first began to operate in El Salvador in the mid 1990's. Licences were granted by local majors in the capital city of San Salvador and soon began to spread to other cities such as Antiguo Cuscatlán and San Miguel. According to Article 4 of the Municipal Code, which has since been repealed by the government, city majors had the power to grant casinos licences and the tax income generated by the casinos has gone directly to the local government where they were located.

The direct licensing of gaming establishments by city majors had made casinos arguably one of the most controversial issues in the entire region with the Legislative Assembly trying to close them down all together or attempting to wrest control of

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gaming from the local government to the central government. The situation is made more controversial still by the fact that a number of leading politicians are strongly opposed to gaming on principle and the majority of locals, according to a number of opinion polls are also opposed to gaming. Despite this local officials continue to green light gaming establishments in their jurisdictions in order to generate additional tax income while debate continues as to who should control the industry.

The issue first came to a head in 1999 when the Legislative Assembly banned all casinos in the country and announced that they would close them down within a year. However, those casinos which had already been issued a licence before the act of 1999 argued against the ruling in courts and were in many cases granted stays of closure while local government have refused to shut down casinos operating within their jurisdictions. Undeterred the Legislative Assembly in 2002 published an official reading of the "Police Law." (Ley de Policía) which contained the only gaming related legislation in El Salvador.

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The situation was made less clear still in 2011 when the government revoked the Police Law and replaced it with "The Law of Violations and Citizen Coexistence" ("Ley de Contravenciones y Convivencia Ciudadana"). The new legislation, which is designed to promote more harmony when it comes to the law and peaceful coexistence amongst citizens, gives more power to local municipalities, the Attorney General's Office and the police when it comes to intervening in local disputes.

While the old law had been ineffective when it came to gaming it was at least clear in that it banned gaming. The new law revokes the ban on gaming but covers gaming in a few sentences stating that the marketing, the installation or the operating of "electronic recreational gaming machines" is banned "without permission."

This has led to speculation that the law gives local municipalities the right to grant licences to gaming establishments. Under what terms and exactly how is unfortunately not covered by the law. Consequently gaming in El Salvador continues to exist in what amounts to a state of legal limbo with casino operators urging the government to pass a comprehensive gaming act. Unfortunately for now there are no signs of this happening in the near future.