

## **Sports Betting Regulation (Law No. 14,790/2023)**

On December 29, 2023, the Sports Betting Law (Law No. 14,790/2023) was enacted, introducing the lottery modality known as 'fixed rate bets,' more commonly referred to as sports betting. In essence, the law governs bets where the bettor is aware of the exact rate of return at the time of placing the bet.

The publication of the aforementioned Law represents a significant advancement in Brazil's entertainment and betting market. It establishes clear regulations for this practice, providing for the distribution of revenue, taxation of winnings obtained by players, rules for advertising, and some restrictions that must be observed by bettors and companies offering bets.

### **License and Operation**

The Law sets forth that the operation of sports betting is reserved for legal entities, subject to prior authorization from the Ministry of Finance. This authorization is a discretionary decision, according to the convenience and opportunity of the Ministry of Finance, observing the principles of public administration and the legal requirements.

Legal entities authorized to operate in this realm are called betting agents. Among other requirements, they must be incorporated in Brazil and have a Brazilian partner holding at least 20% (twenty percent) of the legal entity's share capital. In addition, the partner or controlling shareholder of the sports betting lottery operator may not hold a direct or indirect interest in an Anonymous Football Company ("SAF") or professional sports organization, nor act as a manager of a Brazilian sports team. These measures are in place to mitigate the potential for fraud in connection with sports betting.

### **Revenue, Taxation and Penalties**

One of the greatest benefits of legalizing and regulating sports betting in the country is the financial revenue resulting from this activity. In this regard, companies will be able to retain 88% of their gross revenue to sustain the operation. Out of this, 2% will be destined for the Social Security Contribution. The remaining 10% will be distributed between areas such as education, health, tourism, public safety, and sports. Furthermore, it has already been established that the net prizes obtained from lottery betting will be taxed by the Personal Income Tax (IRPF) at a rate of 15% (fifteen percent). In addition, the Law provides various penalties for its breaches, including fines of up to 2,000,000,000 (two billion) *reais*.

### **Advertising and Publicity**

The Law establishes that advertising and marketing related to sports betting must be regulated by the Ministry of Finance, with the encouragement of self-regulation. Some of the rules set out in the law are aimed at discouraging and warning the population of the harm caused by sports betting.

The legal text sets forth that internet application providers must proceed to exclude, within the technical limits of their services, platforms whose purpose is to exploit sports betting in disagreement with the rules on advertising and publicity, after due notice of the Ministry of Finance.

In addition, the National Advertising Self-Regulation Council ("Conar") has already approved Annex "X" of the Brazilian Advertising Self-Regulation Code, which sets out the rules to be

observed when offering bets and should come into force on January 31, 2024.

The document in question has been eagerly awaited by the market, as it covers sponsors, sponsored parties, gaming houses, and other players in the sector, to create a safer environment for advertisers and consumers.

## Effectiveness

The Law comes into force and becomes effective on the date of its publication (December 30, 2023), except for:

- a)** Advertising by unauthorized operators, which will be enforceable as of the effective date of Ministry of Finance regulations enabling interested parties to apply for authorization to operate fixed-odds betting; and
- b)** The contribution to social security and the National Public Security Fund (FNPS), which will take effect from the first day of the fourth month following its publication.

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Campos Thomaz Advogados closely monitors the evolving regulation on the betting and entertainment market and is available to provide complete guidance to our clients about this matter.

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