



The UK 2025 budget

What it means for UK iGaming Operators & where is the opportunity.

or

Just when you thought it was safe to stop cutting costs.



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EXECUTIVE SUMMARY

The UK 2025 Budget – Impact and Opportunity for iGaming Operators

The 2025 UK Budget introduces the most significant gambling tax changes in over a decade. From April 2026, Remote Gaming Duty on online casino and slots will increase from 21 percent to 40 percent. From April 2027, remote sports betting duty will rise to 25 percent. Horse racing betting remains protected at 15 percent, while land-based bingo duty is abolished.

The Treasury expects these measures to raise £1.1 billion in additional revenue. For operators, this represents a structural and permanent increase in operating costs, with industry estimates suggesting annual impacts exceeding £700 million once fully implemented. Margin compression will be most acute for casino-led operators, increasing pressure on pricing, promotions, marketing spend, and product strategy.

While the changes are severe, they also create a clear opportunity for operators able to operate with greater efficiency, discipline, and commercial focus. In a high-tax environment, competitive advantage will be driven by precision rather than scale.

Key action areas identified in this paper

- Promotional efficiency
- Marketing cost reduction through automation
- Customer value and database optimisation
- Product mix rebalancing toward tax-advantaged products
- Stronger measurement, control, and decision-making frameworks

Operators that act early across these areas can materially offset the impact of the new tax regime and strengthen their competitive position ahead of the 2026 and 2027 changes

ABOUT THE AUTHORS

Timothy Biddiscombe is CEO of Purple Square CX. With over 25 years of sector experience, he guides enterprises in transforming customer experience and marketing effectiveness. His approach centres on strategically aligning people, processes, data, and technology to drive measurable business outcomes and strengthen customer loyalty.

Ben Wyatt serves as Chief Customer Officer at Purple Square CX. With a marketing career spanning since 2003, he brings extensive, direct experience from core marketing roles within iGaming operators, complemented by agency-side work executing strategic initiatives across the sector. His philosophy is defined by a proactive, partnership-driven approach focused on anticipating client goals to deliver measurable value.

ABOUT PURPLE SQUARE CX

Purple Square CX is a specialist customer experience and marketing technology consultancy supporting leading iGaming operators through complex commercial and regulatory change.

What we do

- Help operators protect and grow margin through smarter marketing, CRM, and product strategies
- Optimise promotions, customer value, and product mix in high-tax environments
- Reduce marketing and CRM operating costs through automation and operational efficiency

How we work

- Deep iGaming domain expertise with 15+ years of proven experience
- Vendor-agnostic across leading CRM, CDP, and marketing automation platforms
- Focused on measurable outcomes, not theory or tooling

Why now

- The 2025 Budget raises the bar for UK operators
- Efficiency, precision, and execution will determine who wins

We help operators turn regulatory pressure into sustainable competitive advantage.

INTRODUCTION

The 2025 UK Budget has landed. While the Chancellor's framing centred on "fair taxes, strong public services, and a stable economy," our focus is more specific: **what does this budget truly mean for the iGaming sector?**

Beyond the immediate headlines, we're examining where the pressure will be greatest and, perhaps surprisingly, where strategic opportunities might emerge for smart UK operators.

To start with then, what are the facts, what does this supposed "fair taxes" budget look like for the iGaming sector?



PART 1 - MAJOR BUDGET CHANGES FOR IGAMING & LAND BASED GAMBLING

1. Remote Gaming (Online Casino/Slots) - SIGNIFICANT INCREASE

From April 1, 2026, the Remote Gaming Duty (RGD) will rise from 21% to 40%, and applies to online casino-style games, slots, and games of chance.

This nearly doubles the tax burden on this segment, and the governments dubious justification is that Remote gaming is "associated with the highest levels of harm".

A cynic might also observe that it is also associated with the highest levels of taxable revenue for the government, but that is surely a coincidence.

2. Remote Betting (Sports Betting) - MODERATE INCREASE

From April 1, 2027, a new General Betting Duty (GBD) rate of 25% will apply to remote/online betting, an increase of 10% from the current rate of 15%.

Critically, remote bets on UK horse racing are excluded and remain at 15%, as does Self-service betting on terminals within licensed premises.

Alongside the operators, the pain will also be felt by Sports clubs as sponsorship from the Gaming sector recedes.

3. Horse Racing - PROTECTED

The government's move to maintain the 15% Horserace Betting Levy provides a protected foundation, acknowledging the industry's unique heritage and economic footprint.

Yet this foundation is exposed. Racing's financial health is directly contingent on a robust and profitable betting sector. Any material pressure on operator margins elsewhere will translate into intense scrutiny of their racing-related costs, including a dramatic reduction in prize pots.

The racing industry must use this time to strengthen its commercial partnerships and diversify its revenue streams, ensuring its value endures even if its primary funders face headwinds.

4. Land-Based Bingo - TAX ABOLISHED

In a more transformative step, the government will abolish the 10% Bingo Duty from April 2026. This relief is designed to secure the future of land-based bingo halls, important community venues that foster social connection.

Along with Horse Racing, land-based Bingo is seen as supporting culturally important land-based venues. If young people ever played Bingo, this might be huge, but more accurately represents a disconnect between the over 50s who set policy for the UK, those who inhabit it, and those who are trying to earn a fair living within this sector.

5. Land-Based Casinos - NO CHANGE (for now)

The Casino Gaming Duty bands will be frozen for 2026-27, then indexed to RPI thereafter, continuing the trend of protecting face-to-face gambling with its associated lower levels of harm.

Financial Impact

The Treasury forecasts these reforms will generate approximately £1.1 billion in additional duty over the parliamentary period.

The direct cost to the sector is significant. Aggregated estimates from just three major listed operators indicate a profound increase in industry operating costs with a collective annual impact expected to exceed £700 million once the measures are fully implemented.

PART 2 – STRATEGIC IMPLICATIONS FOR OPERATORS

The implications can be broken down across a number of key areas.

Immediate Strategic Imperatives

1. Profitability Pressure

Naturally profitability is a good place to start, as every operator in the UK at the moment will be considering this very point. The key areas to look at will be:

- Reassess pricing strategies (potentially worse odds/lower RTPs).
- Review product mix and scale back marginal offerings.
- Consider operational efficiencies and cost reduction (including of course, job cuts).

The tax increases will significantly compress margins, particularly for operators with a strong footprint in online casino operations.

2. Product Portfolio Rebalancing

The differential tax treatment, intentional or not will create some clear incentives:

- Remote gaming (casino/slots) now faces 40% duty – **least favourable**.
- Remote sports betting at 25% – **moderately taxed**.
- Horse racing betting at 15% – **most favourable for online**.

This may drive strategic shifts toward horse racing and away from high-RGD products, which may become “just not worth it”, especially if you project towards future tax hikes.

3. Engagement Channel Strategy

- Land-based bingo potentially becomes more attractive with zero tax.
- In-person gambling unchanged, creating relative advantages vs. online.
- Self-service betting terminals (SSBTs) on licensed premises maintain 15% rate.

Naturally, no Operator boardroom has heard the phrase uttered “hey, lets pivot to just being a land-based bingo operator”, for very good reasons. As outlined before, and it bears repeating, younger players don’t tend to play Bingo. There are some, of course, but not enough to justify a pivot.

Broader market & regulatory consequences

1. Market Consolidation Risks

Operators are expected either to increase prices, worsen odds or scale back on the more marginal products.

Smaller operators may struggle, potentially accelerating industry consolidations.

2. Black Market Concerns

Industry bodies are already warning that higher taxes (already among the highest in the world) could drive customers to unregulated black-market operators who pay the UK Government no tax and offer no consumer protections.

3. Jurisdictional Considerations

Some operators have already taken pre-emptive action - for example, Flutter relocated Sky Bet's headquarters from London to Malta, which could save significant tax costs.

Timelines for Implementation

- **April 1, 2026:** RGD increases to 40% - Bingo Duty abolished.
- **April 1, 2027:** New 25% remote betting duty takes effect.

The Bottom Line

This represents one of the most significant gambling tax reforms in over a decade.

Online casino/gaming operators face the harshest impact, while horse racing receives explicit protection.

Operators must fundamentally reassess their UK strategies, product portfolios, and pricing models.

The UK government is clearly attempting to shift the industry away from what it considers "harmful" products (online slots/casino) whilst protecting so-called culturally valued sectors (racing, bingo halls), whilst earning itself a huge taxation windfall.

A little over three months (at the time of writing) remain for operators to action changes to protect their businesses.

PART 3 – THE OPPORTUNITY IN FRONT OF YOU

A. MAKING GENEROSITY / FREE BETS & SPINS MORE EFFICIENT

The Challenge

Promotional offers and free bets are common incentives, with three out of four who engaged in promotions using free bets during major sporting events. However, poorly targeted promotions destroy margins, especially under the new tax regime where every pound matters more.

The Solution

AI/ML-Powered Promotion Optimisation

- Implement Machine Learning CDP platforms to drive product and promotion optimisation in real-time.
- An effective solution should match the right bonus to the right player, striking a balance between generosity and ROI with built-in budget and player distribution capping.
- This ensures operators can confidently manage their promotional spend, measure uplift, and achieve sustainable and safe profitability.

Behavioural Targeting for Promotions

- Undertake a review of targeted generosity within your CRM, to ensure that spend is well used.
- 90% of players are inclined to explore new games or genres under the influence of promotions, making this pivotal for successful game launches.
- Use this behaviour to drive adoption of tax-advantaged products.

Conditional Promotion Design

- Move away from blanket "100 free spins for everyone" to personalised offers based on predicted behaviour.
- Research shows promotions framed as avoiding loss (cashback) are more psychologically powerful than equivalent gains (free offers).
- Design tiered promotions: high-value players get premium offers; casual players get entry-level incentives.

Wagering Requirement Optimisation

- Players are often unaware of wagering requirements and rarely understand what conditions really entail.
- Design clearer, more achievable requirements to improve completion rates.
- Build systems that track promotion ROI in real-time and automatically adjust future offers to compensate for earlier redemptions.

Real-Time Promotion Triggering

- RTM tools can notify dedicated players of fluctuations in betting odds throughout matches and trigger in-play promotional offers.
- Send deposit bonuses only when predictive models indicate a high conversion probability.
- Reduce large amounts of promotional waste through precision timing.

Real ROI Impact

If an operator spends £100 million annually on bonuses and promotions, improving efficiency by 25% saves £25 million - funds that can be redirected to offset tax increases and drive profitability.

B. REDUCE MARKETING COSTS: AUTOMATION & EFFICIENCY

The Challenge

With RGD rising to 40% and remote betting duty increasing to 25%, operators face unprecedented increases in additional annual costs (just based on the press releases of some of the major operators).

Marketing is the logical area to focus on cost management, with every inefficient pound spent on marketing becoming even more painful.

The Solution

Outsource (not offshore) your CRM Campaign Services

- A near-shore outsourced model reduces headcount costs, eliminates recruitment/training expenses, and provides highly skilled scalable resources during peak periods (major sporting events, tournaments).
- By outsourcing tactical execution, operators can reduce internal marketing team OPEX by a minimum of 20-30% while maintaining or improving output, taking advantage of "attrition-proof expertise" that frees smaller internal teams to focus on performance analysis and strategic improvements.

- The near-shore model is a perfect balance of risk & reward to reduce team size while avoiding cultural, quality, compliance & GDPR issues that can be found within the fully offshore model.

Process Optimisation

- Implement standardised marketing templates and reusable campaign components to cut production time, and use only those.
- Make a focused effort to eliminate duplicate work and streamline approval workflows, we've found this can reduce campaign launch times by 40-50%.
- Deploy industry-leading processes within your organisations and work collaboratively with your services partners to operationalise and optimise marketing strategies to further eliminate wastage.

Technology Efficiency

- Overcome data fragmentation and achieve unified customer perspectives through effectively implemented and operated Data Platforms, routing actionable data to where it's needed most in real-time to maximise revenue and minimise money left on the table.
- Consolidate disparate marketing tools into integrated platforms will reduce overall annualised Software as a Service licensing costs by 25-45%.
- Automated quality assurance (QA) processes to reduce human errors and costly campaign mistakes, especially where those campaigns are issuing financial incentives to players.

Real ROI Impact

If an operator spends £50 million annually on marketing (most operators spend 4%-15% of turnover), even a 15% efficiency gain saves £7.5 million –directly offsetting a very significant portion of the new tax burden.

C. MAXIMISING DATABASE ROI: INTELLIGENT SEGMENTATION & PERSONALISATION

The Challenge

Operators can no longer afford "spray and pray" marketing. Above the Line Marketing for Remote Casinos just became an endangered species, especially celebrity driven TV & Radio spots, which have an almost impossible to measure ROI.

Every customer interaction must be data driven and deliver maximum value.

Data-driven marketing helps iGaming operators understand player behaviours and preferences to customise marketing strategies in real-time for better results.

The Solution

Advanced Customer Segmentation

- Implement predictive models to better identify high-value players, churn risks, and cross-sell opportunities. Remember higher value players don't tend to require as much marketing to maintain, so making this determination early can make a huge difference to your bottom line.
- Use analytics to figure out who to target, provide great experiences, and maximise ROI through personalised campaigns based on customer preferences.
- Create micro-segments based on game preferences (crucial given the tax differentials, such as horse racing vs. casino).

Lifecycle Marketing Optimisation

- Design automated customer journeys that nurture players through acquisition → activation → retention → reactivation.
- These basic Customer Journeys are just the beginning, look at the micro journeys that exist between the above to identify true value and avoid leaving more cash on the table.
- Real-time marketing tools can help personalise cross-sale offers for each player mid-session, with the added potential to predict and adapt to future preferences.
- An improvement of 10-15% in player retention rates would allow you to reduce reliance on expensive acquisition channels.

Intelligent Contact Management

- Address contact fatigue and minimise unsubscribes by optimising communication frequency and message relevance.
- Implement frequency capping and finely crafted preference centres that respect player communication preferences while maintaining engagement.
- Reducing irrelevant or vanity communications can dramatically increase overall engagement rates.

Compliance-First Personalisation

- Design regulation-compliant systems that actually grow ROI, including automated opt-out capabilities for exclusion registers.
- Navigate the UK's increasingly strict promotional regulations while maintaining marketing effectiveness.

Real ROI Impact

Improving customer lifetime value by just 10% through better targeting can generate millions in additional revenue.

If an operator has 500K active customers with an average CLV of £800, a 10% improvement adds £40 million in value.

D. STEERING PLAYERS TOWARD HIGHER-RTP GAMES (AND TAX-ADVANTAGED PRODUCTS)

The Challenge

The differential tax structure creates clear economic incentives:

- Remote gaming (slots/casino): 40% duty
- Remote sports betting: 25% duty
- Horse racing betting: 15% duty (protected)

Operators need to strategically shift player behaviour toward more profitable (lower-taxed) products while maintaining player satisfaction and lifetime value.

The Solution

Strategic Game Promotion

- Design personalised recommendation engines that suggest higher-RTP games within each category.
- Multiple studies have shown that games with a RTP above 96% deliver longer average session lengths and higher 30-day retention rates.
- Create journey orchestration that gradually introduces players to more tax-efficient products (horse racing, sports betting over pure casino).

Behavioural Nudging Through UX

- High-quality platforms use flexible frontends that change appearance to suit users' tastes, showing different game categories based on behaviour.
- Implement dynamic lobby designs that prominently feature higher-RTP or lower-tax games for specific player segments.
- Use A/B testing & CRO tools to optimise game placement, thumbnails, and messaging to drive engagement with profitable products.

Cross-Selling Orchestration

- Casino players can be offered matched deposits to try sports betting, while sports bettors can receive free spins for casino, with personalised offers tailored to average bet and favourite games.
- This is particularly valuable for shifting players from 40%-taxed casino games to 15%-taxed horse racing bets.
- Design multi-channel campaigns that educate players about horse racing during major events that capture focus (Cheltenham, Royal Ascot, Grand National).

Gamification for Product Migration

- Create mission-based reward systems that incentivise trying different product verticals.
- Gamification enhances perceived value even if RTP doesn't change, since most players finding games more rewarding when gamified.
- Design progressive challenges: "Complete 5 horse racing bets this week to unlock 20 free spins"

Real ROI Impact

If an operator shifts just 10% of a £1 billion annual casino revenue to horse racing (from 40% to 15% duty), they save $£250 \text{ million} \times 0.25 = £62.5 \text{ million}$ in tax annually.

E. ADDITIONAL STRATEGIC CAPABILITIES TO CONSIDER

Comprehensive KPI Tracking & Optimisation

- Operators rely on CRM systems to track KPIs like CPA, ARPU, GGR, and NGR to make data-driven decisions and develop effective marketing strategies.
- Now the smartest Operators will be implementing dashboards to show real-time tax impact alongside these traditional metrics.
- Consider creating new KPIs like "Net Gaming Revenue After Tax" (NGRAT) to guide effective decision-making.

Multi-Channel Campaign Orchestration

- Develops and execute campaigns at scale using cutting edge marketing automation platforms.
- Coordinate omni-channel email, SMS, push notifications, in-app messages, and website personalisation in unified customer journeys.
- Ensure consistent messaging across all touchpoints while respecting changing regulatory requirements.

Vendor-Agnostic Expertise

- As requirements emerge to consolidate and harmonise systems and processes, look for boutique partners with specialist expertise in multiple marketing technology platforms to drive effective change.
- This flexibility allows operators to choose best-in-class tools without multi-vendor lock-in at a time when the cost cannot be borne.



MEASURABLE VALUE IN A HIGH-TAX ENVIRONMENT

Combined Impact Model

For a mid-sized UK operator with:

- £1 billion annual GGR
- £50 million marketing spend
- £150 million tax liability under new regime

An effective and co-ordinated approach could deliver:

Intervention	Annual Savings/Value
Marketing automation efficiency (15% saving)	£7.5M
Database optimisation (10% CLV improvement on 500K players)	£40M value creation
Product mix shift (10% handle migration to lower-tax products)	£25M+ tax savings
Promotion optimisation (25% efficiency gain on £100M spend)	£25M
TOTAL POTENTIAL VALUE	£97.5M+ annually

This easily exceeds the tax increases even the largest operators face, while simultaneously improving player experience and regulatory compliance.

SUMMARY

The 2025 UK Budget marks a structural reset for the iGaming sector. With Remote Gaming Duty rising to 40 percent and remote betting duty increasing to 25 percent, operators face a permanent increase in operating costs that cannot be absorbed through short-term cost cutting alone. Margin pressure, product reprioritisation, and tougher decisions around marketing and promotions are now unavoidable.

However, this report demonstrates that the impact of the new tax regime can be materially offset. **By improving promotional efficiency, reducing marketing operating costs, maximising customer lifetime value, rebalancing product mix toward tax-advantaged verticals, and strengthening performance measurement,** operators can protect profitability while improving player experience and regulatory resilience.

Delivering these outcomes requires more than intent. It demands the right combination of strategy, data, technology, and operational execution.

Purple Square CX works with leading iGaming operators to turn exactly these challenges into measurable commercial results. If you would like to understand how to apply the approaches outlined in this report within your organisation, we would welcome the opportunity to discuss where the biggest opportunities lie and how to deliver them at pace.

Now is the time to act – before the market resets and competitive advantage is redistributed.



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