# GBG rallies operators to present case against increasing MGD

TAXATION

The Gambling Business Group has called on operators to submit insight and hard evidence against any potential increase in MGD, as the duty emerges as the latest in line for a potential tax increase. Outlining the current argument, Chief Executive **Peter Hannibal** talks to Coinslot about the fragile state of affairs for high street operations and how another tax rise, on top the new Gambling Levy, a five-year modernisation review that is going backwards and increasing regulation could break the land based gambling industry.

The Gambling Business Group has called on industry stakeholders to provide input and insight into the case against raising MGD, as the duty becomes the latest tax to be identified as a prospective target for a duty increase.

With remote betting and gaming taxes currently under the spotlight, there are fingers, particularly from the anti-gambling lobby, pointing to Machine Games Duty as another possible option.

"If MGD is raised in any of our sub-sectors, it will likely have a detrimental impact on all Cat B3 and Cat C machines by default (as they are in the same stake band from an HMT criteria)," GBG General Manager Charlotte Meller wrote to members this week.

And this hits the ailing high street on every single stretch - amusement arcades, AGCs, pubs, bingo halls - those very establishments that are currently keeping the UK high street economy viable.

GBG Chief Executive Peter Hannibal is acutely aware of this. "Our members are very concerned at the threat of a possible tax rise in MGD especially at this particular time of an uncertain Gambling Act Review and an even more uncertain economic climate," he told Coinslot.

And to say this year has shattered the land-based industry's determination to turn its post-Covid recovery into a growth plan would be an understatement.

Hannibal elaborated: "The impact of Employer NIC and NMW rises has been devastating to the hospitality sector - almost 90,000 of the 165,000 jobs lost in the economy since the Autumn Budget have come from the land-based industry. The economic hit from that is immense, not just for the Treasury but for the industry, the public and local communities as well."

Credit to the GBG for gathering the evidence, but in fairness there won't be a single economic wonk in the Treasury that would fail to recognise that the timing of any tax increase, now, would lead to problems for many businesses in the industry not so far down the line.

"I think it's more than a problem," Hannibal observed. "For many, it's going to be an existential threat. And the first in line will likely be many small to medium sized family businesses who have served their high street economies for decades, some for four to five generations. Next, will be the medium sized high street operators with several venues where the tax burden will force a consolidation."

And, more worryingly, that model will work its way through to the major AGC nationals, bingo groups and pubs.

But you would say that wouldn't you?

Most likely yes; but given the current environment, absolutely.

Hannibal agreed. "We all understand the Treasury's position - it's an age old scenario which industry and government argues over every year. But somewhere along the line, someone at the Treasury needs to step away from the short-sighted number-crunching and examine the broader picture."

That picture, this year, is one tantamount to a ransack.

Hannibal raised a smile at the optics, but the message was not far off. "Our industry is in a particularly unique position where increased tax and levy burdens are already being implemented. Next week, the Gambling Commission will be invoicing businesses for their first ever Gambling Levy payments. That's between 1-4 percent of turnover - not profit - to our high street businesses and suppliers. When you put that into the equation of higher NIC tax rates, higher business rates, higher energy costs, increased regulation charges - you're looking at incredibly small margins for an MGD rise - let alone any investment in innovation and growth."

## Tax rises will stop growth

**Peter Hannibal said...**

**"GBG is absolutely committed to the high street economy - our members are investing in the UK high street whilst virtually every other industry is pulling out of it. We fully back the government's most important strategy of growth - but with the MGD tax threat, we could be running out of fiscal road to play any key role...**

That's probably a polite version of the reality. The government promised modernisation nearly six years ago and got very close to a model that could have worked for the industry, the government and the economy. That stalled in last year's election. Now, the plan to review the Gambling Act and make the UK gambling industry fit for the digital age has actually gone backwards. Worse, probably given the current signals from the DCMS and the Gambling Commission, back to the 20th century.

Hannibal, once again, was more eloquent in his assessment, but still damning. "You simply cannot tax your way into growth, or raise revenues through regressive regulation. It simply won't add up and it has never worked successfully in the past."

And it hasn't added up in Europe either as Coinslot found out last week from a series of research papers into the impact gambling tax rises in Italy, Germany, the Netherlands and Romania showed. In every case, tax rises implemented by each of the national Treasuries resulted in less tax payments and hit growth in each of the industries.

Hannibal was very conscious of the European lesson. "For Italy, tax revenues fell nearly 20 percent following a tax increase, and the pattern was very similar in Germany, the Netherlands and Romania," he observed. "We need to be very alert to this response: this is a lose-lose outcome. But, there's also the very unique position of the UK sector which compounds the situation. We have 3.8 percent inflation, the highest for 20 months, and a playing public that will be responding to higher food prices, energy prices and other costs. There are fears that the consumer spend will shrink in the coming year. Every other industry can adjust to this by raising its prices. The high street gaming and gambling industry, however, hasn't been able to do this for over a decade."

In fact, it can't unless the government allows it to, and the government is showing every sign that it won't concede. "We have little prospect of a Triennial Review of stakes and prizes, there's a serious threat to machine ratios in venues, and a growing assault on the Aim to Permit legislation. This is not an environment that needs an increase in taxation," Hannibal said.

"The land based industry simply doesn't have the band width for any more taxation or regulatory burdens, especially at this time - the Levy on its own will take more from our businesses than any tax rise imposed for many years. There is very little left in the pot of many businesses either for additional taxes or growth-driven investment."

And no better place is this evidenced than in pubs - two a week are closing down. The pub sector feels like its imploding - the BBPA are crying for support from the government. One of the lifelines for most pubs in the UK are the Cat C gaming machines which for many are making the difference between staying open or shuttering the doors.

An MGD tax rise would be a nail in many pubs' coffin. "MGD is not the largest revenue stream for the government, but to the sector it covers, this income is a vital source for many businesses survival. Small margins matter in the pubs and amusement arcades - and one more small tax margin on top of the Levy, NIC, energy and other bills could shift a business out of business," Hannibal said starkly.

The GBG is being pro-active with its members to address the fiscals that the Treasury will be assessing as it pours through tax rise options. But for the UK high street, the writing is already on the wall - it needs investment from these companies, badly. If that investment budget is snatched away by an MGD tax rise, the broader implications could be devastating to local economies.

Hannibal is acutely aware of this. "GBG is absolutely committed to the high street economy - our members are investing in the UK high street whilst virtually every other industry is pulling out of it. We want to be talking about investment and growth and driving that forward. An MGD tax rise will cut that conversation off completely. We fully back the government's most important strategy of growth - but with the MGD tax threat, we could be running out of fiscal road to play any key role."