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A tax too far: the industry rallies against MGD hike

BUDGET PREVIEW

It's been a rough ride for Chancellor of the Exchequer Rachel Reeves these past few months. But then she should try spending a little time in the seat of an amusement, bingo or pub operator - then she'll know exactly how rough a ride it can be. Next week, Reeves sets out her budget statement, and no-one is expecting the second coming of the saviour. Not least the thousands of businesses that operate gaming machines - for them, revenues from those machines are a salvation, and now they are under threat from a possible **MGD increase**. That is something every hospitality sector is fearful of. Coinslot considers some of their views.

There are just five days to go until the Chancellor unveils her Budget Statement in the House of Commons, and yet it feels like UK plc has been waiting years for this Treasury edict. In what has been considered one of the worst managed Budget processes in decades, Rachel Reeves needs to deliver - bigly.

The incessant flow of fear-mongering from 11 Downing Street over the past four months has despatched a major downer through virtually every industry in the country.

And none more so than the amusements, gaming, gambling, pub and hospitality sectors where the mood of confidence - and indeed trust in the government - has been decimated.

With debilitating business rates and NIC tax rises already forcing 110,000 people to lose their jobs in the hospitality sector since increases were implemented in April, the expectation of further tax rises next week will, according to BBPA chief Emma McClarkin, bring businesses "closer to closing their doors for good".

And one tax under threat in particular, has both rankled and rallied all sectors of the hospitality industry - Machine Games Duty - which soundings from those lurking in the Treasury corridors suggest could possibly be doubled circa 50 percent.

That will hit every pub, every bingo hall, every holiday park, every amusements centre, every high street arcade, every bowling alley, every working men's club….and more.

This coming Budget has turned into a fierce battleground between the Treasury and the combined forces of British industry and the British people.

For the chancellor, this Budget has been all about protecting her fiscal principles. For Britain's businesses and the public, it's been about protecting their livelihoods.

In confrontations such as this, one has to question who an elected government has been elected to protect.

And the answer to this battle of government's principles over its people was given pretty effectively in five simple words by one operator when discussing this very question with Coinslot.

He responded, rather eloqently for him: "Are you fucking kidding me?"

Seemingly, given leaks from the government and Labour backbenchers, we kid you not.

So, what is the mood around some of the key sectors concerning a rise in MGD?

The UK pub sector where the glass is virtually empty

In recent days much of the media focus has been on the ailing pub sector which is recording more than 21 closures every week. The loss of machines revenue, the sector argues, will create an existential threat.

For pubs, whose gaming machines are low-stakes and incidental to their core trade, industry leaders warn that any hike "would be devastating".

The BBPA estimates a rise in MGD to 50 percent would cost pubs £187 million a year, the equivalent to 16,300 jobs.

And the operators agree. "Another straw on the camel's back" was Sir Tim Martin's description of a move that would cost Wetherspoons £18 million a year according to analysts.

Nick Mackenzie at Greene King said it would "inadvertently be the tipping point" for pubs. And Chris Jowsey of Admiral Taverns predicted that an MGD rise "would accelerate pub closures, cut jobs, hollow out high streets and likely reduce the overall tax take."

And his argument is based on key facts: in Admiral Taverns' 1,300 pubs, machines currently generate around £6,000 net revenue per year; under the proposed tax rate, this would fall to £2,625.

High street arcades and amusements …on the brink of a wipe out?

Last week trade body Bacta met with Dan Tomlinson MP, Exchequer Secretary to the Treasury, to make a final plea to government to protect its businesses from another tax increase.

Allaster Gair, Bacta's Director of Communications, told the MP: "Any rise in MGD, such as Gordon Brown's suggestion of a 50 percent rate, would wipe out the industry overnight, delivering a devastating blow to operators, jobs, and investment. "We made clear that even an increase to 25 percent would be deeply damaging, with Bacta modelling showing that around a third of jobs could be lost under such a rise, putting hundreds of businesses and the wider supply chain at risk."

No gain but significant pain: the high street faces its lowest point

Peter Hannibal, chief executive of the Gambling Business Group, sees no hope for the recovery let alone growth on Britain's high streets this decade if the government goes ahead with its proposed MGD tax rise in the Budget.

"An increase in MGD will make absolutely no impact to the £30 billion hole in the Treasury accounts. But it will have an absolutely devastating impact on high street economies all over the country," he told Coinslot.

"For many businesses in the hospitality sector, gaming machines play a key contributory role to the finances. They add to income rather than adding to operational costs. And for pubs, arcades, bingo clubs, betting shops and members/social clubs - their machine income is a survival lifeline.

For the bigger operators, machines contribute to local employment, high street investment, a town's social and entertainment offering and the local economy.

They are vital in the small to medium sized towns both inland and on the coast. And the government knows only too well how fragile the economy is in these constituencies.

We have long called for joined up thinking in government when it comes to tax and legislatory policies. Unfortunately, what we've been getting so far in this budgetary discourse is a scattergun approach of - tax what we can without putting context to these arbitrary proposals.

And for the gaming and gambling sector, in particular, this context - and joined up thinking - is absolutely vital because for too many businesses their machines income is the difference between staying open and closing their doors - for good!

The high street operators are facing not just the same intense pressures of rising costs through business rates, NIC hikes and ever increasing regulation, but the industry has also taken on board a 1-4 percent charge this year for its annual contribution to the Gambling Levy.

This is on top of all business taxes and operating costs. To the small family business running a seaside operation, that could amount to tens of thousands of pounds, up to the bigger high street operators where it will hit hundreds of thousands. Even the larger operators are not going to keep their loss making venues open just so that they can continue to pay taxes and the levy.

This dynamic modelling is missing from Treasury thinking over MGD tax rates. For so many of these businesses there is very little left in the pot and there is only so much you can pay in tax, rates, regulation and levies before you are forced to face the prospect of either running at a loss or, throwing the proverbial towel in and not paying these costs any longer.

And the pub, bingo, arcade, betting, night time, seaside and social club sectors have all been telling the Treasury this constantly and consistently for the last few months.

For many of them, a rise in MGD is going to trigger the beginning of the end.