



INDUSTRY SHOULD EXPECT 'NO RATIONALE' IN QUID PRO QUO TAX GAME

👤 Ted Menmuir 🕒 September 24, 2018

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David Clifton

Amid the hopes and expectations of the industry's future, deliberated at the Betting on Sports 2018 conference, was the hard reality of the **'UK Tax Hike'** on online gambling services awaiting industry leaders.

"Its seems a long distance now, the days of Tessa Jowell, the former Minister of Culture, Media & Sports under Tony Blair, stating that the UK would lead the world in terms of gambling, through light-touch regulations", opens **David Clifton of Clifton Davies Consultancy**, moderating the tax panel at the [CasinoBeats Summit](#).

Put simply, the industry anticipates a *'quid pro quo situation'*, following the pending reduction of FOBTs stakes, cut from £100 to £2.

Reaffirming pessimists, Tracey Crouch, the minister overseeing gambling has underlined that an increase in online taxes is needed 'in order to secure government finances, and to protect the funding of vital public services'.

Asked if the 'battle has been lost already?', **Clive Hawkswood Chief Executive of the Remote Gambling Association (RGA)** states "There is really no time for a grieving process, anyone who deals with the government recognises that fairness does not come into play... you might as well shout at the moon".



Clive Hawkswood

Leading the RGA's trade body, Hawkswood has put into plan open dialogues with the Treasury, seeking to 'mitigate the certain reality of a UK online gambling tax hike'.

– RGA

"In our communications with Treasury officials and ministers, we are focused on implementation times and securing an exact tax rate. We are engaged with Ernest & Young to run analysis on the matter, looking to find out what's the gap left by FOBTs".

"In terms of rates, the big fear is that the Treasury implements a 25% tax hike, let's remember that they do like their round numbers" Hawkswood details.



Steven Effingham – Ernest & Young

Seeking to quell industry nerves, **Steven Effingham, Director of Tax Policy at Ernest & Young** points to the [government division caused by the stringent FOBTs cut](#).

"To me, the interesting aspect of this whole debate is that it's pretty clear that the Treasury did not want to do the stake cut. Even in the public coverage, the Chancellor (Philip Hammond), openly tried to delay the announcement, seeking to halt DCMS bandwagon,"

Effingham details

Whilst treasury officials may have some sympathy towards the online gambling sector, Effingham notes that the department will simply be looking to 'fill its hole of several hundreds of £ millions, gifted by DCMS'.

Working with the RGA, Effingham states that industry leadership has to showcase its 'operating complexities' to avoid the scenario of the treasury 'simply turning off the FOBTs tap, and turning up the RGD tap'.

Nevertheless, Effingham makes the salient point that online gambling leadership will have to learn to '**reframe the debate**', amid changing public and political perception on corporate taxation policies.

"Whilst there is a consultation, the industry needs to reframe the debate because this will not be a one-off. If you now look at tax more generally, you are starting to hear in the public domain, ministers openly talking about raising taxes, that's not happened in a long time".

Industry analyst **James Myles of ETA Delta** outlines the all-around dire consequences of an **RGD tax hike even hitting a 20% mark**.

Though at 20% the UK will have a lower tax rate than a number of European jurisdictions such as France, Myles worries that a 'hike without rationale' would have closed the UK market to smaller independent incumbents.



“There doesn’t seem to be any reason for industry incumbents to spend a third more money on duty. This tax rise, driven off the back of FOBTs, marks the government’s incompetence to have made its decision without recognising the huge amount of money it will lose” Myles tells the CasinoBeats Summit audience.

*James
Myles – ETA
Delta*

Myles understands that ministers warrant no rationale when taxing industries, however, he outlines that an RGD hike would represent the third online gambling tax constraint imposed by the government since 2014 (RGD & Free Play tax), without a visible justification.

“We are not seeing any increases in problem gambling rates. For online operators, there is already a huge amount of regulation, of which a lot is dressed up as ‘raising the standards’.

“This circus is coming to town from one thing to the next...and at one point something has to give” Myles concludes.

The UK Tax Hike panel closes The CasinoBeats Summit Day1 morning for a lunch break, facing these prominent threats it’s now doubtful that a free meal will cheer up industry incumbents.