

20<sup>th</sup> June 2012

## Finance Bill - MGD committee debate

The Finance Bill committee debated the proposed amendment on MGD on 19th June 2012. The key quotes relating to bingo are detailed below and the full transcript is available [HERE](#)

### MGD amendment debate extracts:

**Graeme Morrice MP** (Labour, Livingston):

The introduction of the MGD, at a rate which is too high to be sustainable, will also impact on bingo halls, pubs and clubs across the country. Bingo is one of the most popular pastimes in the UK, with 3 million people making around 48 million visits to bingo clubs in 2010. The role of bingo clubs in local communities is well recognised, and I know many of my constituents really look forward to their regular game of bingo, partly for the chance to earn a few pounds, but mostly for the opportunity it provides to socialise with friends. Often, this is the only opportunity some older constituents have each week. Industry representatives have highlighted that 180 bingo clubs closed between 2005 and 2010, and that if the MGD is set at a rate above 20%, it could lead to a further 100 or more clubs closing, with a loss of over 2,500 jobs.

Representatives of the bingo and amusement arcade industries are united in the belief that MGD at 20% would be unfair and would damage businesses.

Members will be aware of research conducted by Ernst and Young that shows an annual burden of more than £9 million in the current tax regime for bingo if MGD is introduced at 20%. The Bingo Association has highlighted that that would result in more club closures and further job losses, as well as a far wider impact on machine supply and servicing firms, building contractors, food and drinks suppliers and other businesses connected with bingo.

**Grahame M. Morris** (Labour, Easington):

The hon. Gentleman (referring to Conservative MP Ian Swales) is saying that he has no problem with the legislation, but although the justification of the proposal is simplification, and it is tax neutral, a detailed study carried out by Ernst and Young indicates that the tax take will in fact be bigger, which will have a negative impact on the small businesses in his area that he has just been praising.

**Grahame M. Morris** (Labour, Easington):

I want to highlight two issues: the impact on betting shops and the impact on bingo halls. The Mary Portas report, which has had a lot of publicity recently, recommended that empty units be used as bingo halls. In Easington, we have a problem with the high level of vacant and derelict shops. Betting offices could fill some of those premises and keep a modest number of people coming to often quiet high street areas.

Ernst and Young has cast real doubt on the claim that these measures are

revenue-neutral. It says that they are likely to increase the tax burden on small businesses and introduce additional complexity and compliance burdens. Government Members often claim to be the champions in the war on red tape and bureaucracy, but that is exactly the issue we will now have to face. Bingo halls and pubs and clubs up and down the country have also been affected. I appreciate and value these businesses, especially in communities such as mine. Bingo halls are a lifeline to many older people, as indeed are local pubs and clubs. They are often at the heart of the communities they serve. The Budget proposals are likely to cause further closures. Although 180 bingo clubs have closed since 2005, with the loss of 2,500 jobs, we still have a significant industry in many areas of the country, which generates more than £300 million a year in tax revenues for the Treasury. I am pleased to say that Easington has a number of bingo clubs, which I have visited. Like other Members, I have taken the opportunity to play bingo with local residents. For many people, especially the elderly, bingo is their sole social outing, so it is a vital lifeline. Bingo fulfils a basic social function for vulnerable people and is important in communities such as mine. Gala Bingo has sent me a brief. It says that the “break-even rate of machines taxation for bingo is 16.3%”, which is much closer to the 15% that our amendment proposes, rather than the 20% that the Treasury is proposing. The danger for many clubs is that the increased tax burden will make them unprofitable. Although the figures may look small and the overall impact on company profits may be low in percentage terms, the real risk is that more remote clubs, such as those in my area, will be forced to close.

**John Mann** (Labour, Bassetlaw):

Has my hon. Friend noted, as I have, that a theme of the Budget—from bingo and bookies to pasties and caravans—is taxing the pleasures in which the Prime Minister and, particularly, the Chancellor never partake.

**Cathy Jamieson** (Labour Shadow Gambling Taxation Minister):

The people bingo halls and clubs serve have changed over the years. They are no longer exclusively the province of women, although traditionally they served much the same purpose as a social hub for women, as the pub did for men in some working-class communities. They were a place where women could meet people and have a social evening, as well as hope to win something more than they could get from their jobs or other income.

The real question I want to press the Minister on is that, as has been mentioned, the Treasury’s justification for the reform appears to be that it will simplify the tax system and remain revenue-neutral. Evidence and submissions, which I believe the Minister has been given, suggest that that is unlikely to be the case. The Ernst and Young report, to which my hon. Friend referred, suggests that the changes make it unlikely that the Treasury will achieve its aim of a neutral change. It believes that the proposed structural tax change will introduce additional complexity and compliance burdens to businesses, particularly in seaside constituencies, and are likely to cause the further closure of businesses, potential reduction in investment, loss of jobs and the loss of tax revenue for the

Treasury.

As others have mentioned, submissions from the bingo industry particularly highlight that the fiscal-neutral rate for the sector is 16.3%. Bingo industry modelling shows that an MGD rate of 18% would cost each bingo club about £11,000, a 20% rate would cost about £26,000 per club, and a 22% rate would cost about £41,000 per club. It also points out that about 170 bingo clubs make less than £70,000 a year. It estimates that an MGD rate of 22% would therefore lead to a further 100-plus clubs closing with the loss of more than 2,500 jobs and further damage to local communities

**Chloe Smith:**

On the question of winners and losers, the analysis shows that seaside arcades and the majority of pubs will gain from the machine games duty, while bingo operators will, on average, lose out marginally. The losers will be casinos and licensed betting offices. Members may wish to keep that information in mind and question who is telling them what when they are being briefed.