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22 Decem

## Las Vegas gaming giants warn tax take threatens UK expansion

By **Damian Reece, City Editor**

22 December 2003

American Casino operators are demanding that the Treasury introduce a tax rate of no more than 20 per cent on gaming profits before they will invest large sums in the gaming industry, which is to be deregulated next year.

Las Vegas operators such as Harrah's and MGM Mirage will not build the large resort casinos, envisaged as a key part of the Government's deregulation plans, unless gaming duty is cut substantially.

Talks over a new gaming duty regime to suit US investors will be of central importance as the rules governing the UK gaming business are hammered out by the industry and MPs. Lloyd Nathan, the managing director of MGM Mirage Development, Europe, said: "The current tax rate would be prohibitive to the type of large scale development that the government is looking towards."

The deregulation plans set out in a recent draft Bill envisage unlimited slot machines in large casinos and an end to the "permitted area" restrictions currently imposed on casino developers. Casinos will also be able to offer other types of gambling such as fixed odds betting and bingo.

Large casinos pay 40 per cent tax at the moment, although smaller, provincial casinos pay lower tax rates depending on their profitability. The more profit a casino makes in the UK, the higher the tax rate it pays.

One executive of a large UK-owed casino group which stands to benefit from proposed deregulation, said: "The American operators will not make investments in large resort casinos if the gross profit tax is above 20 per cent. That is what they are looking for."

MGM, which owns the Bellagio and MGM Grand in Las Vegas, recently signed a casino development deal in partnership with Newcastle United football club but it stipulated that lower tax would be a condition of the deal going ahead.

"If you look at other jurisdictions you will see a direct relationship between a low and stable taxation rate and resultant high investment. The higher the tax the lower the lower the investment," Mr Nathan said.

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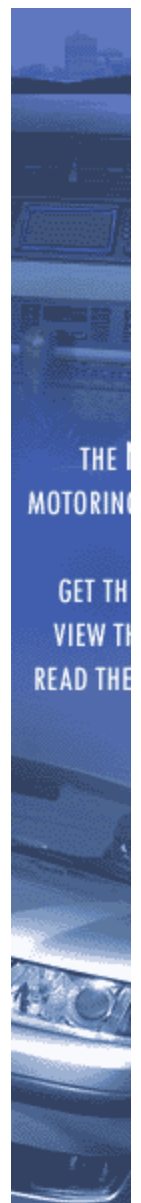
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Neville Topham said gaming deregulation could support 117,000 new jobs, increase public finance contributions by £3.1bn a year and attract £5bn of inward investment.

However, it said its economic model was based on the gaming industry enjoying a tax rate of 15 per cent, similar to the gross profits tax paid by betting shops. The report said: "We have adopted this rate primarily in the light of feedback from overseas operators who indicated that a rate of this nature will not act to deter inward investment into the UK."

It is understood, however, that the US casinos would be willing to accept a slightly higher rate of 20 per cent in negotiations with government.

Mr Nathan said he was in regular touch with the Treasury and the Department of Culture, Media and Sport, which regulates gaming.

Mr Nathan said: "It is hard to say what the right tax rate should be in isolation because it is part of a number of other issues such as the shape and detail of deregulation. But I can say affirmatively it is too high at the moment."

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