

UK economy can ill afford to lose £61bn in taxes



CITY COMMENT
NICK ANSTEE

THE INTRODUCTION of a new 50 per cent levy on banks paying bonuses above £25,000 is one of several recent measures – including the incoming 50p tax band and global transaction tax proposal – that have been perceived to be an

“attack” on the City.

We all acknowledge the real public anger that exists as a result of the financial crisis, particularly when it comes to bankers’ remuneration. However, an excessively punitive approach towards pay will have a detrimental effect on the UK as a whole. Let me explain why.

The financial services industry contributed an estimated £61.4bn – or 12.1 per cent of total tax revenues – to the government during 2008/09. This – combined with the redistribution of the City’s business rates of around £580m and the industry’s substantial philanthropic contributions – is money that filters down to the wider economy that we cannot

afford to lose when faced with a large budget deficit.

According to one report, the total tax rate on bonuses for high-earning bankers could, for some, rise to over 100 per cent in total as a result of this new levy. Such a high marginal rate is bound to make institutions and individuals reconsider their commitment to the City.

Furthermore, this has been described as a one-off measure. But the government added it could, in fact, be repeated next year as part of a broader review of pay levels. Such uncertainty only serves to undermine the UK as a place to do business in the eyes of foreign investors and banks.

Industry figures are constantly

challenged to prove that institutions and talent will move abroad as a result of higher taxation. But by the time we have that proof it will be too late – key business activities and staff will have already left. This would further exacerbate the skills shortage that is already problematic for the UK as a whole. Yet the financial services sector will be crucial to a speedy recovery from recession.

We are happy to compete with rival global financial centres – but such competition must take place on a level playing field. Writing in *The Prime Minister* and President Sarkozy declared last week: “it is clear that the action must be taken at a global level. No territory can be expected to or be

able to act on their own”.

And yet this seems to be where the government is heading at the moment when it comes to bankers’ remuneration. We need much clearer evidence that other major financial centres, especially in the West, will implement similar measures. If other governments act in accord with the G20 principles we need not fear the exodus of talent that would inevitably follow if the UK acts alone.

Sadly, it would seem that the trust between politicians and some parts of the City has been severely dented. I am keen to do my part in restoring that trust.

Nick Anstee is Lord Mayor of the City of London

Partygaming mulls a £2bn tie with Bwin

► LEISURE

By PHILIP WALLER

ONLINE poker group PartyGaming is understood to be in talks with Austrian rival Bwin Interactive Entertainment about a potential £2bn tie-up.

PartyGaming is believed to have held “on-off talks” since the summer with Vienna-based Bwin about a possible “merger of equals”.

The firm is thought to be keen to grow in sports betting, a sector in which Bwin is particularly strong.

The Takeover Panel was expected to ask PartyGaming to clarify the position before the market was due to open today, it was reported yesterday.

PartyGaming refused to say anything. “We will not comment on rumour,” a spokesman said. Bwin was unavailable for comment.

Gibraltar-based PartyGaming, led by chief executive Jim Ryan, has been involved in growing consolidation in the gaming industry.

In August, PartyGaming agreed to buy the World Poker Tour for \$12.3m and in July it bought online bingo

business Cashcade, which owns the Foxy Bingo website, for up to £95.9m.

PartyGaming billionaire co-founder Anurag Dikshit set up the group in 1997 and developed its user-friendly technology and it entered the FTSE 100 after floating in 2005 at a value of £5bn.

Dikshit sold most of his remaining 28 per cent stake in PartyGaming in October. An online gaming ban in the US, which outlawed the industry in 2006, forced the firm and its rivals to shut their lucrative American operations. PartyGaming did a deal in April with the US to protect it from prosecution.

■ ANALYSIS | PartyGaming



Partygaming founder Anurag Dikshit



MICHAEL MEADE NUMIS SECURITIES

PARTYGAMING appointed Numis Securities and the broker’s Michael Meade in April to work as joint corporate broker alongside the online gaming group’s other corporate broker, Deutsche Bank.

Meade became a managing director in the investment bank’s corporate finance business in June 2006. He worked as an executive director at

UBS between 1997 and 2005 and was among eight recruits taken on by Numis in 2006 to expand its equities and trading businesses.

Numis carries out research, sales, trading, broking, capital raising and corporate finance in 15 sectors, including aerospace and defence, building and property, engineering, fast moving consumer goods, life sciences, media, metals & mining, new energy & emissions, non-life insurance, oil and gas, retail, speciality and other financials, support services, technology and travel and leisure.

Numis and Meade are working for PartyGaming alongside a team of bankers from Deutsche Bank’s Real Estate, Gaming and Lodging group.

NEWS | IN BRIEF

Accenture website drops Woods

Consultants Accenture, the group which based its marketing around Tiger Woods, has pulled the golfer from its website, it said yesterday, while Gillette maker Procter & Gamble said it would phase him out of adverts. The two are the latest companies to reevaluate their contracts with Woods following revelations about his private life. Pepsi has been in talks over its £60m five-year deal, while phone giant AT&T is also considering it arrangement with him.

Metro Bank to launch

Vernon Hill, a US financial entrepreneur, is close to launching a new bank, Metro Bank, next year with two branches in central London.

The venture is set to go ahead if Hill gets approval from the City regulator the Financial Services Authority (FSA). Metro Bank would be the first bank to launch in the UK since the late 19th century. The FSA is looking at a number of other applications from businesspeople wishing to start banks, including those from Virgin and Sandy Chen, a Panmure Gordon banking analyst.

Google ready to release mobile

Google has released an experimental mobile phone to employees, with access to the public expected to be offered in January. Asking employees to test products has become an established tactic for the search engine giant. A phone from Google has been rumoured for a while, and could revolutionise mobile phone use, with people using social messaging services to communicate rather than making calls, which will weaken the position of the mobile phone networks. The phone is expected to be called Nexus One. It will run the Android operating system for mobiles.

Tories claim a doubling of low income families facing 90 per cent tax rates

► POLITICS

By PHILIP WALLER

THE number of low-income families facing marginal tax rates of more than 90 per cent has doubled in the recession and is set to rise further, the Conservatives claimed yesterday.

The Government had buried figures in its Pre-Budget Report last week showing that 70,000 low income families are facing the marginal tax rates, more than double the total of 30,000 at the start of the downturn, the Tories said.

A 90 per cent marginal tax rate means that for each extra £1 someone earns, they get to keep only 10p, losing the rest to increased taxes or lower benefits.

Shadow Chancellor George Osborne said: “It’s the many, not the few who are suffering under Labour.”

“Now thousands more families are going to be caught in the poverty trap.”

The Conservatives also claimed marginal tax rates of 80 per cent or would affect more than half a million

families, a rise of 45,000 families compared to the tax and benefit regime in place in 2009-10.

The Conservatives said overall the number of families paying marginal tax rates of 60 per cent or more has risen by over a million under Labour.

Ministers say the tax credit system is supporting people’s incomes through the downturn.

“Since 1997, the number of families facing marginal deductions rates of more than 70 per cent has more than halved,” a Treasury spokesman said.

Lazard takes the helm as Shell looks to sell assets

► ENERGY

OIL giant Royal Dutch Shell has appointed investment bank Lazard to sell its Swedish unit, while rival BP is looking to sell its French petrol stations, it is understood.

Shell is hoping to sell off its Swedish business, which includes a refinery in Gothenburg, a marketing arm, and its network of more than 400 gas stations for around \$750m (£461.2m).

Shell has been selling refineries in the United States and Europe in

recent years and says its refining focus is shifting eastward.

It is planning to sell about 15 per cent of its global refining capacity, or 600,000 barrels a day of capacity over the next three years as it looks to restructure, improve its profitability and increase its efficiency.

The news comes two days after Shell won a joint contract for one of Iraq’s highly coveted oilfields, after a two-day auction which was designed to boost up the country’s crude oil output.