

Gambling > There has been a quiet change in the shareholding of SportPesa over last 14 months, with a Kenyan

Sports betting firms set for comeback after tax

Uhuru has assented to law removing 20 per cent excise duty on bets staked, but Matiang'i warns all the firms won't get licence renewals

BY LIONEL FAULL

lionel@financeuncovered.org

AND PAUL WAFULA

pawfula@ke.nationmedia.com

The government appears to have reversed its stand on sports betting, with the removal of a tax that saw most companies exit the country.

A proposal to drop the 20 per cent excise duty on bets staked is contained in an amendment to the Finance Bill that President Kenyatta signed yesterday.

At the same time, the *Nation* has learnt that there has been a quiet change in the shareholding of betting giant SportPesa, which exited Kenya last year during the tax controversy.

Details buried in corporate filings in Kenya, the United Kingdom and the Isle of Man reveal that businessman Peter Kihanya Muiruri has over the past 14 months acquired stakes in three companies that are part of SportPesa's international gambling empire.

The *Nation*, working with UK-based journalism organisation, Finance Uncovered, accessed documents filed by SportPesa companies in Kenya, the UK and the Isle of Man, a tax haven off the coast of Britain.

The documents show Mr Muiruri is a shareholder in three companies linked to SportPesa.

The first is a one per cent stake in Pevans East Africa, the company that owns SportPesa in Kenya. Mr Muiruri appeared on the shareholder register for the

first time in May 2019, shortly before a government clampdown on the betting industry began.

He's now also a director of Pevans, which has previously disclosed that it amassed Sh20 billion in revenues and generated gross profits of Sh9 billion in 2018.

The second stake is a 0.5 per cent shareholding in SportPesa Global Holdings Limited (UK) — a company that owns SportPesa's non-Kenyan betting companies in Tanzania, South Africa, Italy and Russia.

It also owns a highly profitable UK business, SPS Sportsoft Ltd, which provides IT services to SportPesa sister companies, including Pevans in Kenya.

Notorious tax haven

Mr Muiruri acquired the stake last November. SportPesa Global Holdings made a profit after tax of almost £12m (Sh1.6 billion) in 2018, according to its financial statements.

The third is a three per cent stake in SportPesa Holdings Limited (Isle of Man). This is an offshore company that receives SportPesa's revenues from bets staked in the UK. Companies based in the Isle of Man, a small British Crown dependency and notorious tax haven in the Irish Sea, do not have to publicly disclose their accounts, so no financial information is available.

Mr Muiruri acquired the stake last December.

The value of Mr Muiruri's shares in the three companies



Bandari Football Club Captain Felly Mulumba leads teammates in celebrating winning the Sportpesa Shield on June 2, 2019, after beating Kariobangi Sharks 3-1 in the finals at Moi International Sports Centre, Kasarani, Nairobi. Sport betting firms seek to return after shelving of tax demands slapped on them last year.

FILE | NATION

is unclear, because up-to-date financial information for these companies is not available. It is also unknown at this stage how much, if anything, Mr Muiruri paid for the shares.

After the government introduced taxes on bets placed by punters and aggressively pursued gambling firms for payment,

a number of leading gambling firms closed shop in Kenya.

The tax was introduced to not only stem rampant gambling addiction in Kenya, but to also raise revenue from what had rapidly become a highly lucrative business.

Dropping the tax could see SportPesa, whose biggest share-

holder and founder is Bulgarian national Guerassim Nikolov, and other betting firms, re-enter the Kenyan market and revive the wider gambling industry.

SportPesa did not respond to our emailed inquiry on the same and did not take our offer for a physical or virtual interview with any of its officials. It asked for an extension of 24 hours to respond to the questions, but had not honoured this promise a day later.

Among the questions we wanted answered was whether it has, indeed, replaced its chairman, Mr Paul Wanderi Ndung'u, in a boardroom shake-up and if it has met all the requirements to get back its licence.

We also wanted to know if it had lobbied the President either directly or indirectly for the reinstatement of its licence or any tax reductions. We also asked the firm to disclose how much Mr Muiruri paid for his shares in each of the three companies, when he became a director in Pevans, the value of his shares in each entity and whether he had received dividends since acquiring these shares.

There is, however, no suggestion of wrongdoing either by Mr Muiruri or SportPesa.

SportPesa lost its betting licence last July before it announced it was withdrawing from Kenya last September in response to what it called "the hostile taxation and operating environment in the country".

Their withdrawal led to 400 job losses and cancellation of its local sports sponsorships.

In February, SportPesa also withdrew from its international sponsorship commitments, including a reported £9.6 million

(Sh1.26 billion) a year shirt sponsorship with English top-tier football side Everton FC.

Yesterday, Interior Cabinet Secretary Fred Matiang'i, who was last year at the forefront of holding the betting firms to account, said the government had not changed its position on sports betting.

He said, most of the companies, which had applied to have their licences reinstated, were yet to meet the set conditions.

"Before you start talking about the tax on winnings, have any of these companies complied with the registration criteria? The government is on course towards ending the gambling menace in this country. Some of those firms you are saying will never operate in Kenya because they have not met the set standards," he said.

The 20 per cent duty was introduced as recently as last November, according to the Kenya Revenue Authority.

Reversing any betting tax was not on the cards two months ago, when the Departmental Committee on Finance and National Planning, chaired by Mr Joseph K. Limo, published the Finance Bill for public comment on May 8. At this stage, the Bill contained no plans to tinker with any betting taxes.

Committee meeting minutes show that an obscure stakeholder group — identified only by a non-existent URL as shade.co.ke — wrote to the committee on May 15, proposing the scrapping of the 20 per cent excise duty on bets placed. "It has made many betting firms cash-strapped, hence cutting down on their sponsorships to local sports clubs," the group said.

The committee agreed, noting

META
PLANT &
EQUIPMENT
SCHWING
Stetter

Concrete pumps for sale from
META Plant & Equipment Kenya,
the newly appointed official dealer
for Schwing Stetter.



Now in Stock
Starting from KES 4,800,000

Official Schwing Stetter Dealer Kenya
Genuine Spare Parts
After Sales Service
info@metagroupafrica.com
+254-793 310 691
+254-722 829 288
www.metagroupafrica.com



Concrete pump piping available from stock

SCHWING Stetter
GENUINE PARTS

SCHWING Stetter
FULL-SERVICE