

businessman acquiring a stake

demand shelved

that “the high level of taxation had led to punters placing bets on foreign platforms that are not subject to tax and thereby denying the government revenue”.

In its justification for approving the amendment, the committee told the National Assembly that it would “reverse the negative effects of this tax on the industry which has led to closure of betting companies in Kenya, yet international players continue to operate”.

The committee turned down other proposals by the unidentified stakeholder groups to tinker with other tax laws affecting betting, which included a reduction in withholding tax on players’ winnings from 20 per cent to 10 per cent and exempting the betting industry from digital services tax.

As the committee was still considering the excise tax proposals in May, the *Nation*, working with Finance Uncovered, published leaked betting revenue declaration figures from the industry for May 2019.

Licensing Board

The data showed that punters had wagered more than Sh30 billion in just one month. SportPesa alone accounted for two-thirds of these betting revenues, according to the data which all betting firms submitted to the Betting Control and Licensing Board (BCLB).

Such huge revenues for a single month showed what is at stake for the gambling companies in Kenya.

The controversial 20 per cent excise duty would have been levied directly on these revenues, and could — on the basis of the leaked revenue data — have been worth up to Sh72 billion in annual taxes for the KRA.

However, this was when the industry was at its peak, and before the government began its tax and regulatory clampdown last July, including suspending the betting licences of gambling firms including SportPesa and its next biggest rival Betin.

President Kenyatta has previously reversed his position on betting tax, insisting on a 35 per cent rate on gross gaming revenues before he would sign a 2017 law, but refusing to sign a second Bill a year later unless MPs reduced the gaming tax to 15 per cent, which they then did.

Having wielded his influence in 2018, the President changed tack last year, calling on betting firms to pay their taxes, but saying that it was up to MPs, and not him, to introduce tougher gambling laws.

*** Lionel Faulu is chief reporter for Finance Uncovered**
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KENYA: Pevans East Africa Limited		
SHAREHOLDER	CURRENT	MAY 2019
CELLINI HOLDINGS LIMITED	-	3%
GENE GRAND	-	21%
IVAN KALPAKCHIEV	2%	2%
RONALD KARAUARI	7%	7%
FRANCIS WAWERU KIARIE	1%	1%
ROBERT WANYOIKE MACHARIA	3%	3%
VALENTINA MINEVA	3%	3%
PETER KIHANYA MUIRURI	1%	1%
PAUL WANDERI NDJUNGU	17%	17%
GUERASSIM NIKOLOV	21%	21%
ASENATH WACERA	21%	21%
LEADWOOD HOLDINGS LIMITED	3%	-
NAOGEN INVESTMENT INC	21%	-

ISLE OF MAN: SportPesa Holdings Limited		
SHAREHOLDER	CURRENT	MAY 2019
GENE GRAND	-	21%
IVAN KALPAKCHIEV	2%	2%
RONALD KARAUARI	7%	7%
FRANCIS WAWERU KIARIE	2%	2%
PAUL KINUTHIA	-	3%
ROBERT MACHARIA	1%	1%
VALENTINA MINEVA	5%	5%
PAUL WANDERI NDJUNGU	17%	17%
GUERASSIM NIKOLOV	22%	22%
ASENATH WACERA	21%	21%
NAOGEN INVESTMENT INC	21%	-
PETER KIHANYA MUIRURI	3%	-
* 100 new shares issued December 2, 2019		

UK: SportPesa Global Holdings Limited		
SHAREHOLDER	CURRENT	MAY 2019
IVAYLO PETEV BOZOUKOV	2.8%	1%
GENE GRAND	-	21%
IVAN KALPAKCHIEV	3.2%	2%
RONALD KARAUARI	9.8%	7%
FRANCIS WAWERU KIARIE	1.6%	1%
PAUL KINUTHIA	-	3%
ROBERT MACHARIA	1.6%	1%
VALENTINA MINEVA	6.3%	4%
PAUL WANDERI NDJUNGU	2.8%	17%
GUERASSIM NIKOLOV	34.7%	22%
ASENATH WACERA	3.5%	21%
NAOGEN INVESTMENT INC	33.2%	-
PETER KIHANYA	0.5%	-
* 500,000 new shares issued November 4, 2019		

How gaming industry’s steep rise ended in a screeching halt

BY PAUL WAFULA

The betting sector swept Kenya like a whirlwind in the five years to 2019, before it came to a crashing halt under the weight of a clampdown from the Interior ministry.

By the time the sector was muted, punters were wagering more than Sh30 billion (\$300 million) per month.

According to a leaked spreadsheet seen by the *Nation*, in May last year, shortly before the government introduced tougher regulations and higher taxes, gamblers staked nearly 180 million individual bets in a single month.

Extrapolating from the monthly figure, punters were on track to spend more than Sh360 billion on betting annually had the government not stopped the party.

This amount is Sh257 billion more than what the national government allocated to health in 2019/2020.

It’s also more than the Sh327 billion used to build the Standard Gauge Railway line from Mombasa to Nairobi and buy locomotives and coaches. It is also more than the Sh310 billion allocated to counties as shareable revenue last year.

One of the shining stars in the sector was SportPesa, which was a roaring success since it set up shop in Kenya in 2014.

The firm accounted for almost two-thirds (64 per cent) of market share by the time it closed shop.

This put it at the top of nearly 40 betting and lottery companies that declared monthly bets totalling nearly Sh20 billion.

Its annual revenues crossed the Sh100 billion mark in under five years, spurred by the revolutionary mobile money network that allowed anyone to place a bet from wherever they were as long as they had a mobile phone.

Its success was the envy of the betting industry in the region, as it came at a time



Betting craze

WHAT WAGERED NUMBERS MEAN

By the time the sector was muted, punters were wagering more than Sh30 billion per month, translating to about Sh360 billion annually.

The amount is Sh257 billion more than what Health got in the 2019/20 budget.

It’s more than the Sh327 billion used to build the SGR from Mombasa to Nairobi and buy locomotives and coaches.

when the country was ready-to-take on the gambling craze.

The firm would quickly step forward to the international stage after it announced a Sh1.3 billion sponsorship deal with Everton FC.

It was the biggest deal in the club’s sponsorship history. The company would also set up a global headquarters in Liverpool.

Before it shot to global fame, SportPesa had entered smaller deals with Arsenal, Southampton and Hull City football clubs and the Spanish La Liga and Italian teams.

The firm has, however, chosen to keep its ownership

FILE | NATION

A match between Kariobangi Sharks and Everton FC on July, 7, 2019, that was sponsored by SportPesa.

structure, which includes Bulgarians and several Kenyans, who were at the centre of attention as the government cracked the whip on betting firms, under wraps.

SportPesa has connections with other companies incorporated in the UK and the Isle of Man, a tax haven favoured by sports betting firms.

But behind the firm is a group of foreign billionaires who struck gold in Kenya. Among them is Guerassim Nikolov, a Bulgarian, who is one of the three largest shareholders.

The other shareholders are Gene Grand and Asenath Wacera Maina, the widow of former Nairobi mayor Dickson Wathika. She has successfully kept a low profile.

Mr Paul Wanderi Ndung’u, a billionaire, is another shareholder. Mr Ndung’u, who built his fortune as a Safaricom distributor, has been the firm’s board chairman.

He was chairman of Friends of the Jubilee Foundation technical committee that raised billions for the party in the run-up to the 2017 election.

Other shareholders are Mr

Ronald Karauri, the CEO. He owns a seven per cent stake in the firm.

Mr Karauri is a former Kenya Airways pilot. Rival firm Betin came in second, with declared bets of almost Sh6 billion — nearly 20 per cent of all market share.

Betika, the third biggest betting firm by declared bets in May last year (Sh1.45 billion), has retained its licence throughout the turbulent months and is now thought to be Kenya’s biggest betting company.

According to the data, Betpawa (since closed) and Sportybet (still operational) completed the top five.

Betpawa argued in Parliament that its director, Nikolai Barnwell, had a valid investor permit and was included in the deportation list — which had 17 foreign directors of betting firms in Kenya — erroneously.

Betika appears to be the only firm in the former top five that was not majority-owned by foreign investors.

It is owned by Beverly Technologies Ltd, whose directors are John Michemi Muthuro and Sophia Nyarora Gichuhi.

UAP

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