

BINDING GENERAL RULING (VAT) 13 (Issue 3)

DATE: 9 March 2020

ACT: VALUE-ADDED TAX ACT 89 OF 1991
SECTION: SECTIONS 8(13), 16(3)(d), 16(4) AND 72
SUBJECT: CALCULATION OF VAT FOR CERTAIN BETTING TRANSACTIONS

Preamble

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act No. 28 of 2011;
- “**section**” means a section of the VAT Act;
- “**standard rate**” means the current rate of VAT which is payable on a taxable supply or taxable importation of goods or services under section 7(1);
- “**VAT**” means value-added tax;
- “**VAT Act**” means the Value-Added Tax Act 89 of 1991; and
- any word or expression bears the meaning ascribed to it in the VAT Act.

This BGR is updated as a result of –

- the increase in the VAT rate which came into effect on 1 April 2018; and
- the amendments to section 72 made in terms of section 73 of the Taxation Laws Amendment Act 34 of 2019 which came into effect on 21 July 2019.

This BGR is based on the wording of section 72 as it read before 21 July 2019.

1. Purpose

This BGR provides direction relating to the manner in which casinos must account for VAT.

2. Background

The nature of betting transactions in the casino industry, especially the table game of chance (for example, Roulette, Poker), makes it difficult to separate bets placed by customers and winnings paid to punters. It therefore follows that casinos experience practical difficulties in reflecting output tax under section 8(13), separately from input tax deducted under section 16(3)(d).

3. Ruling

An arrangement is made under section 72 to permit casinos to account for VAT by applying the tax fraction (15/115) to the net betting transactions (that is, on the amount remaining after winnings have been deducted which is known as the “net drop method”). This could result in either the casino showing a net liability payable to the South African Revenue Service or a refund due to the vendor.

In addition, the casino will –

- not be entitled to any deductions under section 16(3)(d), on any amount paid during the tax period by the casino as a prize or winnings to the recipient of services contemplated in section 8(13), if such amount has been included in calculating the “net drop method”; and
- be required to maintain adequate records to enable the South African Revenue Service to verify the validity and accuracy of the tax liability calculated under this method.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act 28 of 2011.

4. Period for which this ruling is valid

This BGR applies with effect from 21 July 2019 and is valid until 31 December 2021.

Group Executive: Interpretation and Rulings SOUTH AFRICAN REVENUE SERVICE

Date of 1st issue : 22 March 2013

Date of 2nd issue : 26 March 2014