

BINDING GENERAL RULING (VAT) 59

DATE: 13 December 2021

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

Preamble

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act 28 of 2011;
- “**casino**” means a “casino” as defined in section 1 of the National Gambling Act 7 of 2004 that is operated by a person that is “licensed” as contemplated in section 1 of that Act, and is a registered vendor;
- “**gross gaming revenue**” determined under the applicable provincial gambling legislation for each table game means the closing bankroll plus credit slips for cash, chips or tokens returned to the casino cage, plus drop, less opening bankroll and fills to the table;
- “**section**” means a section of the VAT Act;
- “**table game of chance**” means a “gambling game” as defined in the National Gambling Act 7 of 2004 that is played against the casino and operated by one or more live croupiers;
- “**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.

1. Purpose

This BGR provides direction relating to the manner in which casinos must account for VAT in respect of table games of chance.

2. Background

The nature of betting transactions in the casino industry, especially the table games of chance (for example, Roulette, Poker), makes it difficult to separate bets placed by customers and winnings paid to punters. It 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. Discussion

3.1 Gaming transactions

The gaming transactions operate as follows for table games of chance:

- Table games operate with a variety of denominations of chips, for example, R100, R500, R1 000.
- A punter wanting to play on the tables buys in with cash, a cash plaque, being a high denomination value representation obtained from the cash desk, by way of a cash withdrawal from the punter's casino card or by buying in with chips.
- Any cash, plaques or cash withdrawal slips are placed in the drop box (a sealed box attached to each table), whilst chips received are placed in the table's chip tray, where all chips not in play, are kept.
- All bets are placed with chips, which if lost, get returned to the chip tray. All winning bets are paid out to the punter with chips from the chip tray.
- In case of a shortage of a certain denomination of chips on the table, the table obtains a "fill" from the cash desk. The fill is documented by placing one copy of the fill slip in the drop box.
- In case of a surplus of chips in the chip tray, the table can return chips to the cash desk, which is also documented by placing one copy of the "credit slip" in the drop box.
- Due to the number of punters, the number of bets being placed and the speed of the game, all of which are essential for running a successful table operation, it is practically impossible to record each bet and pay out for a casino table game.

3.2 Calculation of table win or loss

In practice, the table win, or loss is calculated as follows:

- Drop (cash, plaques and cash withdrawal slips), plus closing float of chips in the chip tray, minus opening float of chips in the chip tray, minus fills, plus credits.
- The result is the table win or loss, which amount is relevant for accounting purposes and for determining the operator's liability for gaming tax in terms of the relevant provincial Gambling Regulations.
- The win per table is determined every 24 hours.

Based on the manner in which table games of chance are operated as described above, it impossible to separate bets placed by customers and winnings paid to punters by casinos.

4. Ruling

Based on the above, a decision is made under section 72 providing that casinos may account for VAT on their VAT returns, in respect of table games of chance, on the "gross gaming revenue", for the relevant tax period, subject to the following:

- Gross gaming revenue in respect of table games of chance must be included in field 1 of the VAT return, with the tax fraction applied to that amount reflected in field 4.

- Casinos are not entitled to any deductions under section 16(3)(d) if such amount has been included in calculating the gross gaming revenue.
- Casinos are required to maintain adequate records to enable the Commissioner to verify the validity and accuracy of the tax liability calculated and included in the VAT return as set out above, and in particular, the records for the purpose of audits conducted by the provincial Gaming Boards.

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

5. Period for which this ruling is valid

This BGR applies with effect from 1 January 2022 and is valid until it is withdrawn, amended or the relevant legislation is amended.

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