

BINDING GENERAL RULING (VAT): NO. 13 (Issue 2)

DATE: 26 March 2014

ACT: VALUE-ADDED TAX ACT NO. 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;
- “**VAT Act**” means the Value-Added Tax Act No. 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 value-added tax (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 (14/114) 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 SARS 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 SARS 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 No. 28 of 2011.

4. Period for which this ruling is valid

This BGR applies with effect from 1 April 2013 and will apply for an indefinite period.

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