SARS South African Revenue Service

BINDING GENERAL RULING (VAT) NO: 13

DATE: 22 March 2013

ACT:	**VALUE-ADDED TAX ACT, NO. 89 OF 1991 (the VAT Act)**
SECTION:	**SECTIONS 8(13), 16(3)(*d*), 16(4)**
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 TA Act;
- **"section"** means a section of the VAT Act unless otherwise stated;
- **"TA Act"** means the Tax Administration Act No. 28 of 2011; and
- **"the Note"** means Interpretation Note No. 41 (Issue 2).

1. Purpose

This BGR reproduces paragraph 4.2.1 of Interpretation Note No. 41 (Issue 2) "Application of VAT to the Gambling Industry" dated 31 March 2008, which comprises a BGR under section 89 of the TA Act.

2. Background

The Note deals with the VAT implications of specific transactions in the gambling industry. This BGR updates references to section 76P of the Income Tax Act, No. 58 of 1962 with references to the TA Act and incorporates subsequent amendments to sections of the VAT Act.

3. Ruling

Paragraph 4.2.1 of the Note, which comprises a BGR, is reproduced below.

In terms of section 16(4) read with section 28(1)(*a*), a vendor must determine the output tax charged in respect of all supplies made during the tax period. This calculation of the output tax attributable to the tax period is to be done by reference to the accounting basis which has been used during that period.

The casino industry, in respect of supplies of betting transactions, is required in terms of section 9(3)(*e*) to account for output tax when payment is received for such supply. All other supplies by the casino will follow the normal time of supply rules (i.e. the earlier of invoice or payment). Accordingly, the casino must account for output tax in respect of all supplies (excluding the supply of gambling) made during the tax period. With regard to the supply of betting transactions, output tax must be accounted for to the extent of payment received.

In the casino industry, however, the nature of betting transactions, especially so with the table game of chance (e.g. Roulette, Poker), makes it difficult to separate bets placed by customers and winnings paid to punters. It therefore follows that casinos experience practical difficulties reflecting output tax in terms of section 8(13), separately from the amount deducted in terms of section 16(3)(*d*).

An arrangement is accordingly made in terms of section 72 to permit casinos to account for VAT by applying the tax fraction to the net betting transactions (i.e. 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 in terms of 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), where 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.

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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