



2025 THE CASE FOR A NATIONAL ONLINE GAMBLING TAX



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1. INTRODUCTION

Gambling is the wagering of money or something of material value (referred to as "the stakes") on an event with an uncertain outcome with the primary intent of winning additional money and/or material goods. Typically, the outcome of the wager is evident within a short period. The commonly known forms of gambling include casino games, slot machines, betting, lotteries and bingo. Electronic gambling machines (EGMs) and casino games are often associated with the most risk of harm. These are available both in physical venues and online (World Health Organisation, 2024).¹

Current concepts of gambling describe a spectrum of gambling related behaviours, which range from recreational to pathological, wherein a distinction can be made between recreational, problem and pathological gambling. Whether gambling is regarded as a vice or a recreation depends on moral judgements which vary in different cultures, at different points in history and amongst different individuals. From a public policy perspective, there should be no problem with recreational gamblers as they do not place any external costs on society. To the extent that problem and pathological gambling impose a cost on society (negative externalities), it is in the public interest that such behaviour be regulated or reduced.

The difference between problem and pathological gambling lies in the extent of the disorder. Pathological gambling, also known as compulsive gambling or disordered gambling, is a recognised mental disorder characterised by a pattern of continued gambling despite negative physical, psychological, and social consequences (Fong, 2005)². Problem gambling, on the other hand, is characterised by a behavioural addiction where a person loses control over their gambling behaviour. Both the pathological and problem gambler is of concern.

Studies show that though many people participate in gambling as a form of recreation, or even as a means to gain an income, gambling can also become a psychologically addictive and harmful behaviour in some people. This psychologically addictive behaviour may negatively affect an individual gambler and the gambler's behaviour may also impose costs on society (reduced productivity, family welfare considerations and criminal activity, etc.). Gambling can lead to serious harms to health, and these include financial stress, relationship breakdown, family violence, mental illness and suicide.³ These harms may create a case for possible government intervention to mitigate these costs.

Gambling is available online and it is accessible almost anywhere, at any time, even in places where gambling is prohibited. It has been normalised through new commercial associations with sport and cultural activities that are now heavily promoted (WHO, 2024). The National Gambling Board (NGB) data⁴ for the 2024/2025 financial year indicates that about R1.50 trillion was wagered in the South African gambling industry. This was 31.3 per cent higher than the turnover generated during the previous financial year. Most of the turnover came from betting activities and casinos. The betting sector generated more than three-quarters of industry turnover at 75 per cent. Casinos accounted for 19.5 per cent while Limited Payout Machines (LPMs) and bingo made up 3.6 per cent and 1.8 per cent of the market, respectively.

¹ WHO (2024). Gambling. Accessed at <https://www.who.int/news-room/fact-sheets/detail/gambling> on 13 May 2025

² Fong TW. The biopsychosocial consequences of pathological gambling. *Psychiatry (Edgmont)*. 2005 Mar;2(3):22-30. PMID: 21179626; PMCID: PMC3004711.

³ WHO (2024). Gambling. Accessed at <https://www.who.int/news-room/fact-sheets/detail/gambling> on 13 May 2025

⁴ NGB (2025). National Gambling Statistics FY2024/2025

Statistics South Africa, in its 2023 report⁵ on the personal services industry, shows that enterprises that provide bookmaker and online gambling services experienced a rapid surge in income to R152.6 billion which is about a 72 per cent per annum increase over the period between 2018 and 2023, outpacing all other activities under the sporting and other recreational activities. This contrasts with a decline in income of casino and gambling house services of 3.3 per cent per annum over the same period. Gambling as a broad category accounted for a large slice of total income from services rendered in the personal services industry, closely matching the amount generated from health activities, which includes hospital services, health professionals and veterinarians. Furthermore, in the context of the consumer price index (CPI), gambling and betting activities, which include lottery tickets, casinos, betting, bingo and Limited Payout Machines, account for 1.6 per cent of total household spending, placing it as the 12th highest weight in the basket, just behind beer.⁶

This discussion document evaluates the current state of the gambling industry in South Africa with the main aim of determining the best possible route to ensure that the external costs associated with gambling, especially online gambling, are internalised by those that provide and participate in gambling. The document first looks at the nature of the gambling industry, the extent of gambling in South Africa, as well as the economic and fiscal contribution of the industry. Secondly, these issues are taken into consideration when the document reviews possible interventions to mitigate the negative externalities of gambling. Finally, the document ends with a set of recommendations.

2. BACKGROUND

Gambling has been part of South African society in one form or the other and dates to before the major changes in the post 1994 era. The Gambling Act of 1965 essentially prohibited participation in a lottery or sports pools and playing games of chance for stakes, except betting on horse racing. However, gambling was legalised in the former Transkei, Bophuthatswana, Venda and Ciskei (TBVC) and by the late 1970s, casinos had already started operating in the TBVC homelands.⁷ Over time, it became apparent that prohibitions were ineffective as a form of regulation as it led to the proliferation of an illegal gambling industry.

The Wiehahn Commission, which was established to conduct the feasibility study of having a national policy on gambling, recommended in its 1995 Report that “lotteries and gambling activities shall be subject to the control, regulation and supervision provided for by statutes and other provisions which will be promulgated by legislatures.”⁸ This process resulted in the National Gambling Act (Act No. 33 of 1996) and the Lotteries Act (Act No. 57 of 1997) being promulgated which allowed a number of licenced casinos to operate as well as a national lottery, respectively.⁹ However, in 2004, the National Gambling Act (Act No. 33 of 1996) was repealed by the new National

⁵ StatsSA (2025). *Personal Service Industry. Report No. 90-01-01 (2023)*

⁶ StatsSA (2025). *Appetite for gambling and betting grows*. Accessed at <https://www.statssa.gov.za/?p=18746> on 22 September 2025

⁷ *Preliminary Report of the Portfolio Committee on Trade and Industry on the Review of the National Gambling Legislation*, dated 11 March 2010. ATC100311: Report: Review of the National Gambling Legislation

⁸ *Preliminary Report of the Portfolio Committee on Trade and Industry on the Review of the National Gambling Legislation*, dated 11 March 2010. ATC100311: Report: Review of the National Gambling Legislation

⁹ DTI (2015). *Gambling Policy Review: A discussion document for Public Consultation*. Government Gazette No. 38791, 15 MAY 2015

Gambling Act (Act No. 7 of 2004) and it regulated various forms of gambling activities for:¹⁰

- The protection of society from the over-stimulation of latent gambling through the limitation of gambling opportunities;
- The protection of players and integrity and fairness of the industry through the strict control and supervision of the industry;
- The uniformity and harmonisation of policy and legislation at all levels of government and across provinces through minimum norms and standards, co-operation and co-ordination;
- The generation of revenue and taxes for provincial government and for good causes;
- The economic empowerment of the historically disadvantaged; and
- The promotion of economic growth, development and employment.

The new Act further made interactive gambling unlawful by providing for people not to engage in or make available an interactive game, except as authorised in terms of the Act or any other national law. However, it provided for the NGB to develop national policy to regulate interactive gambling within one year and for the Minister of Trade, Industry and Competition to introduce legislation in Parliament within two years after the effective date, respectively. The National Gambling Amendment Act (Act No. 10 of 2008) which regulated interactive gambling and provided for implementing regulations was legislated but has not yet been implemented. The current regulatory framework provides a necessary context for the evolution of the sector and is discussed further later in this document.

10 GCR (2010). Review of the South African gambling industry and its regulation - A report prepared by the Gambling Review Commission.

3. OVERVIEW OF GAMBLING SECTOR

The South African gambling sector is a diverse and regulated industry, which includes casinos (i.e. tables and slots); betting on horse racing, sport and other contingencies (offered by bookmakers and totalisators, on and off course); LPMs; and bingo (traditional and Electronic Bingo Terminals (EBTs)). The NGB provides useful data and information regarding the status and performance of the South African gambling industry, with the latest data being for the financial year 2024/2025. As at the end of that financial year¹¹, there were:

- 36 operational casinos,
- 2 546 operational LPMs,
- 73 operational bingo outlets,
- 325 operational totalisator outlets, and
- 553 operational bookmaker outlets.

From the 2024/2025 NGB's national gambling statistics¹², it is estimated that an amount of R1.50 trillion was wagered¹³ in the South African gambling industry, representing a growth of 31.3 per cent more than the R1.43 trillion turnover generated during the previous financial year. Most of the turnover, about 75 per cent (i.e. R1.126 trillion) came from betting activities, whereas 19.5 per cent (i.e. R292.8 bn) came from casinos. LPMs and Bingo did not contribute significantly to the turnover where each contributed about 3.6 (i.e. R54.7 bn) and 1.8 (i.e. R27.5 bn) per cent, respectively. Interestingly, from the turnover from betting, about 98.8 per cent (i.e. R1.112 trillion) was on sports betting and the remainder was on horseracing. Furthermore, about 99.9 per cent of sports betting was conducted through bookmakers.

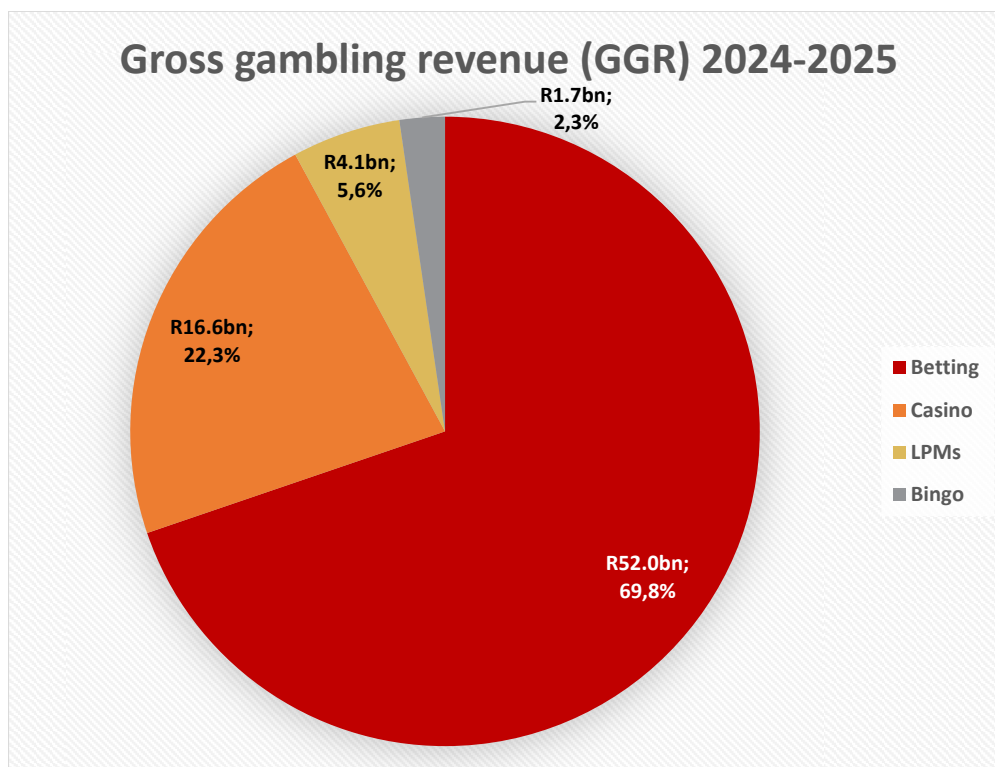
Gross gambling revenue (GGR), which represents turnover or money staked minus winnings paid to players, amounted to R74.5 billion, a 25.6 per cent increase from the previous financial year. Both these indicators show an extraordinary growth in the gambling industry. A further breakdown of the gross revenue numbers is as follows:

¹¹ *National Gambling Board Annual Report 2024/2025*

¹² *National Gambling Statistics FY2024/2025*

¹³ 'The rand value of money wagered includes 'recycling' which refers to amounts that are staked on more than one occasion'

Figure 1: Gross Gambling Revenue for FY 2024-2025



Source: Based on NGB 2024/2025 FY Statistics

As per the NGB data, betting dominates the gambling industry where it's reported to represent 69.8 per cent (i.e. R51.97bn) of GGR and has grown by 44.7 per cent compared to the previous financial year. Casinos contributed 22.3 per cent (i.e. R16.65bn) of the gross revenue but experienced decline of about 4.1 per cent from the previous financial year. The gambling market is dominated by betting and casinos which accounted for close to 92.1 per cent (i.e. R68.62bn) of the GGR. LPM, on the other hand, generated about 5.6 per cent (i.e. R4.15bn) of the industry's GGR and experienced a year-on-year no growth at 0.0 per cent. Bingo generated around 2.3 per cent (i.e. R1.73bn) of gross revenue and experienced a decline of about 8.6 per cent from the previous financial year.

Over the five previous financial years, all the gambling modes experienced growth, however, betting experienced significant growth of 390 per cent from around R10.6 billion in 2020/21 to R51.97 billion in 2024/2025 compared to casinos which grew by 83 per cent. From 2020/21, casinos lost their dominance from having 39.2 per cent share of the market to 22.3 per cent and have continued to see the betting segment gain momentum from just 45.6 per cent in 2020/21 to representing 69.8 per cent in 2024/2025. This may reflect the normalisation through new commercial associations with sport and cultural activities that are now heavily promoted¹⁴. COVID-19 has led to a surge in e-commerce and accelerated digital transformation, including the use of technology for gambling activities. This is acknowledged in the NGB's annual report, which notes that more consumers are exposed to online forms of betting due to the ease of access to technology and exposure to gambling advertising. From the betting GGR in 2024/2025, online betting is reported to represent over 85.5 per cent

¹⁴ WHO (2024). Gambling. Accessed at <https://www.who.int/news-room/fact-sheets/detail/gambling> on 13 May 2025

(i.e. R44.46bn) whilst the remainder is made up of betting at retail outlets. Bingo and LPMs grew by about 70 and 57 per cent over the period, respectively. The graph below shows changes in gambling modes contribution to GGR over the period.

Figure 2: Gross Gambling Revenue per mode for the last five Financial Years



Source: Based on NGB 2024/2025 FY Statistics

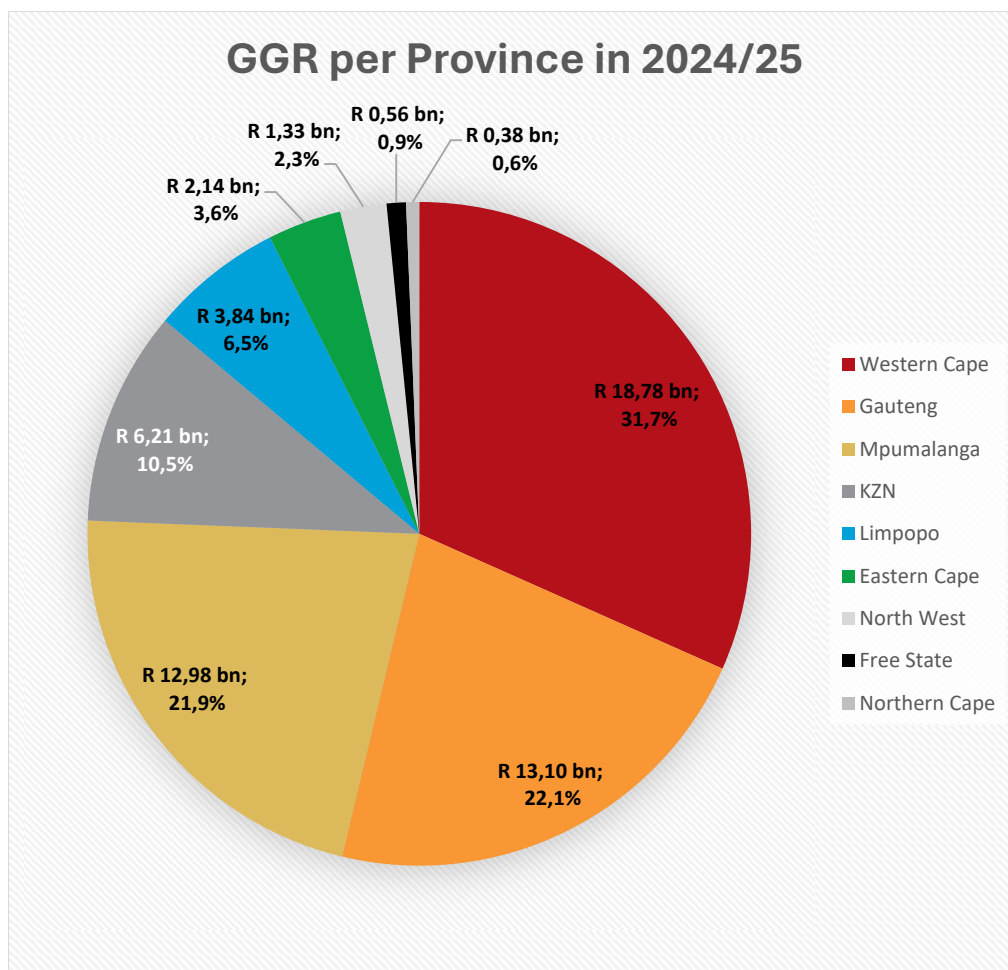
The NGB¹⁵ reported that the national incidence of gambling has increased from 30.6 per cent in 2017 to 65.7 per cent in 2023, with the National Lottery and online betting on sports and other contingencies being the preferred modes of gambling. Furthermore, the betting prevalence increased from 13 per cent in 2017 to 46 per cent in 2023. Gamblers were largely young and falling within the 25-34 age category.

From a provincial perspective, over 80.3 per cent (i.e. R1.21tn) of the turnover was generated from three provinces where Mpumalanga dominated with 41.5 per cent and the Western Cape with 26.8 per cent of turnover at R623.0bn and R402.5bn, respectively, and Gauteng generated around 12.0 per cent (i.e. R179.7bn).

Regarding gross revenues, the Western Cape, Gauteng, Mpumalanga and KwaZulu Natal had a combined contribution of over 87.5 per cent (i.e. R65.2bn). The Western Cape made the most contribution to GGR at 31.0 per cent (i.e. R23.1bn) for FY2024/2025 followed by Mpumalanga at 29.9 per cent (i.e. R22.3bn) compared to Gauteng which contributed about 18.1 per cent (i.e. R13.5bn), and KwaZulu Natal contributing around 8.5 per cent (i.e. R6.3bn). The graph shows the provincial contribution to GGR for FY2024/2025.

¹⁵ NGB (2024). Annual Report 2023/24

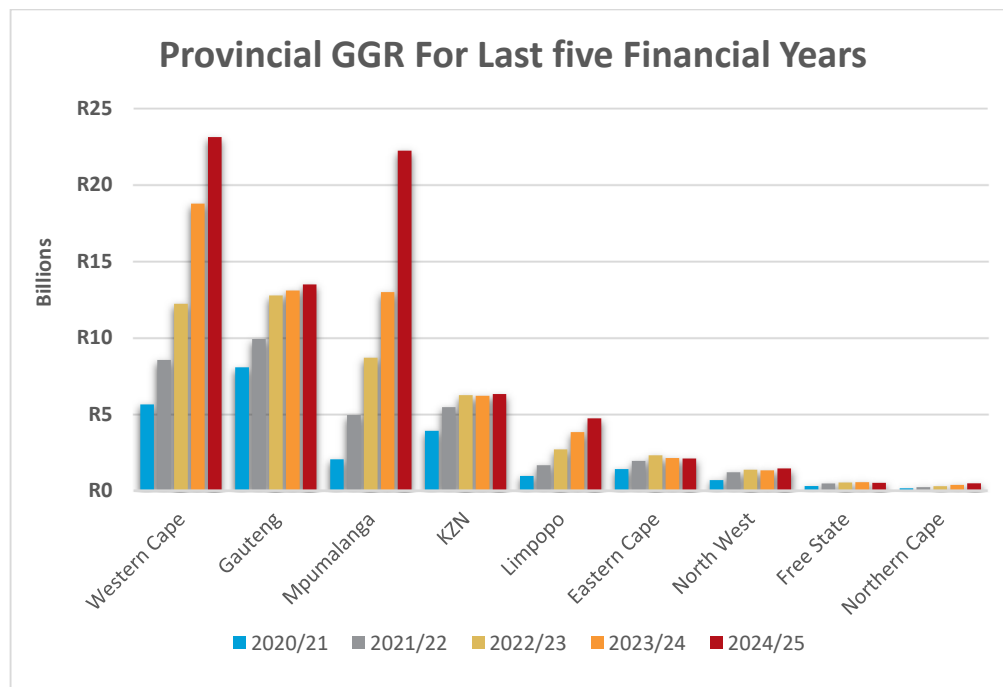
Figure 3: Provincial contribution to GGR for FY 2024-2025



Source: Based on NGB 2024/2025 FY Statistics

On a year-on-year basis, the Mpumalanga experienced a significant growth in gross revenue of 71.3 per cent, followed by Northern Cape, Limpopo and Western Cape at 28.8, 23.6 and 23.2 per cent, respectively. Free State experienced a significant decline in gross revenue of 7.2 per cent whereas Eastern Cape's decline in gross revenues was 1.5 per cent. The other provinces experienced single digit growth in gross revenues. The changes in the gross revenue of the different provinces for the last five financial years are reflected in the graph below:

Figure 4: Provincial GGR For Last 5 Financial Years



Source: Based on NGB 2024/2025 FY Statistics

4. REGULATORY ENVIRONMENT

The South African Constitution 1996, in Schedule 4 Part A, provides for gambling, specifically casinos, racing, gambling and wagering, excluding lotteries and sports pools, as a functional area of concurrent national and provincial legislative competence. At the national level, the gambling activities are regulated through the National Gambling Act 2004, by the Department of Trade, Industry and Competition (the dtic), whereas at the provincial level are governed through a number of provincial laws by the provincial gambling authorities. On the other hand, Lotteries and sports pools, which are not part of the concurrent functional area, are regulated at a national level by the dtic through the Lotteries Act 1997. With regards to sports pool, section 55 provides that the Minister of Trade, Industry and Competition may by licence authorise the licensee to conduct a national sports pool.

The National Gambling Act 2004 establishes certain uniform norms and standards applicable to national and provincial regulation and licensing of certain gambling activities. These are intended to safeguard people participating in gambling and communities against adverse effect of gambling. Furthermore, it establishes national institutions (such as the NGB) and recognises the establishment of provincial licensing authorities (such as Provincial Gambling Boards - PGBs), which together determine and administer national gambling policy. The provincial licensing authorities have exclusive jurisdiction within its province to investigate and consider applications for and issue provincial licenses for casinos, racing, gambling or wagering, other than for an activity or purpose for which a national licence is required.

The Act defines gambling as any activity which involves placing or accepting a bet, wager or a totalisator bet or making available for play bingo or another gambling game or an amusement game. It prohibits people from engaging in or making available a gambling activity, except a licensed gambling activity, social gambling that is licensed

in terms of any applicable provincial law or an informal bet. Without the necessary authorization or permits, such gambling activities are unlawful. Furthermore, section 11 of the Act provided that a person must not engage in or make an interactive game available except as authorised in terms of the Act or any other national law. In this instance, interactive game means a “*gambling game played or available to be played through the mechanism of an electronic agent accessed over the Internet other than a game that can be accessed for play only in licensed premises, and only if the licensee of any such premises is authorised to make such a game available for play.*”

The Act provided for the NGB to establish a committee to consider and report on national policy to regulate interactive gambling and possibly advise on the legislation that may be necessary for that purpose. It further compelled the Minister to introduce legislation in Parliament, within two years of the effective date, to regulate interactive gambling. The National Gambling Amendment Act 2008 was introduced which would have provided a legal basis for the regulation and control of *all* gambling activities in the country. It further broadened the scope by providing for interactive gambling under the licensing regime and the introduction of subordinate legislation. It also would have allowed people to participate in betting and wagering by means of electronic communication.

In contrast to provincial licensing, the amendment Act confers the NGB with exclusive jurisdiction to consider and issue national licenses for interactive gambling. Therefore, a person who wishes to apply for an interactive gambling operator licence, or a licence as a manufacturer, supplier or maintenance provider of interactive gambling software and equipment would now apply to the NGB. These interactive gambling provisions also include, at a national or NGB level, controls and monitoring of the activities of interactive providers (and all websites on which an interactive game is licensed to be played). Furthermore, the Minister responsible for the administration of the Act is empowered to make numerous regulations focusing on various aspects of interactive gambling regulation. The amendment Act provided that a tax in respect of interactive gambling activities will be imposed in terms of appropriate legislation.

These amendments have not been implemented as the amendment Act provided that it will only come into effect on a date fixed by the President by proclamation in the *Gazette*. This has not yet happened; therefore the National Gambling Act 2004 remains the primary legislation that regulates the gambling industry together with the current provincial legislation. This has created a disjuncture with the reality of the advances in technology that have made online gambling more accessible, changing how people gamble and increasing the variety of gambling products available, which customers can now access from anywhere, at any time.¹⁶ Therefore, interactive gambling remains illegal in South Africa.

According to the NGB, online betting through a bookmaker licensed in South Africa for online betting (e.g. betting on the outcome of sports events and horse racing) is legitimate. “*Online betting is defined as a gambling game played through a bookmaker licensed in South Africa where the punter has no interaction with, or influence on, the outcome of the event that they are betting on.*”¹⁷ Furthermore, the NGB national

¹⁶ HM Treasury (2025). *The Tax Treatment of Remote Gambling Consultation*. Accessible at <https://www.gov.uk/government/consultations/tax-treatment-of-remote-gambling/the-tax-treatment-of-remote-gambling-consultation-accessible>

¹⁷ NGB (n.d). Accessed at https://www.ngb.org.za/wp-content/uploads/2024/02/NGB1_Legal-Modes-of-Gambling-Article.pdf on 20 September 2025

gambling statistics records online betting in the Western Cape, Mpumalanga, Limpopo, Northwest and Northern Cape provinces.

Like with most other jurisdictions, it is exceedingly difficult to completely stop operators from outside of South Africa targeting or accepting play from South African players. The country does, however, have an exchange control regime where Authorised Dealers are required to decline any request to purchase foreign currency to participate in offshore gambling activities. Similarly, residents may not use their debit or credit cards for these activities. Incoming funds may also be seized and handed over by the receiving bank to the NGB.¹⁸ This is in terms of the requirements of section 16 of the National Gambling Act, where a person, including authorised dealers, must not knowingly pay any winnings from a gambling activity to any other person who won those winnings in a gambling activity that is unlawful in terms the Act. Any person who is prevented from paying winnings must remit those winnings to the NGB to be held in trust, pending a its decision from investigations of the circumstances of the relevant gambling activity. The decision could either be that the winnings delivered to the person who won them or the winnings could be forfeited to the State upon NGB obtaining a High Court declaratory order. The NGB has advised gamblers that gambling illegally online comes with the risk that the winnings will be confiscated by the gambler's bank and that the gambler would be subjected to investigations and possible prosecution.¹⁹

¹⁸ Whitesman, G (2025). *Gambling Laws and Regulations South Africa 2025*. Accessed at <https://iclg.com/practice-areas/gambling-laws-and-regulations/south-africa> on 22 Sept 2025

¹⁹ NGB (n.d). Accessed at https://www.ngb.org.za/wp-content/uploads/2024/02/NGB1_Legal-Modes-of-Gambling-Article.pdf on 20 September 2025

5. THE ROLE OF TAXATION

Externalities, or external social costs, can either be positive or negative. They are positive when the actions of an individual confer a net benefit on society, and they are negative when those actions impose a cost on society for which it is not compensated through the normal market mechanism. The main aim of a market-based (tax) intervention by government is to reflect the social costs (negative externalities) that the gambler imposes on others in the price of gambling.

A tax could be considered to correct for the social externalities imposed by the gambler, although the effects of taxation on directing gambling consumption are likely less straightforward than for many other commodities. Imposing a tax on gambling consumption could operate in two ways. By signalling to the purchaser that the costs to the community are higher than the private costs of the production of the activity, excessive gambling is discouraged. The signalling will be clear to the consumer of the gambling activity as it will cause an increase in the price of the good or activity consumed. Alternatively, the costs could be imposed on gambling operators providing services to gamblers.

The incidence of the tax (i.e. who carries the burden of the tax) will in most instances be borne by the consumer of the activity. The tax revenue could also contribute to public sector funds to mitigate (some of) the social costs incurred. The concern with such a tax is that it will fall on all gamblers and not only problem gamblers. However, in the case of recreational gamblers, a tax on gambling would be akin to an excise tax on luxury goods.

Gambling taxes also can be designed to apply to the services as described in the tax with the liability falling on the person offering the services, without limitation to licensed providers. This ensures that illegal gambling operations are equally subject to the requirement to register for tax purposes and remit tax on their activities.²⁰ The regulatory framework does not prohibit the development of a tax instrument to address the externalities associated with online gambling.

In addition, to the extent that gambling is seen as a regular source of income for the gambler, these gamblers should be treated as other taxpayers and the income from gambling should be taxed. This is the current tax position, where those who generate a frequent income from gambling are obliged to declare this as taxable income. The incidence of the tax falls on the winner and reduces the attractiveness of gambling. However, a once-off windfall from gambling authorised under South African law is not considered taxable.

It should be kept in mind in the design of a tax instrument that an inappropriate tax regime could force legal gamblers and facilities to go underground and partake in illegal forms of gambling. This would hamper efforts to properly regulate the industry and may cause a larger externality than is currently associated with problem gambling. Legal gambling facilities may also choose to take their business offshore and thereby reduce the contribution of the industry to the economy and fiscus. There are already concerns that the introduction of a tax or higher taxes could potentially shift punters from the legal to illegal industry, depending on the design of the proposed tax and possible reforms required to the existing regulatory framework to facilitate the implementation of the tax. Some of the experience in Kenya indicates that if the taxes are higher, some of the local suppliers may choose to provide the service from offshore.

²⁰ IMF(n.d). *Tax Policy Assessment Framework (TPAF)*

There is already a level of regulation and taxation of online betting through bookmakers licensed at the provincial level. Provinces do not have significant taxation powers and rely on transfers from national government through the division of revenue, which accounted for about 97 per cent of provincial revenues in 2023/24. The rest was composed of limited own-revenue collections, which were estimated to amount to R84.1 billion over the medium-term expenditure framework (MTEF) period and was mainly derived from motor vehicle licence fees.²¹ However, provinces, through provincial legislations, are empowered and apply taxes or levies on the gambling industry, with the respective gambling boards collecting the taxes on their behalf. Each province determines, through regulations, the rates or levies payable by the gambling licensee. The taxes are based on gross gambling revenue (gross wagers less gross pay-outs). Casinos are generally taxed at an average of between 10 and 15 per cent of gross gambling revenues and online betting industry (i.e. bookmakers) at an average of between 6 and 7 per cent of winning bets or net gaming revenue.^{22,23} For example, in Gauteng the following taxes are applicable.

Table 1: Example of provincial gambling taxes²⁴

Product type	Tax base	Tax rate	Sports Development Fund levy
Casino	gross gaming revenue	9%	
Bingo	bingo revenue	12%	
Route	gross gaming revenue	15%	
Totalizator	gross revenue	9%	8.5%
Totalizator (special race meeting)	gross revenue of such totalizator	6.5%	
Betting	bookmakers gross betting revenue	6.5%	1%
Horse racing	betting transactions	6%	6%

Source: Derived from GN 570 of 1997: Gauteng Gambling Regulations

The Western Cape Gambling and Racing Board applies a progressive tax²⁵ structure on some of the gambling and betting activities, as follows:

- For casinos, the tax rates range from 8 per cent for taxable revenue below R14.2 million to 19 per cent for taxable revenue exceeding R71,0 million
- For limited gambling machine, the tax rates range from 10 per cent for taxable revenue below R10 million to 20 per cent for taxable revenue exceeding R30 million
- For bingo, the tax rates are 10 per cent for taxable revenue below R2 million and 15 per cent for taxable revenue exceeding R2 million

²¹ National Treasury 2025 Budget Review (Chapter 6)

²² Gambling Laws and Regulations South Africa 2025. Accessed at <https://iclg.com/practice-areas/gambling-laws-and-regulations/south-africa>

²³ Lurie, W (2024). Gaming Law 2024. Accessed at <https://practiceguides.chambers.com/practice-guides/comparison/952/14810/23130-23131-23132-23133-23134-23135-23136-23137-23138-23139-23140-23141-23142> on 30 September 2025

²⁴ Gauteng Gambling regulations 1997 as amended. GN 570 of 1997: Gauteng Gambling Regulations

²⁵ Western Cape Gambling and Racing Act, 1996,

- Tax on betting payable by the holder of a totalisator operator licence is calculated at the rate of 6 percent of taxable revenue
- The tax by the holder of a bookmaker licence in respect of all winning bets is calculated at 3 per cent, and the betting levy in respect of all winning bets with that holder is also calculated at 3 per cent.²⁶

For the financial year under consideration, it was estimated that a total of R4.8 billion was collected in gambling tax revenue. Betting contributed R2.4 billion, which represented 49.9 per cent of the tax revenue which comprised of online betting at about 39 percentage points and retail betting at 10.9 percentage points. Almost 85 per cent of the betting revenue comes from sport betting and other contingencies through bookmakers, complimented by horseracing at 13.6 per cent, also through bookmakers. Totalisators, both for horse racing and sports betting, represent a small segment of the activities and revenue collected.

On the other hand, casinos contributed R1.8 billion representing 36.5 per cent of the tax revenue. LPM and bingo contributed a combined revenue of R658 million, with individual mode share of 10.2 and 3.4 per cent, respectively. The revenue collected is reported to be 19.2 per cent higher than the taxes/levies in the previous financial year. The revenue follows the patterns of gambling activities in the provinces with over 86.8 per cent of the revenue generated from the Western Cape (i.e. 30.1%), Gauteng (i.e. 23.8%), Mpumalanga (i.e. 17.8%) and Kwa-Zulu Natal (i.e. 15.2%).

²⁶ *Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996): Western Cape Gambling and Racing Regulations*

6. INTERNATIONAL EXPERIENCE

Governments around the world regulate and impose some form of taxes on gambling activities, at rates above those of many other sectors, either at an operator or individual gambler level, to both discourage excessive gambling and/or raise revenue for the fiscus. In some instance, there are taxes that apply at the national and/or State level. Several examples are outlined below.

United Kingdom

The United Kingdom regulates gambling activities through the Gambling Act, 2005 which came into effect in 2007 and covers the land-based sector including casinos, licensed betting offices, licensed bingo premises, family entertainment centres, adult gaming centres, and on-course betting at racecourses; and online commercial gambling. The Act aims to protect children and other vulnerable persons from being harmed or exploited by gambling and preventing it from being a source of crime, amongst others. It also empowers the Secretary of State to impose an annual statutory levy on the holders of all operating licenses to fund research, education and treatment of gambling harm, amongst others.²⁷

The Act initially covered gambling offered in premises based in Great Britain and remote gambling offered by Great Britain-based operators. However, the UK experienced a significant shift from premises-based gambling with gross gambling yield declining by 14 per cent and the number of premises falling by 28 per cent between 2015/16 and 2023/24; and towards online gambling with growth in remote gambling gross gambling yield of 63 per cent.²⁸ Legislation was subsequently amended in 2014 to extend to operators based anywhere in the world who are offering remote gambling to customers based in Great Britain. The government introduced the 'place of consumption' (POC) reform to require providers of gambling, regardless of where they are based, to pay UK gambling taxes on gambling by UK customers.²⁹ The taxes in place for the gambling sector are as follows:

- **General Betting Duty (GBD)** - payable on fixed-odds bets with a bookmaker, on sports, financial spread bets, bets made through a betting exchange, and on pool bets (bets not at fixed-odds) on horse and dog racing. GBD rate is 15 per cent of gross profits, 10 per cent for sports spread bets and 3 per cent for financial spread bets.
- **Pool Betting Duty (PBD)** - payable on bets not at fixed-odds apart from those on horse and dog racing. PBD is due at 15 per cent of gross profit.
- **Remote Gaming Duty (RGD)** - payable on the provision of online gaming to a UK customer. RGD rate is 21 per cent of gross profit.

²⁷ DCMS (2023). *High stakes: gambling reform for the digital age. Policy Paper*. Accessed on 17 Sept 2025 at <https://www.gov.uk/government/publications/high-stakes-gambling-reform-for-the-digital-age/high-stakes-gambling-reform-for-the-digital-age#chap>

²⁸ HM Treasury (2025). *The Tax Treatment of Remote Gambling Consultation*. Accessed on 17 Sept 2025 at <https://www.gov.uk/government/consultations/tax-treatment-of-remote-gambling/the-tax-treatment-of-remote-gambling-consultation-accessible>

²⁹ HM Treasury (2025). *The Tax Treatment of Remote Gambling Consultation*. Accessed on 17 Sept 2025 at <https://www.gov.uk/government/consultations/tax-treatment-of-remote-gambling/the-tax-treatment-of-remote-gambling-consultation-accessible>

The UK government is currently engaged in a tax reform process where it is looking at moving all remote gambling into a single remote gambling tax to be called Remote Betting & Gaming Duty (RBGD). The scope includes betting and gaming activities offered remotely such as online casinos, bingo etc., and remote betting including general and pool betting. It is envisaged that the reforms will be implemented at the earliest in October 2027.

New Zealand

Under the Gambling Act 2003, it is generally illegal for operators who are located within New Zealand to conduct remote or online interactive gambling, with exceptions for the Lotteries Commission and TAB NZ. However, the government is developing the online casino gambling legislation and building the new regulatory system, to protect consumers, minimise gambling harm, limit opportunities for crime and dishonesty, and provide regulatory oversight of online gambling providers operating in New Zealand. The legislation is expected to be passed in early 2026.³⁰

On the other hand, gambling conducted overseas is not prohibited, apart from betting on racing and sporting events which only TAB NZ is permitted to operate for customers in New Zealand. For gambling operators located outside New Zealand, the government applied an offshore gambling duty at a rate of 12 per cent of the offshore gambling profits on online gambling provided to New Zealand residents with effect from 1 July 2024.³¹ In terms of Gaming Duties Act, 1971 offshore gambling means “*any gambling or prize competition that a person who is resident in New Zealand pays an amount of money to participate in through the supply of remote services that are physically performed outside New Zealand*”.

The offshore gambling profits, on which the offshore gambling duty applies, are calculated by subtracting any amounts of offshore betting on sports and racing amounts on which the offshore operator is required to pay consumption charges to the Department of Internal Affairs. This is because there is an existing requirement to pay consumption charges to the Department of Internal Affairs on these amounts. Consumption charges apply at a rate of 10 per cent on betting on sports and racing by New Zealand residents conducted through offshore operators. The offshore gambling duty does not apply to existing online products offered by Lotto NZ and TAB NZ because they use entities located within New Zealand to conduct their online gambling operations.

Furthermore, under the Goods and Services Tax Act 1985 (GST Act) there are existing requirements for non-resident suppliers of remote services of gambling supplied to New Zealand residents to register and return GST on these supplies. Therefore, offshore gambling duty applies to these suppliers of remote gambling services if they are located outside New Zealand.

Kenya

The Finance Act 2019 initially introduced a 20 per cent excise duty on the amounts wagered or staked for an outcome in a betting transaction/activity. The duty was to be

³⁰ Department of Internal Affairs (2025). *Online Gambling Regulatory Implementation*. Accessed on 25 September 2025 at <https://www.dia.govt.nz/Online-Gambling-Regulatory-Implementation>

³¹ Inland Revenue Department (2024). *Tax Information Bulletin Vol 36 No 4*

levied at the time a person stakes the money on a platform or other medium provided by a bookmaker. The time of supply is regarded as the time a person wagers or stakes money on a platform or other medium provided by a bookmaker. The implementation of an excise duty is intended to further increase the cost of betting and discourage betting activities. The excise duty was in addition to the betting tax that is charged at the rate of 15 per cent on the gross gaming revenue – which is the total amount they collect from bets, minus what they pay out in winnings.³² However, in 2020, the excise duty was repealed due the negative impact the legal market, where several local operators exited the market. The “*high level of taxation had led to punters placing bets on foreign platforms that were not subject to tax and thereby denying the government revenue*”.³³

The Finance Act 2021 reintroduced the tax at a rate of 7.5 per cent of the amount wagered or staked. Furthermore, expanded the scope of excise duty to include gaming activities, price competition (participation charge) and lottery tickets (excluding charitable lotteries). Over the years, there have been further changes to the rate (i.e. 12.5 per cent in 2023 and 15 per cent in 2024) with the Finance Act 2025 reducing it from 15 to 5 per cent on the amount of money transferred by a customer into the customer wallet maintained by a licensed betting and gaming operator for betting and gaming purposes except for horse racing.³⁴

Australia

Under the Interactive Gambling Act 2001, an interactive gambling service, unlicensed regulated interactive gambling services and an Australian-based interactive gambling service are not permitted to be provided to a customer in Australia. A prohibited interactive gambling service is a gambling service where the service is provided in the course of carrying on a business and is provide to a customer in Australia using inter alia an internet carriage service. There is a general prohibition on the supply and advertising of online gambling services to persons present in Australia, unless the service is a regulated interactive gambling service and a regulatory authority in an Australian jurisdiction licenses the gambling service provider.

Regulated interactive gambling services include online sports betting, wagering and lotteries. Online casino gaming, such as poker and poker machines, and other gambling services are generally prohibited in Australia. Lottery betting is also prohibited in Australia. Generally, licensed operators may offer remote or online gambling services without any distinction between online platforms or devices (e.g., mobiles or tablets) on which the gambling service is offered to customers.³⁵

Regulated interactive gambling services are subject to a complex mix of federal and state/territory taxation and regulation. Since 2019, most states have implemented Point-of-Consumption Tax (POCT), which taxes operators based on where the customer resides, and not where the company is licensed. The POCT rates vary by state

³² KPMG (2019). *The Finance Act, 2019 A KPMG analysis*. Accessible at https://assets.kpmg.com/content/dam/kpmg/ke/pdf/tax/2019/KPMG_Finance_Act2019_Analysis.pdf

³³ Accessed at <https://igamingbusiness.com/legal-compliance/kenya-betting-tax-removed-as-kenyatta-signs-finance-bill/>

³⁴ Finance Act, 2025

³⁵ Addisons (2025). *Snapshot: remote gambling in Australia*. Accessed at <https://www.lexology.com/library/detail.aspx?g=55db70ce-35a5-47eb-adaf-3ca15ecd9b04> on 22 September 2025

(i.e. New South Wales, Queensland, Victoria, and South Australia) ranging between 15 to 25 per cent of net wagering revenue. This ensures states capture revenue from digital gambling, even if the operator is licensed elsewhere.³⁶

The Northern Territory, in its 2025/2026 budget³⁷, proposed amendments to the Gaming Control Act 1993 to set a minimum 50 per cent tax rate for activities conducted under an internet gaming licence effective from 1 July 2025. The legislated tax rate was intended to override existing agreement-based tax settings for current internet gaming licences. Many operators are reported to be reconsidering Northern Territory licences due to the increased tax burden.

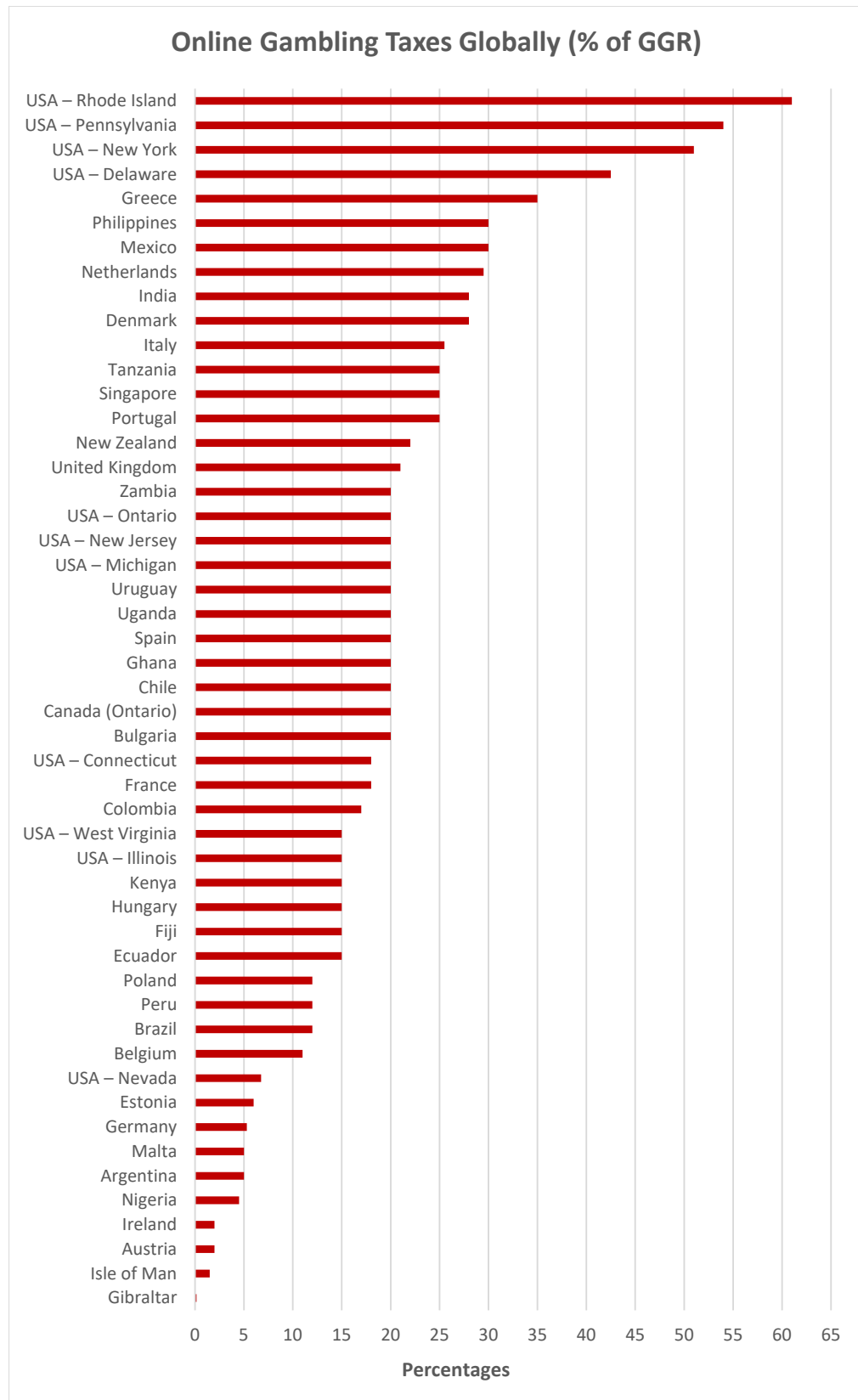
There are other jurisdictions in the European Union and globally, as well as certain States in the United State of America, that have implemented some form of tax on online gambling. Furthermore, online gambling taxation varies significantly by country, with key differences in whether players or operators are taxed, and the rates applied. A tracker³⁸ that provides an overview of gambling taxation across global jurisdictions provides a useful overview.

³⁶ Accessed at <https://www.onlinegooner.com/articles/view/how-australia-s-gambling-tax-reforms-are-transforming-the-online-casino-market> on 09 October 2025

³⁷ Northern Territory (2025). *Budget Paper No. 2 Budget Strategy and Outlook* accessible at <https://budget.nt.gov.au/resources/documents/2025/papers/2025-26-bp2-book.pdf>

³⁸ Global Tax Tracker. Accessed at <https://thegamingboardroom.com/global-tax-tracker/> on 17 November 2025

Figure 5: Online gambling taxes globally



Source: Derived from the Global Tax Tracker

7. POLICY CONSIDERATIONS AND OPTIONS

For the purposes of this discussion paper, a distinction should be drawn between online gambling activities and gambling activities in licensed premises which are currently licensed at the provincial level. Advances in technology have made online gambling more accessible, changing how people gamble and increasing the variety of gambling products available, which gamblers can now access from anywhere, at any time. It transcends the provincial boundaries and cannot be realistically and fully administered at a provincial level. As was envisaged by the amendment Act in 2008, online or interactive gambling licensing was going to be an exclusive national competency rather than a concurrent competency. However, interactive gambling remains illegal in South Africa.

The following option is proposed to internalise the externalities associated with problem gambling and reduce the proliferation of online gambling activities:

A tax on the gross gambling revenue:

- To the extent that externalities associated with online gambling are not currently internalised, a tax on gambling should be considered. This tax would be in addition to the current provincial taxes on the gross gambling revenue of gambling operators (total turnover less winnings paid to players).
- The current scope of existing provincial taxes mostly covers on-premises gambling activities but include online betting through a licensed bookmakers (e.g.: betting on the outcome of sports events and horse racing). However, the rates applied are still relatively low.

Therefore, a unified national online gambling tax is proposed to streamline administration and improve compliance. This tax is a separate and additional independent national tax that would share the same tax base as the provincial gambling tax (uniform tax base) on gross gambling revenue but would also include any revenue from interactive gambling. A national online gambling tax would also avoid the problem where provinces compete with one another on the headline level of the tax to encourage gambling operators to register with their provincial gambling board. This dynamic could artificially keep the tax rate below what is optimal from a social perspective.

Tax base

The base for online gambling taxes varies widely internationally. Naturally the industry may prefer net revenue as the tax base, which provides the greatest certainty for tax planning. However, gross gambling revenue also provides relative certainty of the potential tax burden an operator may face, as it already discounts payouts of winnings that may fluctuate significantly over time.

The only difference with a net revenue tax base is that overhead costs are also accounted for. As internet gambling service providers tend to face few overhead costs, a gross gambling revenue approach in practice functions similarly to a net revenue tax base for the online gambling sector. As a result, most jurisdictions tend to prefer a tax regime based on a gross revenue tax base. This also aligns with the provincial gambling

tax bases already implemented and is a preferable tax base to consider as the terminologies are already in use and it should be administratively easier to implement. It is proposed that gross gambling revenue from all forms of gambling are included in the tax base.

Tax rate

In countries where the virtual internet casinos of the interactive gambling industry compete directly with physical casinos, the respective tax rates would normally be harmonised in the interest of tax equity. This may go a long way to prevent ‘arbitrage’ from local operators of premise-based play to online play and to also ensure international competitiveness. However, the profiles of internet gamblers compared to casino gamblers vary greatly between countries. This is especially true for developed versus developing nations where computer literacy levels and the affordability of computer hardware and software cannot be compared. The NGB³⁹ noted that the shifting gambling landscape has mainly been attributed to shifts in gambling preferences from casinos to betting and increased access to online gambling following COVID-19, where betting overtook casinos as the largest gambling market.

In the 2011 Budget, a 15 per cent withholding tax on gambling winnings above R25000 including those from the National Lottery was proposed for implementation from 1 April 2012. However, after consultation it was discovered that there would be complexities with enforcement and compliance.

In the 2012 Budget, a national gambling tax based on gross gambling revenue was proposed for introduction in April 2013. The tax was going to take the form of an additional 1 per cent national levy on a uniform provincial gambling tax base and a similar tax base was to be used to tax the national lottery, however this was not implemented.

As described earlier, the betting industry (i.e. bookmakers) is currently taxed by provinces at an average of between 6 and 9 per cent of winning bets or gross gaming revenue, where different rates are applicable for the different types of gambling activities.

One rationale for different tax rates based on the type of gambling activity is that physical casinos generate employment and some local benefits, such as investment in infrastructure and higher expenditure on accommodation or other retail activities nearby the casino. Few, if any, similar benefits are associated with online gambling.

Due to the surge in online gambling and its impact on society, it is proposed that a 20 per cent tax is applied on gross gambling revenue from online betting, including interactive gambling, which would be in addition to the currently applied provincial taxes. As shown in Figure 5, there are 11 other jurisdictions which charge a tax of 20 per cent on gross gambling revenue, with a further 16 jurisdictions with a higher tax rate. The national gambling tax would, however, be in addition to the provincial tax rates and would lead to a tax rate of between 26 per cent and 29 per cent. At the current levels of gross gambling revenue, the 20 per cent tax on gambling would translate into over R10 billion in additional revenue for national government. However, the main objective of the reform would not be to raise further revenue, but rather to discourage problem and pathological gambling and their ill effects.

³⁹ NGB (2024). *Annual Report 2023/24*

8. ADMINISTRATIVE CONSIDERATIONS

Local suppliers of online betting will be required to register and provide SARS with similar information that is currently provided to the provincial gambling boards to collect provincial gambling tax revenue. This should ease administration and industry compliance. In instances where the local industry players are involved in interactive gambling, which is still illegal, they will also be subject to the proposed tax to the extent of the gross gambling revenue related to these activities.

9. CONCLUSION

The gambling industry has evolved over the years from traditional forms of gambling to more online and interactive modes of gambling. This has been influenced by technological advancements and increased access to the internet and electronic communication tools. Gambling is now available online, it is accessible almost anywhere, at any time, even in places where gambling is prohibited. Most of the 2024/2025 turnover, about 75 per cent, came from betting activities, whereas 19.5 per cent came from casinos.

The growth of online gambling also brings challenges, such as problem gambling and social issues, which require continued monitoring and responsive regulation. From a public policy perspective, there should be no problem with recreational gamblers as they do not place any external costs on society. However, to the extent that problem and pathological gambling impose a cost on society (externalities), it is in the public interest that such behaviour be regulated or reduced.

The regulatory environment of gambling is shaped by the fact that gambling, other than lotteries and sports pools, is an area of concurrent legislative competence between national and provincial governments. However, it has not kept pace with the gambling developments over the years creating regulatory gaps. This does not prohibit the taxation on online or interactive gambling to internalise the social costs related to gambling activities. To this end, a national tax of 20 per cent on the gross gambling revenue of the online and interactive gambling industry is proposed.

2025

THE CASE FOR A NATIONAL ONLINE GAMBLING TAX

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