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A national tax on online betting in South Africa

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National Treasury has proposed a national online gambling tax in addition to existing provincial taxes.¹ This measure is intended to curb the rapid growth in online gambling activity and address its negative social harms.¹ From 2021/22 to 2024/25, online and retail betting has more than tripled, while total gambling expenditure (which includes brick-and-mortar casinos, bingo, and limited payout machines) has more than doubled.²

Terminology and legislation

South African gambling law recognises several distinct modes of gambling, each with different regulatory treatments (Table 1).^{3,4} Online and retail betting on external events, such as sports and horse racing, is lawful and widely available. Bingo and casino gambling are permitted within licensed premises, while Limited Payout Machines are restricted to licensed operator sites. Interactive gambling (the remote play of casino-style games via the internet) is explicitly prohibited under the now-outdated National Gambling Act (Act No.7 of 2004).³ The National Gambling Amendment Act (Act No. 10 of 2008),⁴ which aimed to regulate interactive gambling, was legislated but has not yet been implemented.¹

In 2024, a Remote Gambling Bill was introduced in the National Assembly.⁵ The bill, which is still going through the legislative process, aims to regulate online gambling in South Africa and sets consistent rules across the country. It aims to protect minors and vulnerable people from the harmful effects of gambling, while also ensuring that operators follow financial regulations. The law includes measures to protect players and the public, and to prevent fraud, criminal activity, money laundering, and the financing of terrorism. Overall, it is designed to create a safer, well-regulated gambling environment and reduce risks to individuals and society.

Table 1: Gambling modes

Type	Definition	Lawful in SA?
Online betting	Wagering money online through licensed bookmakers on external events like horse racing and sports.	Yes.
Retail betting	Wagering money in-person at licensed bookmakers in physical betting shops on external events like horse racing and sports.	Yes.
Bingo	A game of chance where players match randomly-drawn numbers to numbers on a card.	Yes (licensed premises only).
Limited Payout Machines (LPMs)	Restricted-payout electronic slot-style gambling machines operated outside of casinos, typically in licensed operator sites (e.g., pubs, clubs, and restaurants). "Limited payout" refers to the capped maximum jackpot amount, distinguishing LPMs from casino slot machines.	Yes (licensed sites only).
Casino	A licensed facility offering a range of gambling games including table games (blackjack, roulette, poker) and electronic gaming machines.	Yes (licensed premises only).
Interactive gambling	Interactive gambling refers to online gambling games accessed via the internet including casino-style games, bingo, or virtual slot machines. Interactive gambling is distinct from online betting where the gamble is on the outcome of a real-world external event.	Prohibited under the National Gambling Act 7 of 2004, but it is an area of ongoing policy debate, as the current prohibition is widely regarded as difficult to enforce in practice.
Lottery	Form of gambling that uses a random draw to distribute a total prize pool to one or few winners who matched the draw.	Yes (under the Lotteries Act 57 of 1997).
Sports pools	A sports pool is a scheme (excluding certain horse racing) where participants predict results of multiple sporting events, competing for prizes awarded to the most accurate or closest forecasts.	Only if they are properly licensed and authorised under the Lotteries Act 57 of 1997, otherwise they are illegal.

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Table 2 compares different types of gambling taxes: stake, turnover, Gross Gambling Revenue (GGR), and net profits and shows what each tax is based on and how it is applied. Currently, South Africa applies GGR taxes at the provincial level.

Table 2: Types of taxes and existing gambling tax

Type	Definition
Stake tax	A tax on a percentage of each bet. A stake tax is visible to the gambler because the tax is levied when the bet is placed.
Turnover tax	A tax on the total value of all bets placed, regardless of the amount returned to players. A licence holder makes a periodic return to the tax authority. The licence holder pays the turnover tax, so it is not as visible to the gambler as a stake tax.
Gross Gambling Revenue (GGR) tax	A tax on total stakes (or turnover) minus amounts returned to players.
Net profits tax	A tax on operator profits, defined as GGR minus operating costs and other allowable expenses.

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While the national and provincial governments share the authority to regulate most forms of gambling (including casinos, racing, and betting), the national government retains exclusive

legislative competence over lotteries and sports pools.¹ While tax rates differ by province, casinos are generally taxed at rates ranging from 10% to 15% of GGR and the online betting industry (i.e., bookmakers) at around 6% and 7% of GGR. Most provinces use flat rates, i.e., the same tax rate irrespective of taxable revenue. Others, notably the Western Cape, apply progressive tax structures to casinos, limited payout machines, and bingo, depending on the revenue bracket.

For personal income tax purposes, occasional gambling winnings are generally treated as non-taxable capital receipts, while systematic, income-generating gambling may be classified as a trade and taxed as income. This distinction is grounded in the Income Tax Act,⁶ which excludes receipts of a capital nature from “gross income” and underpins SARS’s differentiation between casual (recreational) and profit-driven (habitual) gambling.

VAT in the South African gambling sector is applied through a mechanism that differs in form but approximates a tax on GGR in substance. Legally, each bet is treated as consideration for a taxable service supplied by the operator, with the stake deemed to be VAT-inclusive (Section 8(13) and Section 10(17)).⁷ Operators therefore account for output VAT on the full value of bets received, calculated using the standard fraction (15/115). However, they are also entitled to claim input tax credits on winnings paid out to bettors. The net effect is that VAT is effectively levied on the operators’ margin (i.e. the difference between total bets and total payouts) rather than appearing as a separate, visible charge on individual wagers.

The current gambling market

For some people, betting is a form of entertainment. However, for a large and growing share of South Africans, gambling has become a serious social and economic problem. A 2025 Old Mutual survey of South Africans aged 18–65 earning more than R8,000 per month found that 52% engage in gambling.⁸ Gambling is highest among 30–49 year-olds (58%) and men (57%). Three-quarters of these gamblers use online betting or gambling apps.⁸ One quarter of gamblers reported experiencing financial difficulty as a result of their gambling.⁸

The rapid expansion of online betting, fuelled by relentless marketing and frictionless digital access, represents a significant public policy challenge. A tiny fraction of gamblers win large sums, but most lose. The industry functions as an arbitrary and highly asymmetrical income redistributor, where, in aggregate, resources tend to flow from poorer households to corporate operators.

In the 2024/25 financial year, South Africans wagered an estimated R1.5 trillion on gambling.² The R1.5 trillion figure includes recycled payouts, whereby the same funds may be staked multiple times. While it illustrates the scale of gambling activity, it also reflects the dynamic that payouts are not typically withdrawn in full by players, but are instead frequently reinvested into further betting, although this, of course, poses further risks to income. Industry marketing strategies actively reinforce this behaviour, commonly targeting customers immediately after a payout with incentives, such as exclusive offers, to encourage continued play.

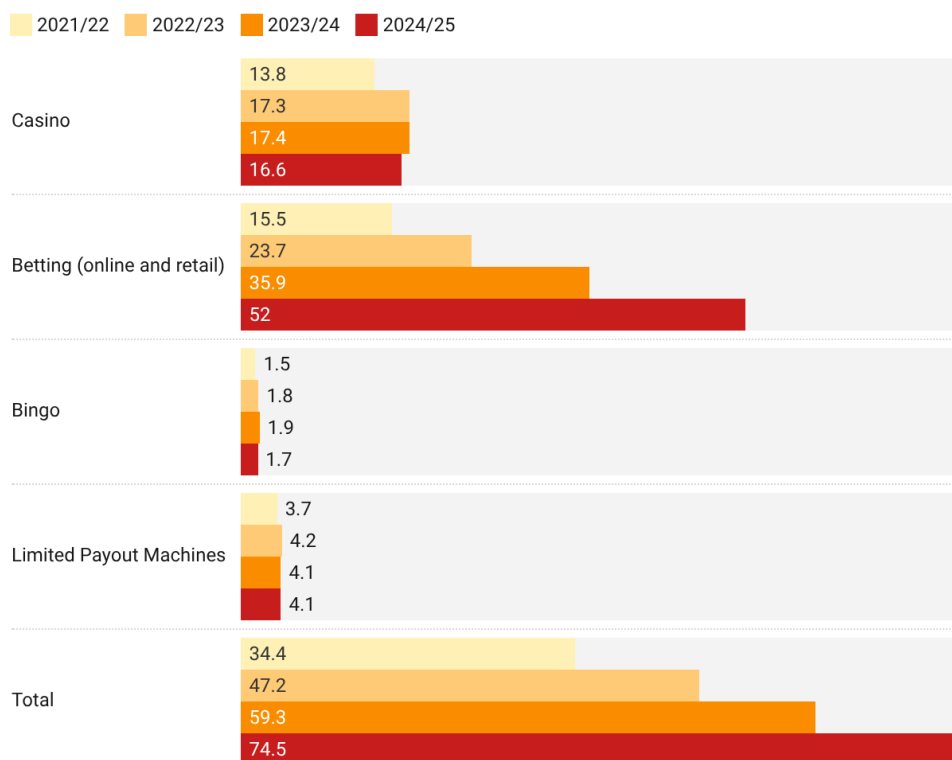
Approximately 95% of the R1.5 trillion wagered is returned to players, while around 5% (R74.5 billion in 2024/25) accrues to operators as GGR.² This R74.5 billion represents a

significant withdrawal from household spending. For context, this figure is almost equivalent to the R84.9 billion the National Treasury allocated to the Child Support Grant in 2024/25.⁹

Gambling, and problem gambling in particular, carries significant externalities, with public resources often bearing the cost. When households spend money on gambling rather than necessities, it can push families deeper into poverty.¹⁰ The harms associated with gambling extend well beyond financial loss and can affect every aspect of a person's life, including strained or broken relationships, domestic violence, and child neglect.¹⁰ Gamblers often face significant stigma, and some may resort to illegal activities, such as theft or fraud, to fund their gambling.¹⁰

The growth in online betting in South Africa has been dramatic (**Figure 1**). Data from the National Gambling Board indicate that from 2021/22 to 2024/25, GGR from online and retail betting increased more than threefold, from R15.5 billion to about R52 billion (current prices).² This reflects a net loss to household disposable income. Over the same period, online betting rose from 45% to roughly 70% of total gambling activity.² This rapid expansion has been driven by pervasive advertising, aggressive promotional offers, and the ease of access via smartphones and digital payment systems.

Figure 1: Growth in GGR by gambling type (current prices, billions of Rands)

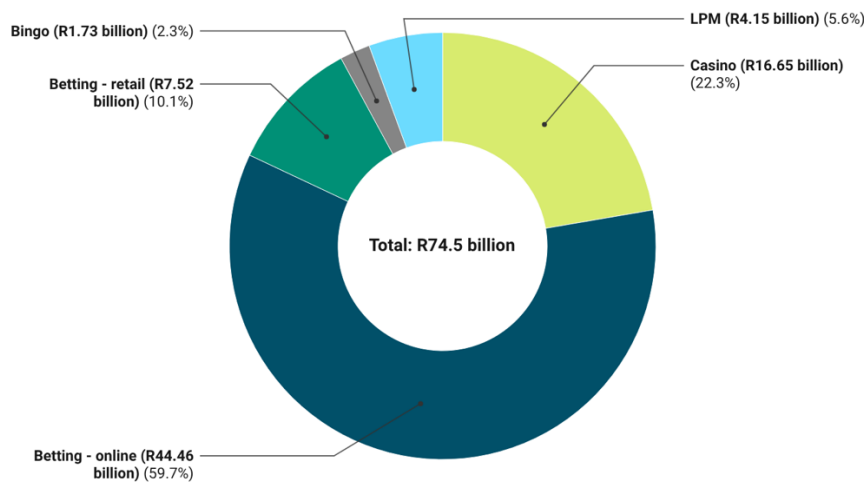


Source: National Gambling Board. National Gambling Statistics FY2024/25 (PowerPoint presentation). <https://www.ngb.org.za/wp-content/uploads/2025/10/National-Gambling-Statistics-Financial-Year-Ending-31-March-2025-09-October-2025-1.pdf>. 2025 • Created with Datawrapper

Of the R1.5 trillion wagered on gambling activities in 2024/25, about 75% (roughly R1.126 trillion) is on online and retail betting (Figure 2). GGR from betting is estimated at R51.97 billion: R44.46 billion from online betting (86%), and R7.52 billion from retail betting (14%). A GGR of R51.97 billion on R1.126 trillion wagered implies a margin of around 4.6% ($51.97/1126 \approx 0.046$). The payout ratios (in this case, 95.4%) effectively represent the 'price'

in gambling markets. A higher payout ratio means a lower price for consumers. While a lower price may seem to be consumer-friendly, it incentivises further consumption.

Figure 2: 2024/25 Gross Gambling Revenue by gambling mode (all provinces)



Source: National Gambling Board. National Gambling Statistics FY2024/25 (PowerPoint presentation). <https://www.ngb.org.za/wp-content/uploads/2025/10/National-Gambling-Statistics-Financial-Year-Ending-31-March-2025-09-October-2025-1.pdf>. 2025 • Created with Datawrapper

Current proposal (national 20% tax on GGR)

In response to the surge in online gambling, National Treasury proposes a 20% tax on GGR from online betting, including interactive gambling, in addition to the current provincial GGR taxes (ranging from 6% to 9% of GGR). The combined provincial and national tax rate would therefore range from 26% to 29% of GGR. Treasury is explicit that the primary objective of the tax is to curb problem and pathological gambling¹ and mitigate related social harms, rather than to generate excise revenue. Nonetheless, it estimates that the tax could raise a substantial amount of extra revenue. Applied to the 2024/25 online betting GGR of R44.46 billion, a 20% online gambling tax would yield about R8.89 billion for SARS. To maintain profits on online betting turnover, operators would likely increase their effective margin, resulting in a lower payout ratio to gamblers.

Whether a reduction in expected payouts would meaningfully discourage participation in online betting remains an open empirical question. Standard economic theory suggests that, at the margin, lower payout ratios (i.e., higher effective prices) should reduce demand among at least some consumers. GGR-based taxes are generally regarded as more industry-aligned, as they accommodate variation in payout ratios across different products. By contrast, a turnover tax may induce bookmakers to adjust odds, resulting in less attractive expected returns for bettors.

In the South African context, where betting taxation is currently based on GGR at the provincial level, there is a strong case for maintaining this approach for online betting. Retaining a consistent tax base supports compatibility, uniformity, and administrative

¹ Problem gambling = broader public health concept (includes subclinical cases). Pathological gambling / gambling disorder = severe end of the spectrum with diagnostic criteria.

simplicity. Introducing a turnover-based tax alongside an existing GGR-based system could create unnecessary complexity and potential distortions.

Whether the tax will reduce the total amount wagered depends crucially on the price elasticity. To date, we are not aware of any studies examining the price elasticity of demand for online gambling in South Africa. While there are established price elasticity estimates for horse-racing, casino gaming, and lotteries,¹¹ elasticity estimates for online betting remain scarce due to the industry's relative novelty.

The gambling industry has strongly criticised Treasury's proposal, first published in a discussion paper in November 2025. This is hardly surprising. We have seen a similar pattern in other sectors, including tobacco, alcohol, and sugar-sweetened beverages. The supposed economic benefits of these industries are loudly promoted, while the social, health, and financial costs are conveniently ignored.

Recommendations

We fully support National Treasury's proposal to impose a 20% tax on GGR from online betting in addition to existing provincial GGR taxes (which range from 6% to 9% of GGR). We suggest Treasury also applies the 20% GGR to retail betting to avoid substitution between online and retail betting. The combined provincial and national GGR tax rate would therefore be between 26% and 29%.

To reduce gambling participation and its associated harms, taxation should be viewed as part of a broader set public policy interventions. Complementary measures should include bans or stricter controls on advertising and promotional offers, enhanced support services for problem gamblers, stronger consumer protection regulations, and limits/bans on features that encourage excessive betting.

The proposed online gambling tax should apply comprehensively to all forms of remote betting and gambling. The tax base should include all bets placed through remote channels, including internet and telephone betting, and should apply regardless of the payment method used, including asset transfers, cryptocurrencies, and promotional or "free bet" credits.

The legislative framework should also allow the tax rate to be easily adjusted through the normal national budget process, enabling policymakers to respond to changes in market conditions, revenue needs, or harm-reduction objectives. The tax should also be monitored continuously to ensure unintended consequences are identified and addressed quickly.

Policymakers should also consider other potential substitution effects arising from the tax. Higher effective prices may encourage some gamblers to shift to illegal platforms, offshore operators, or other forms of gambling not subject to the same tax regime. This, however, should not weaken the case for introducing the tax or for potential future rate adjustments.

Increasing tax rates by 20% without strengthening compliance is unlikely to yield the expected revenue gains. The South African Revenue Service should therefore explore and mandate appropriate technologies to enhance monitoring and enforcement. These technologies crawl the web to search, classify and manage illegal gambling sites, ultimately facilitating the enforcement of compliance. The Remote Gambling Bill, introduced to the National Assembly in 2024,⁵ would significantly strengthen the regulatory framework by

making unlicensed online gambling explicitly unlawful and enhancing enforcement mechanisms against such operators.

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