



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON GAMING**

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## **INTRODUCTION**

1. This industry guide is prepared to assist businesses in understanding matters with regards to Goods and Services Tax (GST) treatment on gaming.

### **Overview of Goods and Services Tax (GST)**

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted or relieved. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

## **GST TREATMENT ON GAMING**

### **Overview of GST Treatment on Gaming Industry**

5. A supply of gaming activity is either a sale of ticket that gives the buyer the right to be placed in a draw for a prize e.g. a lottery ticket, or the gaming operator accepting bets relating to the outcome of a gaming event such as a race or a game of chance, where a punter may win or lose money depending on the outcome.

6. Gaming activities can also be conducted through gaming machines whereby the element of chance in the games is provided by means of the machines.

7. The various gaming activities include:

- (a) Lotteries;
- (b) betting on horse racing and number forecasting;
- (c) gaming machines operated by clubs and casino such as jackpot and slot machines;
- (d) gambling in casino; and
- (e) raffles.

8. Presently, the gaming industry in Malaysia is subject to taxes such as gaming tax, pool betting duty, betting and sweepstakes duty, and state sales tax (in Sabah and Sarawak). All gaming operations in Malaysia are being carried out off-line i.e. no internet betting is allowed.

9. The supply of services made by persons licensed or approved under any written law in Malaysia involving betting, sweepstakes, lotteries, gaming machines or games of chance is taxable, and is subject to GST at a standard rate.

#### **Special time of supply rules for Gaming Activity**

10. The time of supply for gaming activity is based on the following special provisions as stated under regulation 13, GST Regulations 2014:

- (a) a supply of services involving number forecasting, lottery and a game of chance, the time of supply shall be at the time when the numbers are drawn;
- (b) a supply of services involving sweepstakes, the time of supply shall be at the time when the race takes place;
- (c) a supply of services by gaming machine, the time of supply shall be at the time when collection is removed from the machine, or at the time when transaction is recorded by the machine; or
- (d) a supply of services involving casino betting, the time of supply shall be on the last day of the taxable period in which the supply takes place.

**Example 1:**

*A number forecast operator receives bets from punters for Draw No. 36/2016. The draw date is on 1<sup>st</sup> April 2016, and the results published on 2<sup>nd</sup> April 2016.*

*The time of supply is 1<sup>st</sup> April 2016, i.e. the day winning numbers are made known to the punters.*

**Example 2:**

*A turf club is conducting a race on 15 May 2016.*

*The time of supply is 15 May 2016, i.e. the day horse race results are made known on the race day.*

**Example 3:**

*A private club operator banks in money on 1st September 2017, one day after he clears his jackpot machines in his club.*

*The time of supply is 31st August 2017, i.e. the day he removes collections from the machines.*

**Example 4:**

*A casino operator calculates his total collections for the month of June.*

*The time of supply is 30th June, i.e. the last day of the taxable period to determine whether he is making a net win or net loss.*

## **Computation of GST on Gaming Supplies**

11. A GST-registered gaming operator is required to charge and account for GST at 6/106 (tax fraction) on the total gross takings received **less** cash payouts to winners. However, if the payouts are not in cash but in the form of goods or services, GST has to be accounted at 6/106 on the total gross takings received. In both cases, the gross takings are considered to be inclusive of GST based on total considerations received for the gaming supplies.

12. The gaming operator has also to deduct other tax elements such as gaming

tax, pool betting duty, betting and sweepstakes duty, and state sales tax from the total gross takings before calculating GST on any gaming supply.

13. In determining the value of supply involving a gaming machine, the balance of coins and tokens remaining in the machine when collection is removed from the machine is the taxable net takings, and GST is calculated by applying the tax fraction (6/106) to this amount after deducting the gaming tax.

**Example 5:**

*A number forecast operator receives a total bets of RM500,000 for a draw.*

*Total cash payouts to successful punters is RM200,000.*

<i>Bets received</i>	<i>RM 500,000</i>
<i><u>Less:</u></i>	
<i>Gaming tax @ 8%</i>	<i>RM 40,000</i>
<i>Pool betting duty @ 8% (net of gaming tax)</i>	<i>RM 36,800</i>
<i>Cash payouts</i>	<i><u>RM 200,000</u></i>
<i>Net takings</i>	<i>RM 223,200</i>
<i>GST (6/106 x RM223,200)</i>	<i><b><u>RM 12,633.96</u></b></i>

**Example 6:**

*A casino operator receives a total collections of RM1,000,000 for the taxable period of June. Total cash payouts to successful players is RM400,000. The casino makes a net win of RM600,000, and a casino duty of RM150,000 (25% x RM600,000) is payable to the government.*

<i>Gross collections</i>	<i>RM 1,000,000</i>
<i><u>Less:</u></i>	
<i>Casino duty @ 25% of net win</i>	<i>RM 150,000</i>
<i>Cash payouts</i>	<i><u>RM 400,000</u></i>
<i>Net collections</i>	<i>RM 450,000</i>
<i>GST (6/106 x RM450,000)</i>	<i><b><u>RM 25,471.70</u></b></i>

**Example 7:**

*A private club operator removes coins totaling RM1,000 from the jackpot machines in his club.*

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<i>Net collections</i>	<i>RM 1,000</i>
<u><i>Less:</i></u>	
<i>Gaming tax @ 20%</i>	<u><i>RM 200</i></u>
<i>Net takings</i>	<i>RM 800</i>
<i>GST (6/106 x RM800)</i>	<u><b><i>RM 45.28</i></b></u>

**Example 8:**

*A sports club runs a raffle offering 5 hampers worth RM200 each as prizes.  
500 tickets at RM10 each are sold.*

<i>Collection from ticket sales</i>	<i>RM 5,000</i>
<u><i>Less:</i></u>	
<i>Gaming tax @ 20%</i>	<u><i>RM 1,000</i></u>
<i>Net collection</i>	<i>RM 4,000</i>
<i>GST (6/106 x RM4,000)</i>	<u><b><i>RM 226.42</i></b></u>

**Tax Invoice**

14. A GST-registered gaming operator is also required to issue tax invoice for gambling sales. However, he may apply to the Director General of Customs to treat the betting slips and lottery tickets as simplified tax invoice.

**Input Tax Credit**

15. The operator in the gaming industry may provide cash prizes or non-cash prizes such as goods or services as prize payout. Prize payout is treated as inputs or costs of acquisition for the purpose of supplying the gaming service.

16. A gaming operator is allowed to claim input tax incurred on the purchase or acquisition of non-cash prizes. When the operator subsequently supplies such non-cash prizes to the winners, he is required to account for output tax on these prizes.

**Example 9:**

*A gaming operator conducts a lottery where 1,000,000 tickets at RM3 each are sold. Prizes are made up of cash totaling RM 500,000 and commercial vehicle worth RM106,000.*



*The gaming operator is allowed to claim an input tax credit of RM6,000 (RM106,000 x 6/106) on the purchase of the commercial vehicle which is acquired for the purpose of awarding the commercial vehicle as a prize.*

*Other input tax incurred on the purchase or acquisition of taxable goods and services by a GST-registered gaming operator is also claimable and allowed to offset against the output tax payable to the government.*

**Example 10:**

*Referring to Example 2 in page 4, the casino operator has incurred other input tax on goods and services totaling RM10,000 in the same taxable period.*

*The casino operator is allowed to offset RM10,000 as input tax credits as follows :*

<i>GST payable on casino sales</i>	<i><u>RM 25,471.70</u></i>
<i><u>Less: Total input tax credits</u></i>	<i><u>RM 10,000.00</u></i>
<i>Net GST payable</i>	<i><b><u>RM 15,471.70</u></b></i>

**Lottery agent**

17. If a lottery is promoted by a GST-registered agent, GST is chargeable on the commissions or fees received, and the agent has to account for the tax in his return. The agent is eligible to claim input tax credits on expenses related to the promotion of lottery ticket sales.

## FREQUENTLY ASKED QUESTIONS

**Q1. The paper that I purchase for printing betting slips incurred GST, am I allowed to claim back the GST incurred?**

A1. Yes, provided you are a GST-registered person and you hold a valid tax invoice from your supplier. Similarly, input tax incurred on other goods and services for the purpose of supplying a gaming service is also claimable. Input tax credits are allowed to be offset against output tax payable on the gaming supply.

**Q2. I operate a number forecast outlet and I have to pay the government RM 5,000 annually as license fee. Is this license fee subject to GST?**

A2. No. Regulated fees for licensing of gaming activities like number forecast, slot machines, casino, sweepstakes and lotteries are not subject to GST.

**Q3. A sum of RM50 administration fee will be imposed on all horses entered in the Class 5 (rating 43 and below) and restricted maiden races. Is such administration fee subject to GST?**

A3. Yes. The administration fee is subject to GST at a standard rate.

**Q4. The number forecast operators are required to make mandatory contribution to the National Sports Council based on 10% of the net profit before tax. Is there any GST liability on this contribution?**

A4. No. Such contribution to the government is not subject to GST.

**Q5. How should a casino operator be registered for GST if they carries other businesses?**

A5. If a casino operator carries on other businesses such as hotels, restaurants, theme park, retail outlets and concert shows, the operation of the casino will be registered together with the other businesses.

**Q6. A gaming operator offers cash as prizes for its gaming supply. In the event that the operator incurred a net loss for any taxable period, how should he account for the tax liability?**

A6. If the total cash payout exceeds the total gaming revenue received for any taxable period, the casino operator has to account for his output tax as 'nil' in his return.

**Q7. Will the government refund the gaming operator for GST incurred in the gambling loss?**

A7. No refund of tax will be given when a gaming operator incurs a net loss on his gambling supply for any taxable period.

**Q8. Gambling supplies in Sarawak and Sabah are subject to state sales tax of 10% and 15% respectively. With the implementation of GST, will these two taxes be abolished?**

A8. GST will only replace the existing sales tax (5% and 10%) and service tax (6%). State sales tax is an additional tax imposed on gambling activities in Sarawak and Sabah besides gaming tax and pool betting duty, and it will not be abolished.

## **INQUIRY**

1. For any inquiries for this guide please contact:

Sector IV

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: [gstsector4@customs.gov.my](mailto:gstsector4@customs.gov.my).

## **FURTHER ASSISTANCE AND INFORMATION ON GST**

2. Further information on GST can be obtained from :

(a) GST website : [www.gst.customs.gov.my](http://www.gst.customs.gov.my)

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- E-mail : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)

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**AMENDMENTS**

<b>No</b>	<b>Date</b>	<b>Heading / Sub – heading / Paragraph</b>	<b>Description</b>
1	12/8/2015	FAQ Answer No. 6	Updated