

On the Proposed 20% National Gambling Tax

26 February 2026

Dear Minister and Members of National Treasury,

This submission is made in response to the “draft discussion paper” proposing the introduction of a 20 percent national tax on gross gambling revenue (GGR) in respect of online gambling and betting. It is intended as a substantive policy submission addressing the fiscal, regulatory, and constitutional implications of the proposal.

Executive Summary - this submission advances five central propositions:-

1. Online gambling markets are highly elastic and digitally mobile. Static revenue modelling is therefore insufficient.
2. Preservation of channelisation into the regulated market must be the primary policy objective, as both consumer protection and fiscal yield depend upon it.
3. The proposed 20% national tax, layered onto existing provincial GGR levies of approximately 6.5% and structural VAT obligations, produces a cumulative GGR burden approaching 40% on licensed operators. Offshore and unlicensed alternatives bear none of these costs. This structural competitive asymmetry is the primary transmission mechanism through which tax burden converts into channelisation erosion.
4. Stress testing the assumed R 50 billion regulated base reveals material downside risk under plausible contraction scenarios.
5. Fiscal reform in a concurrently regulated sector must proceed in alignment with legislative modernisation and constitutional coherence, not in advance of it.

The proposed national tax should be calibrated through behaviourally informed modelling and institutional coordination to ensure that it strengthens, rather than weakens, the regulated market.

1. Fiscal Policy in a Digitally Mobile Market

South Africa's gross gambling revenue reached R59.3 billion in the financial year to March 2024, a year-on-year increase of 40.2 percent. Online sports betting now accounts for approximately 60 percent of total gross gambling revenue, and mobile devices generate roughly 81 percent of online betting turnover. The sector is digitally intensive, fast-growing, and structurally distinct from terrestrial gambling modes.

Online gambling differs from terrestrial gambling in ways that are directly material to tax design. It operates in a borderless digital environment characterised by minimal switching costs, immediate platform access, cross-border service provision, and dynamic promotional pricing. In such markets, taxation cannot be designed on static assumptions. Revenue depends on behavioural response and the stability of the regulated base.

Where enforcement against offshore and unlicensed actors is weak and lacking, fiscal sustainability is directly linked to the competitiveness and attractiveness of the licensed channel. A tax design that compromises that attractiveness carries the risk of eroding the very base upon which the projected revenue depends.

2. The Structural Purpose of Gambling Regulation

Gambling regulation serves two interdependent objectives (a) the protection of consumers through licensing requirements, compliance audits, responsible gambling standards, and age verification; and (b) the generation of sustainable fiscal contributions through supervised, traceable participation in a lawful market.

These objectives are mutually reinforcing. If activity migrates outside the regulated channel, both consumer protection and revenue collection deteriorate. Tax policy must therefore be assessed through its impact on channelisation (the proportion of gambling activity conducted with licensed operators) not merely through its nominal rate.

Any fiscal intervention that causes material contraction of the regulated base simultaneously undermines both objectives. The consumer who migrates to an offshore operator loses the protections of responsible gambling frameworks, dispute resolution mechanisms, and data security obligations. The fiscus loses both the nominal tax and the broader regulated-market tax base. The outcome is worse on every level.

3. Channelisation, elasticity, and international evidence

Channelisation refers to the proportion of total gambling activity directed through licensed, regulated operators rather than illegal, offshore, or otherwise unregulated platforms. Mature regulatory frameworks, including those in the United Kingdom, Germany, and Sweden, target channelisation rates above 80 percent, recognising that below this threshold, the regulatory and fiscal architecture begins to lose coherence.

Online gambling markets exhibit characteristically high price elasticity. Switching platforms requires minimal effort. Offshore operators remain accessible and are actively marketed. Differences in odds, bonuses, and effective return-to-player rates influence consumer choice rapidly. Any increase in the effective cost of participation in the licensed channel, whether through directly imposed player taxes or through margin compression and consequent odds-deterioration, widens the competitive gap with unlicensed alternatives.

United Kingdom:

The most directly relevant contemporary evidence comes from the United Kingdom. The UK government's Autumn Budget 2025 increased Remote Gaming Duty from 21 to 40 percent, effective April 2026, and introduced a new General Betting Duty for online sports betting at 25 percent from April 2027. The Office for Budget Responsibility estimated that these measures would raise approximately £1.1 billion annually by 2029-30 but explicitly modelled a yield reduction of approximately £700 million (almost 40 percent) arising from expected **behavioural change**, including operators passing costs to consumers through reduced odds and bonuses, and some consumers migrating to the illegal market.

The UK government itself acknowledged in its own impact materials that "*some individuals could choose... to gamble through the illegal gambling market*" as a direct consequence of the duty increases. It allocated £26 million over three years to the Gambling Commission specifically to address illicit market migration, an implicit admission that channelisation erosion is a foreseeable consequence. Parliamentary debates on the Finance Bill heard opposition members explicitly warn:

"When taxes rise too far, behaviour can change and the yield can go down. Rather than reducing demand, activity will move to unregulated markets where consumer protections are weaker, fraud risks are higher and tax revenue is not collected."

(James Wild MP, Shadow Exchequer Secretary to the Treasury)

This observation was made about a jurisdiction with mature enforcement infrastructure, substantial Gambling Commission capacity, and an already well-channelised market. South Africa's enforcement capacity in respect of offshore operators is materially weaker. It is submitted that the risk profile in South Africa is correspondingly higher.

Kenya:

Kenya's experience over the preceding several years provides instructive regional evidence. Following repeated escalations in betting taxation, with excise duty on stakes rising from 7.5 percent to 12.5 percent in 2023, alongside a 15 percent gross gaming revenue tax and a 20 percent withholding tax on winnings, Kenya's Parliamentary Budget Office projected significant yield from these changes, however the market told a different story. In 2024-25, after further increases, betting tax revenues were projected to fall by approximately KSH 4.2 billion relative to the prior year's collection, which itself reflected prior years of tax-driven market disruption. Kenya's own *Budget Watch* cautioned that the tax structure had the potential to drive smaller-depositing players away from the regulated market entirely.

Kenya is not a perfect analogue for South Africa its enforcement architecture, demographic profile, and gambling culture differ. But it is the closest regional jurisdiction that has conducted large-scale fiscal experimentation on a digitally active online gambling market. The lesson is consistent with theory: aggressive cumulative taxation without commensurate channelisation infrastructure generates base instability.

4. Cumulative Tax Burden and Competitive Asymmetry

The proposed national tax cannot be assessed in isolation. Licensed South African online gambling operators already bear a layered fiscal and compliance burden that, in aggregate, materially exceeds the nominal 20% rate under consideration.

Provincial gross gambling revenue levies currently stand at approximately 6.5% of GGR. The proposed national tax adds a further 20%, producing a combined GGR-level impost of 26.5% before corporate income tax, skills development levies, or compliance costs are considered. When corporate income tax at 27% is applied to net profit (already reduced by the GGR levies) and VAT obligations are factored into the cost structure, the effective total burden on a rand of gambling revenue processed through the licensed channel approaches 40%.

This figure is not an abstraction. It defines the competitive position of the licensed operator relative to the alternatives available to South African consumers.

Comparative benchmarking across regulated online gambling jurisdictions indicates that cumulative GGR level burdens materially above the mid-20 percent range tend to increase channelisation risk in digitally mobile markets. The proposed structure, when layered onto existing provincial levies, places South Africa meaningfully above that comparative band.

A Maltese-licensed operator illegally serving South African consumers remotely bears Malta's Gaming Authority levy of 5% of GGR on B2C remote gaming activity and no South African provincial or national gambling tax. An unlicensed offshore operator bears nothing. The structural asymmetry between the licensed and unlicensed channels is therefore not marginal, it is a gap of between 21.5 and 26.5 percentage points of GGR before any other cost differential is considered.

The mechanism by which this asymmetry erodes channelisation is direct and well understood. Licensed operators facing a 26.5% combined GGR levy must recover that cost through the product. The primary adjustment mechanisms are deterioration of odds, reduction of bonuses and promotional offers, narrower market coverage, and higher effective minimum participation costs. The consumer does not observe the tax; they observe worse value. The offshore alternative, offering better odds and larger bonuses unconstrained by equivalent fiscal obligations, becomes the rational choice.

Channelisation erodes not through dramatic defection but through the gradual drift of value-sensitive consumers toward platforms that are structurally better positioned to compete on product.

The VAT dimension compounds this asymmetry. South Africa's VAT Act, as amended to address electronic services supplied by offshore providers, requires non-resident suppliers meeting the registration threshold to register and remit VAT at 15%. Licensed operators comply fully. Unlicensed offshore operators frequently do not, or at best might comply incompletely. The VAT compliance obligation therefore represents a further structural cost borne exclusively by the regulated channel, widening the effective burden differential beyond the GGR levy comparison alone.

The following comparison illustrates the asymmetry:

Operator type	Provincial GGR levy	National GGR tax (proposed)	VAT compliance	Approximate combined GGR-level burden
SA-licensed operator	6.5%	20%	Full	~26.5% + compliance costs of approximately 12% = approx. 38%
Maltese-licensed offshore	0%	Uncertain	Partial	5% (Malta only)
Unlicensed offshore	0%	Uncertain	Nil	0%

The proposed tax does not narrow this gap, it widens it by nearly 20 percentage points at best, at a literal stroke of the pen. Any revenue model that does not account for the behavioural consequences of that widening is structurally incomplete.

5. South African Consumer Behaviour and Substitution Dynamics

Treasury is well placed to assess the evidence from South Africa's own analogous markets. The pattern across excisable consumer goods is consistent: when cumulative tax burden widens price differentials and enforcement gaps persist, substitution into informal markets occurs at scale, at speed, and often irreversibly.

Tobacco

The Research Unit on the Economics of Excisable Products at the *University of Cape Town* has established through repeated peer-reviewed analysis that the illicit cigarette market in South Africa comprised approximately 58 percent of total volume in 2022, having risen from 5 percent in 2009 and peaking at approximately 60 percent in 2021. National Treasury's own data indicates the illicit share may have grown further in 2023, potentially exceeding 60 percent. The fiscal consequences are severe. Excise tax from domestically produced cigarettes declined by approximately 35 percent between 2019 and 2023, **from R14 billion to R9 billion**, despite smoking prevalence remaining stable or increasing.

This is the canonical domestic demonstration of base instability under sustained increases in cumulative excise burden. Legal cigarette sales collapsed by nearly two-thirds from their 2008 peak not because demand declined, but because supply shifted to an illicit channel that the fiscus cannot access. The structural driver is precisely the widening price gap between taxed and untaxed product, a mechanism directly analogous to the competitive dynamic between licensed and offshore gambling operators.

That widening gap did not arise spontaneously. It followed successive above inflation excise increases that compounded over time, increasing the retail price differential between compliant and illicit product beyond the practical enforcement capacity of the state.

Alcohol

The illicit alcohol market has grown dramatically. Euromonitor research, cited by industry and National Treasury alike, estimated the illicit alcohol market at approximately R20.5 billion in 2021, representing fiscal losses exceeding R11 billion at that time. By 2024, SAB's CEO placed the illicit alcohol market value at R25.1 billion (nearly double its 2017 level) with the government losing an estimated R16.5 billion in tax revenue annually as a consequence.

Almost one in five alcoholic drinks sold in South Africa is estimated to come from illegal sources.

As cumulative excise and regulatory compliance costs increased across the formal sector, the price differential between taxed and untaxed supply widened materially. In an environment where enforcement gaps persist, that differential created predictable incentives for substitution into informal distribution channels.

National Treasury's own discussion paper on alcohol taxation acknowledges illicit trade as a serious challenge. The consistency of this structural dynamic across tobacco and alcohol, which are markets where South African enforcement capacity and supply chain traceability are considerably greater than for online platforms, establishes the baseline expectation for how consumers respond to fiscal incentives to switch.

Telecommunications

Telecommunications provides a third analogue, and one that is structurally the most similar to online gambling because it is digitally mediated, low friction, and price sensitive. South Africa has close to two mobile connections per person. Survey evidence consistently records widespread multiple-SIM usage, particularly in prepaid segments, driven by differential pricing, data bundle value, and network coverage. Consumers actively optimise across networks in response to perceived value.

Online gambling shares all of these structural characteristics. Platform switching is immediate and costless. Price sensitivity is significant as return-to-player rates, odds quality, and bonus structures are directly comparable across platforms. Offshore alternatives remain permanently accessible. The inference for policy design is that South African consumers of online gambling should be assumed to behave as rational economic agents who will respond to material price differentials, not as captive participants insulated from competitive alternatives.

6. Stress Testing the Revenue Base

The Discussion Paper appears to rely on an estimated regulated gross gambling revenue base of approximately R50 billion, against which a 20% national tax implies potential yield of approximately R10 billion. That projection assumes behavioural stasis i.e. that operators and consumers will absorb a cumulative GGR-level burden of 26.5% without material substitution toward offshore and unlicensed alternatives. The evidence reviewed in sections 3 and 4 above provides no basis for that assumption. The following stress tests model downside scenarios under varying degrees of channelisation erosion driven by the cumulative burden differential.

Scenario	Base Contraction	Effective GGR Base	Revenue at 20%
Static (Treasury assumption)	0%	R50bn	R10bn
Moderate contraction	30%	R35bn	R7bn
Material contraction	50%	R25bn	R5bn
Severe contraction	60%	R20bn	R4bn

These are illustrative stress tests, not revenue forecasts.

Several additional considerations bear on the revenue estimate. Firstly, the R50 billion base itself warrants scrutiny and does not appear empirically accurate or modelled. Published research places total gross gambling revenue for FY2023/24 at R59.3 billion, encompassing both land-based and online activity. The online and sports betting component alone approaches R36 billion. If the Discussion Paper's R50 billion includes significant land-based revenue not subject to this tax, the online taxable base is narrower than the headline figure implies and the stress test downside risk on that narrower base is correspondingly larger.

Secondly, excise theory establishes that revenue maximisation does not occur at the highest nominal rate. Beyond a revenue-maximising threshold, rate increases reduce total yield through base erosion. In digitally mobile markets, this threshold may be reached at lower rates than in less competitive markets. The UK's OBR modelled an effective yield reduction of approximately £700 million from the combined duty increases, **despite the UK's superior enforcement infrastructure.**

Thirdly, channelisation erosion, once established, is historically difficult to reverse. South Africa's tobacco market provides the clearest domestic illustration. The illicit share that grew from 5 percent in 2009 to over 58 percent in 2022 has not declined to its former level despite subsequent enforcement improvements. The implication for gambling policy is that design choices now carry long-term structural consequences. Optimistic yield projections that prove incorrect will leave a legacy of base instability that cannot easily be corrected.

Contraction of the regulated base would also generate consequences beyond taxable GGR. Licensed operators sustain direct employment across compliance, technology, payments, marketing and customer service functions, while supporting indirect economic activity in media, professional services and financial infrastructure. Erosion of the licensed channel would therefore have secondary implications for corporate income tax, VAT collections and labour market stability that warrant consideration in any comprehensive fiscal impact assessment.

7. “Quasi-Legitimation” and Regulatory Integrity

The proposal to incorporate revenue derived from currently unlicensed interactive gambling into the national tax net raises a concern that goes beyond fiscal mechanics. Taxation does not confer legality. It does not impose licensing requirements, compliance audits, responsible gambling obligations, anti-money laundering safeguards, or consumer dispute resolution obligations.

If operators who are not licensed under applicable provincial frameworks are nonetheless fiscally recognised and deemed tax-compliant, the practical distinction between lawful and unlawful operators becomes blurred in the minds of consumers, financial institutions, and enforcement agencies. This creates legal and moral hazard in that unlicensed operators benefit from a form of *de facto* tolerance, while the regulatory burden and cost structure borne by licensed operators is not equalised.

The enforcement implications are concrete. If an offshore operator that is not licensed under the National Gambling Act or any provincial equivalent is remitting a national gambling tax, the basis on which enforcement action would be taken becomes ambiguous. The coherence of the existing enforcement framework may be weakened if fiscal inclusion normalises unlicensed operation.

Consumer protection must precede and accompany fiscal inclusion. The appropriate sequence is (a) legislative clarification, licensing, regulation, then (b) taxation, not taxation in advance of the preceding steps.

8. Constitutional Context and Concurrent Competence

Gambling regulation in South Africa operates within an explicit framework of concurrent national and provincial legislative competence, as provided in Schedule 4 of the Constitution. The National Gambling Act 7 of 2004 was enacted precisely to coordinate this concurrent competence, providing national norms and standards within which provincial licensing authorities exercise primary licensing and supervisory authority.

Provincial gambling boards license operators, enforce compliance, and collect levies that fund regulatory oversight. Their revenue bases are directly linked to gross gambling revenue generated by licensed operators in their jurisdictions. A national tax that materially affects the economics of licensed operators, whether through direct burden or through channelisation erosion, has indirect but concrete consequences for provincial levy bases and, by extension, for the regulatory oversight capacity that those levies fund.

The constitutional architecture of the sector is compounded by a profound and longstanding legislative ambiguity. The National Gambling Amendment Act of 2008, which provided for the regulation of interactive gambling, was assented to by the President but its commencement date has never been proclaimed, nor have

appropriate regulations been introduced. It has therefore been legally inoperative for nearly seventeen years. The result is that South Africa has no effective national legislation on the topic of online gambling other than a general one-line ban on 'interactive gambling', which is inapplicable to the provincial licensing regimes that in practice facilitate online betting with national reach.

The Remote Gambling Bill, reintroduced to Parliament in 2024 following more than two years of drafting and consultation, seeks to resolve this ambiguity by providing a provincial licensing framework for remote gambling. It remains under parliamentary consideration. Until it or equivalent legislation is enacted, the sector operates under interpretative uncertainty that affects the very definitional perimeter of what this proposed national tax would apply to.

In a concurrently regulated field characterised by this degree of legislative delay and stasis, fiscal intervention cannot be viewed in isolation from the regulatory architecture it affects. Incremental and oblique policy layering a national tax imposed in advance of legislative clarity, without structured intergovernmental consultation risks exacerbating precisely the ambiguity that the sector most urgently needs to resolve. This is not a constitutional objection to the tax as such. It is a sequencing and coordination argument founded on good governance policy and legal precepts that fiscal reform should proceed in alignment with legislative modernisation, not in advance of it.

9. A Coherent Path Forward

Nothing in this submission constitutes opposition to the principle of appropriate national taxation of online gambling revenue. The sector is large, growing rapidly, and its fiscal contribution should reflect its economic significance. The submission does, however, contend that the design and sequencing of any such tax is determinative, that a poorly designed tax at an optimistically set rate risks producing less revenue, not more, while simultaneously degrading regulatory integrity.

A responsible approach to fiscal design in this sector would encompass the following elements:

- Behaviourally informed socio-economic modelling that incorporates price elasticity estimates, analysis of channelisation and downside scenarios based on observed substitution dynamics in analogous South African markets such as alcohol and tobacco.
- **Independent assessment** of the R 50 billion base assumption, including differentiation between land-based and online revenue and transparent modelling of the applicable taxable base.

- Assessment of **cumulative national and provincial burden on licensed operators**, recognising that the effective cost of compliance across provincial licensing, levies, regulatory obligations, and the proposed national tax must remain **competitive** with the unlicensed alternative.
- Legislative clarity on the status of interactive gambling, ideally through the progression of the Remote Gambling Bill or equivalent primary legislation, prior to or concurrent with fiscal inclusion of currently unlicensed operators.
- **Structured intergovernmental engagement with provincial gambling boards, consistent with the concurrent constitutional mandate and recognising the downstream consequences for provincial regulatory capacity.**
- Benchmarking against comparable jurisdictions at analogous stages of market development, rather than against mature, well-channelised markets with qualitatively different enforcement infrastructure

10. Conclusion

South Africa's online gambling sector has reached a scale and digital maturity that warrants a coherent national fiscal framework. The gambling sector generated R 59.3 billion in gross gambling revenue in FY2023/24, growing at over 40 percent annually, with online and sports betting now comprising the majority of total activity. The fiscal opportunity is real.

But it is an opportunity that can be captured successfully only if the design of the tax preserves the regulated market's **competitive position relative to the offshore and unlicensed alternatives that South African consumers demonstrably access**. South Africa's own experience with tobacco, where an illicit market exceeding 58 percent of total volume has cost the fiscus R15 billion in a single year, and with alcohol, where an illicit market now valued at R25 billion generates annual tax losses of R16.5 billion, establishes the domestic baseline for what happens when fiscal burden consistently outruns enforcement capacity and the price differential widens beyond consumer tolerance.

Online gambling differs from tobacco and alcohol in one critical respect that makes the risk higher, not lower “switching costs” are effectively zero, platforms are accessible within seconds, and the offshore alternatives are permanent and professionally marketed. The substitution pathway is frictionless in a way that the illicit tobacco or alcohol supply chain is not.

The submission therefore calls on Treasury to take the following specific steps before finalising any national gambling tax:

(a) commission and publish behaviourally informed modelling of the proposed tax that incorporates the cumulative burden of provincial levies, VAT obligations, and the proposed national rate of 20% of GGR, which combined approaches 40% on licensed operators against an effective rate of zero on their unlicensed offshore competitors;

(b) engage provincial gambling authorities through a structured intergovernmental process;

(c) align the fiscal proposal with the legislative trajectory represented by the Remote Gambling Bill; and

(d) set any adopted rate at a level calibrated to preserve the competitive position of the licensed channel rather than to maximise short-run nominal yield from a base that the tax design itself places at risk.

South Africa has the opportunity to design a durable and constitutionally sound fiscal framework that protects consumers, strengthens regulatory integrity, and delivers sustainable revenue. The evidence reviewed in this submission indicates that realising that opportunity requires a different design process than the one currently proposed.

Yours faithfully

Wayne Lurie

LURIE INC