

# Machine Games Duty



## **Current Situation**

The introduction of Machine Games Duty (MGD) and the consequential abolition of Amusement Machine Licence Duty (AMLD) will have important VAT consequences.

## **Affected Machines**

### **Current Situation**

At the moment the tax situation of gaming machines is inconsistent because some machines are subject to VAT and other, apparently similar machines, are exempt from VAT. This difference in treatment has been frowned upon by the European Court so the response of HMRC is to introduce MGD which will take effect from 1 February 2013.

### **Affected Machines**

MGD is designed to remove the anomalies inherent in the current system and will apply to the net takings from playing 'machine games'. These are defined as games where the customer pays to play a game on a machine for the chance of winning a cash prize that is greater than the cost to play.

This definition should cover most gaming machines and will mean that the takings will be subject to MGD rather than AMLD or VAT.

### **Registration**

Businesses operating gaming machines will be obliged to register for MGD. In most cases such businesses will also be licensed by the Gaming Commission or the Local Authority but even if they are not they will still be obliged to register with HMRC for MGD.

If no MGD registration is in place HMRC will seek payment of the tax from any

business entitled to a share of the profit from the machine or anyone who is involved with the premises on which the machine is sited.

The registration process will be available online as well as via a paper form and the register will be publicly available and searchable. Group registrations will also be possible.

Businesses that hold the relevant Gaming Commission or Local Authority permit or licence will not be required to provide details of their premises to HMRC during the registration process. Those that do not hold the relevant permit or licence will be obliged to provide this information.

Businesses already holding an AMLD licence will not be enrolled for MGD automatically and will, therefore, have an obligation to apply separately for MGD and ensure that they have registered in good time.

### **Rates of MGD**

There will be two rates:

- Lower Rate of 5% - this will apply to machines with a maximum stake of 10p and a maximum cash prize of £8.
- Standard Rate of 20% - this will apply to all other affected machines.

### **MGD Returns**

MGD returns will be required quarterly and may be filed online or using a paper form. Payment will, however, be required electronically using variable direct debit, BACS, or CHAPS.

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## VAT Position

Once MGD has been introduced the takings from all affected machines will be exempt from VAT which will be a change of VAT status for some machines. As a result affected businesses will either become partly exempt for the first time or will have an increased level of exempt income.

Partial exemption calculations will, therefore, be required which will further complicate VAT compliance and may also lead to a restriction in the amount of input VAT that can be claimed.

## Penalties

No details have been released yet regarding penalties but there are likely to be fines for failing to register, file returns, or pay MGD on time.

## Further Information

Information about MGD has been published [here](#) on the HMRC website and it is anticipated that more detailed guidance will be made available in due course.

Specific advice should be obtained before taking action, or refraining from taking action, in relation to the above.

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