



KZN GAMBLING INDUSTRY NOTICE

KWAZULU-NATAL GAMING AND BETTING BOARD COVID 19 IMPACT – INTERIM BUSINESS RELIEF NOTICE

REVIEW OF GAMING AND BETTING SECURITY AND TAX GUARENTEES

1. RELIEF FOR GAMING AND BETTING SECTORS: APPLICATION FOR REVIEW OF GAMING AND BETTING TAX AND WINNING GUARENTEES

1.1 Background

In terms of the provisions of the Kwa Zulu-Natal Gaming and Betting Act, Act 08 of 2010 (the Act) as amended and the KZN Gaming and Betting Regulations, 2010 ("the Regulations") licensees are required to lodge with the Board guarantees for the payment of winnings to patrons and security for tax liabilities in a form acceptable to the Board. The Board has, in terms of the Act, powers to review the said guarantees and securities at any time should need arise.

1.2 Guarantees and securities have been lodged with the Board by all operating licensees. These are either in the form of a bank guarantee document or as cash deposit to the Board in line with the relevant provisions of the Act and regulations.

1.3 The Board has resolved to approve the adoption of a "once off" relief to assist the industry to mitigate the impact of COVID-19 on its operations. The Board will achieve this purpose by using its powers in terms of the Act and the Regulations to review the existing guarantees and securities in order to give the qualifying licensees access to up to 50% of the amounts held as guarantees and securities to be utilized by the qualifying licensees for certain defined activities.

1.4 The assistance is not automatic and an application has to be made to the office of the CEO to motivate the need for such assistance, which will be considered on merits.

1.5 The application must be submitted to the managers designated by the CEO to receive and review each guarantee and/or security on a case by case basis, with the ultimate objective to provide temporary financial relief to a licensee from the impact of the closure of gambling operations as a direct consequence of the COVID – 19 and the implementation of the regulations of the Disaster Management Act to curb to the spread of the COVID -19.

2. Reasons for the deferral review

2.1 The recent COVID-19 outbreak will have significant and potentially lasting impacts on the economy, with businesses facing the risk of cash flow problems.

2.2 Licensed gambling businesses play an important role in stimulating economic activity, job creation, poverty alleviation as well as the general improvement of living standards, and are expected to be amongst the hardest hit. In order to assist licensees, the Board has been

reviewing measures aimed at assisting licensees to alleviate cash flow problems experienced during this difficult period.

2.3 The Board is certain that regulations promulgated in terms of the Disaster Management Act in order to achieve a lockdown will result in zero revenues in the gaming sector, significantly reduced revenues in the betting sectors. The revenue that the betting may generate will be limited to online betting operations aware of the procedures implemented by National Government which sees the public lockdown enforced and how this has impacted on licensee's footfall of patrons visiting licensed sites physically to participate in gambling. The result being that revenues have declined to a zero base. The Board is also aware that on line betting has continued.

3. The approval of a review of gambling guarantees and gambling tax securities for each licensee will be subject to, but not limited to, the following conditions:

3.1.1 The funds that the licensee will be able to access to as a result of this review shall be used to fund operations including capital investments and staff salaries;

3.1.2 The guarantees and securities are revised downward on the strength of information supplied by the applicant licensee to the Board: Provided that the Board may at any time thereafter revise the guarantees and securities upward, should information come to light that the applicant licensee:

3.1.2.1 misled the Board in its application for this review; and

3.1.2.2 used or is using the funds for any purpose other than the purpose for which the licensee applied and the approved a downward review, which purpose shall be recorded in the approval letter;

3.1.3 The Board shall, within three months post the lockdown period, assess the gross gaming revenues or gross profits (as the case may be) of a qualifying licensee in order to determine the levels of financial performance of that licensee;

3.1.3 The Board may, should information obtained from the process contemplated in 3.1.3 above justify, revise upward such guarantees and securities.

3.1.4 The relief contemplated herein is not an act of remiss or deliration of legislative obligation or function of the Board, but it is a

deliberate exercise of power to pursue the legislative objectives contemplated in section 6(a); (b) and (e) of the Act.

- 3.2** The above proposal is an initiative to stimulate cash flow for licensees who are experiencing a financial distress as a result of the outbreak of the COVID – 19 global pandemic predicament to assist in operating costs for licensees when business resumes. Therefore, licensees will not have access to the equal percentage of its guarantee and security. This process is sensitive to the reality that smaller operators are the worst affected and therefore could benefit from this type of approval for relief which is ring fenced for specific purposes.

4. Application Process

- 4.1 Each application will be reviewed and considered on an individual circumstance basis.
- 4.2 Applications are to be submitted to the office of the Board via email to mncubei@kzngbb.org.za and bestelr@kzngbb.org.za
- 4.3. Applications must be lodged in the form of an official letter to the Board and **MUST** contain the following information for assessment. Should this information not be included in the application then the application will **NOT** be assessed.
- ✓ Name of licensee as well as right numbers where applicable
 - ✓ Detailed purpose of utilization of funds derived from reduction of guarantee amount
 - ✓ Percentage up to maximum as indicated above required to be reduced
 - ✓ Acknowledgment that this approval is subject to the condition that it is reviewed by the Board in consultation with the licensee within the relief term period of **6** months.