

Machine Taxes

A man in a striped polo shirt is smiling and looking towards the camera. He is standing in a casino, with several slot machines visible in the background. The scene is overlaid with a semi-transparent green filter.

A guide for hospitality businesses.

Businesses are required by law to pay tax on income from machines. This is the case for all machines, whether or not there is a prize element. It can seem complicated, so this guide makes it straightforward.

An overview

It is common that an agreement is in place relating to the machines in a pub where three parties have a share of the income:

The pub company, the machine company and the leaseholder/tenant (publican).

Government rules mean that the publican is the person who is responsible for passing the taxes to HMRC though.

What taxes are we talking about?

MGD ⁱ

MGD (Machine Gaming Duty) is payable on income from machines that give prizes such as slot machines, fruit machines, quiz machines etc.

These are known as:

SWP (Skill With Prizes) [find out more](#)

AWP (Amusement With Prizes) [find out more](#)

Your responsibilities:

- Register for Machine Games Duty before you make your machines available to play.
- Work out what you owe and send HMRC a return every 3 months.
- Pay what you owe within 30 days of MGD quarter-end.
- Keep records of the takings from your machine games and your returns for 4 years.

Your accountant should register you and file your MGD returns. An accountant not familiar with the hospitality industry may have no experience of MGD so it is important that you use a specialist or make your accountant aware they will need to file your MGD returns.

How much is MGD?

Machine Games Duty rates

	Cost to play	Prize	Rate you pay
Machine type 1 - lower rate	20 pence or less	£10 or less	5%
Machine type 2 - standard rate	21 pence to £5	£11 or more	20%

If your machine has more than one type of game, you pay the rate for the highest rated game on all takings from the machine.

The machines you are likely to have in your pub will be

- AWP (Fruit Machine) 25p play up to £1 play, £100 Jackpot
- SWP (Quiz Machines) 50p play, £50 Jackpot

All attracting 20% MGD

There are different rates to pay, however the good news is that the machine company will do the calculations for you, and provide a breakdown of costs, payments and taxes.

You will usually get this information when the machine company comes to empty your machine.

The receipts you are given contain a lot of information so let's take a look at the important information you can see on these receipts.



Example of machine slip information

This is an example of the information you'll be given. Different machine companies will give you this information in a slightly different way, but essentially all of this information should be there.

It is vital you make sure you understand the information you're given the first time you meet your machines company representative. If there is anything you don't understand, you can ask them to explain.

	TOTAL	Left On Site LOS	Taken off-site BANKED
Money in machine → GROSS CASH	£313.30		
Money in machine → NET TAKE	£313.30		
Machine Gaming Duty → MGD	£62.66	£62.66	
Machine Co' VAT → VAT SUPPLIER	£11.38		£11.38
Pub Co' VAT → VAT ON COMP	£19.37		£19.37
Total VAT due → VAT TOTAL		-£30.75	£30.75
Money in machine minus MGD → NET LESS MGD	£250.64		
Machine Co' rent → RENT *	£56.91		£56.91
Publican share → POST RENT PUBLICAN SHARE	£96.87	£96.87	
Pub Co' share → POST RENT PUB CO SHARE	£96.86		£96.86
Totals → NET CASH TOTALS	£313.30	£128.78	£184.52
	Total in machine	Total left on site	Deducted from total

* *Rent amounts vary by company and machine*

So, as we said, it can look complex. In this example, what does it mean for the publican in real terms? (P.T.O.)

What does it all mean?

On the previous page we saw an example of a machine slip (also known as dockets or collection receipts).

What did that slip mean in reality for the publican?

To make it simple, take a look at the numbers in the LOS (left On Site) column!

- Machine is emptied by rep and contains **£313.30**
- This is subject to MGD at 20%, (so **£62.66**) – they will leave this on site so the publican can pay it over to HMRC
- This leaves **£250.64**, machine company's rent is deducted net at **£56.91**, leaving **£193.73** – which is split 50: 50 between pub co and publican, **£96.87 and £96.86**
- The publican is left with **£128.78** and this is made up of:
 - £96.87 Publican's income share**
 - minus* **£30.75 VAT due on pub company and machine company's shares***
 - + £62.66 MGD to be paid by publican to HMRC**

*NOTE:

The **£30.75 VAT**, is recoverable by the publican through VAT returns.

Your accountant should look after this. Check your accountant *is* recovering this.

	TOTAL	Left On Site LOS	Taken off-site BANKED	
GROSS CASH	£313.30			Money in machine
NET TAKE	£313.30			
MGD	£62.66	£62.66		MGD to pay
VAT SUPPLIER	£11.38		£11.38	
VAT ON COMP	£19.37		£19.37	
VAT TOTAL		-£30.75	£30.75	Deduction for VAT
NET LESS MGD	£250.64			
RENT	£56.91		£56.91	
POST RENT PUBLICAN SHARE	£96.87	£96.87		Your income
POST RENT PUB CO SHARE	£96.86		£96.86	
NET CASH TOTALS	£313.30	£128.78	£184.52	Total left with you

Games without a prize element

Not all machines in your pub will attract MGD tax.

MGD is for AWP (Amusement with Prizes) & SWP (Skill with Prizes aka Quiz) with a prize in excess of £10

Other machines' income are still taxed, but the tax is VAT.

This is the same as any other income your business gets, from the sale of food/drink/accommodation etc.

VAT is payable from income on:

Juke boxes

Pool tables

Gaming machines that offer no prize

Any questions?

Your machine provider or pub company can usually answer any specific questions, if not, we're here for you via support@roslyns.co.uk or 01142 138 330



Further support ...

As specialists in business services to the hospitality sector, Roslyns can help every step of the way. Just click or tap your way to knowledge!

[What taxes will my hospitality business pay?](#)

[How can I pay less tax?](#)

[What about my own income and taxes?](#)

[What do I need to do when employing staff?](#)

[Is stocktaking important in a hospitality business?](#)

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Links to the official government advice

[Setting up as a sole trader](#)

[Setting up a limited company](#)

[Business taxes](#)

[Personal Taxes](#)

[Employer taxes](#)

Please note: These guides are based on the tax year during which they were written and are intended to outline the basic aspects of the topics addressed.

Please take advice based on your specific situation and business.

Contact us on support@roslyns.co.uk