



Tax&Legal Highlights

Slovakia

[Guidance on Classification of a Professional Sportsman's Income from Collective Sport](#)

The guidance defines the difference between individual and collective sports and possible legal forms of performing professional collective sports activity including the type of income under which such activity is to be categorised.

The Financial Administration has published a methodological guidance on the classification of a professional sportsman's income from collective sport. The guidance primarily aims at distinguishing between individual and collective sports and classifying sports activities according to the types of income under the Income Tax Act (the "ITA"). The act provides that if a natural person conducts sport individually, in their own name and on their responsibility, such activity qualifies as individual sport. The opposite of such sport is collective sport where the sportsman performs sport in a team that is defined by mutual cooperation of the team members and the sportsman is subject to the orders and instructions of the sports organisation under whose name he

acts. Thus, a sportsman cannot perform the same sports activity in his own name, too.

The guidance sets the imperative that sports organisations and sportsmen evaluate themselves whether the activity they perform as a professional sportsman meets the criteria of employment. The main characteristic is a superior-subordinate relationship between the sports organisation and the sportsman and the performance of activity in the organisation's name and under its instructions and orders.

A professional sportsman can perform a collective sport for a sports organisation under:

- an employment or equivalent relationship in a departmental sports centre, the income from which qualifies as income from employment as per Article 5(1)(a) of the ITA;
- a contract to perform sports professionally and the income qualifies as income from employment as per Article 5(1)(m) of the ITA; or
- other legal relationship and the performance of a sports activity meets the criteria of employment and, after 31 December 2018, will be classified as income from employment, in the same way as the performance of activity under a contract on the professional performance of sport.

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) was ratified by the Slovak Republic on 30 July 2018.

The Slovak Republic has ratified the MLI, and stated its reservations about the Convention. It also expressed its wish to include 64 double tax treaties in the MLI. The MLI is a specific output of the BEPS OECD/G20 project and another significant step in the international fight against tax avoidance. As the first multilateral convention of its type, the MLI is ground-breaking in terms of international tax law, and enables countries to amend existing treaties on the avoidance of double taxation without lengthy bilateral negotiations.

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