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Coresponding author: blagojepusonja967@gmail.com

TAXATION OF ATHLETES' INCOME IN THE REPUBLIC OF SERBIA

Blagoje Pušonja[1]

Apstract: One of the most important aspects of any society is sport. Athletes are the greatest promoters and ambassadors of their country. Many of our athletes, both in individual and team competitions, promote the Republic of Serbia in the best possible way. The subject of this paper is the taxation of athletes' income in the Republic of Serbia. Athletes are subject to the appropriate taxes and contributions on their earnings and other income, in accordance with the law. Through this paper, I will aim to highlight the importance of taxing athletes' income in the Republic of Serbia, the legal basis for such taxation, as well as its alignment with European standards. For the purpose of the topic "Taxation of Athletes' Income in the Republic of Serbia," I will focus on amateur and professional athletes, the modalities of their employment, and the tax treatment of their income. The taxation of athletes' income depends on the modality of their engagement, the type of compensation, and the manner of its payment.

Keywords: Sport, competition, taxation, legal basis, European standards

[1] Professor, PhD, Higher Business School of Vocational Studies, Čačak, Gradski park, 2, Belgrade, Serbia, phone number: +38163619303, https://orcid.org/0009-0009-0195-5734; E-mail: blagojepusonja967@gmail.com

Introduction

The importance of sport for a nation is undeniable, as sport plays a crucial role in every society. This role is reflected in its contribution to social cohesion, overcoming prejudices, increasing the positive impact on public opinion, and spreading ethical and general principles that are transmitted through it (Article 1 of the Sports Development Strategy of the Republic of Serbia for the period 2014-2018). The primary task of all subjective forces in every country, among other things, is the development of sport. The Sports Act regulates all rights, obligations, and issues related to the sports system in the Republic of Serbia. The economic and other benefits that sport brings to the state require the state to create favorable conditions for the development of sport (Dašić, 2023, p. 183).

Financing sport is of great importance for its development. The state finances sport from direct sources (analysis of public expenditure policies for sport and analysis of private sources of financing sport). On the other hand, there is also indirect financing of sport, which refers to the consideration of tax incentives for investments in sport defined by corporate income tax laws, value-added tax, personal income tax, social security contributions, and property tax (Ministry of Youth and Sports, 2011, p. 6).

Like all citizens, athletes also have rights and obligations. Therefore, like any citizen, athletes must pay taxes in their country (Williamson, 2017, p. 3). All income of athletes, whether earned domestically or abroad, is subject to taxation. This applies to both professionals and amateurs. Visiting employees affiliated with a professional sport franchise are also subject to the jock tax (Shaheen & Estes, 2012). This form of taxation represents another way for the state to generate additional revenue.

The taxation of athletes' income has been studied by many researchers worldwide (Avcı, 2021; Berry, 2002; Ceribas, 2020; Cohen, 1961; Ekmekjian, Wilkerson & Bing, 2004; Jensen, 2021; Radvan & Neckar, 2016; Ringle, 1995; Sprague, 2006; Tetłak, 2022; Van de Vijver & Tetłak, 2023; Wroblewska & Manczyk, 2021). In Serbia, there are also numerous works related to the taxation of athletes' income within the scope of income tax (Kostić & Milošević, 2017; Kovačević, Ilić & Damnjanović, 2017; Dimić, 2016). In accordance with the theme of my paper, I will now attempt to address the taxation of athletes' income in the Republic of Serbia.

Methodology

Income tax is today, along with turnover tax, one of the most important taxes, both in terms of securing revenue for the state and in achieving economic, social, and other taxation goals. As an essential part of income taxation, the taxation of athletes' income is an inseparable part of this process, both globally and locally. In my work, I have used collected theoretical material, regulations related to the research subject. The limitation of this paper is the absence of empirical research, which is characteristic of economic analysis of taxation, as economic research contributes to a better understanding of the basic principles in tax matters. Any empirical research would exceed the scope of this paper, so the focus is on the theoretical aspect of taxing athletes' income.

The research material will primarily consist of provisions from general legal acts, as well as relevant domestic and foreign legal and economic literature. The foundation for examining this topic will be the results of studies conducted by both domestic and foreign authors. In processing the collected material, various general and specific scientific and research methods will be applied, such as analysis, synthesis, generalization, and abstraction.

Athletes, Amateurs and Professionals

Professional and amateur sports differ significantly in terms of financial perspective, reflecting the complex economic dynamics that shape both sectors. Professional sports, as a highly commercialized entity, often attract significant financial investments (Mihić, et al., 2023). The key sources of income for professional sports include television rights (Bajić, 2023), sponsorships, ticket sales, brand licensing, and player transfer fees (Tošić, 2023). These sources enable clubs and leagues to generate significant revenue, leading to high salaries for players, coaches, and managers, as well as infrastructure development (Dašić, et al., 2023).

On the other hand, amateur sports often rely on less stable sources of funding (Radaković, et al., 2023). These sports typically have less market appeal and fewer commercial opportunities. Financing for amateur sports often comes from local communities, memberships, donations, and public funds. Budgets for amateur sports are often limited, which can impact the development of infrastructure, quality of equipment, and access to training.

It is important to note that professional and amateur sports often intersect in terms of talent development and promotion of a healthy lifestyle. Professional sports often serve as a role model for young athletes, while amateur sports can provide the foundation for the development of top athletes who later transition into professional careers.

The Law on Sports regulates the rights and obligations of athletes and other individuals in the sports system, issues related to the legal status, organization, and registration of entrepreneurs and legal entities in the sports system, public interest and needs, and the interests of citizens in the field of sports, financing, categorization in the field of sports, national sports development strategy in the Republic of Serbia, school and university sports, and physical education for preschool children, sports facilities, organization of sports events, national awards and prizes for special contributions to the development and promotion of sports, keeping records, and supervision of organizations in the field of sports (Article 1 of the Law on Sports). The law also defines the amateur athlete and professional athlete. According to the Law on Sports, an athlete is a person who engages in sporting activities. An athlete can engage in sports activities either as an amateur or a professional. An amateur athlete is an athlete whose earnings are not the goal of engaging in sports activities and does not treat these activities as a profession (Article 3, paragraph 1, item 8 of the Law on Sports). A professional athlete is an athlete who engages in sports activities as their sole or primary occupation and another athlete who has the status of a professional athlete in accordance with the sports rules of the relevant international sports federation (Article 3, paragraph 1, item 9 of the Law on Sports).

In addition to amateur and professional athletes, the Labor Law also defines:

- Competitive athlete - an amateur or professional athlete who participates in a sports competition, as a member of a sports organization or independently, in accordance with the Law on Sports and sports rules (Article 3, paragraph 1, item 10 of the Law on Sports);
- Top athlete - an athlete who, based on outstanding sports results in competitions and other methods of achieving them in accordance with the sports rules of the relevant international sports federation, is ranked in accordance with the National Athlete Categorization, in the category of top athletes (Article 3, paragraph 1, item 11 of the Law on Sports);
- Promising athlete - a minor athlete who, based on achieved sports results, is ranked in accordance with the National Athlete Categorization, in the category of promising athletes (Article 3, paragraph 1, item 12 of the Law on Sports);
- Talented athlete - an adult athlete who, based on achieved sports results, is ranked in accordance with the National Athlete Categorization, in the category of talented athletes (Article 3, paragraph 1, item 13 of the Law on Sports);
- Categorized athlete - an athlete who is ranked based on achieved sports results in accordance with the National Athlete Categorization (Article 3, paragraph 1, item 14 of the Law on Sports).

The rights, obligations, and responsibilities of amateur athletes are regulated by law, the sports rules of the relevant national sports federation, and the general acts of the sports organization. The rights, obligations, and responsibilities of competitive amateur athletes who receive financial compensation for engaging in sports are also governed by the contract between the athlete and the sports organization (stipend contract for the sports development of a minor athlete or contract for engaging in sports) (Article 10, paragraph 1 of the Law on Sports).

The rights, obligations, and responsibilities of professional athletes are regulated by law, the sports rules of the relevant national sports federation, collective agreements, work regulations (when no collective agreement is concluded with the employer), and the employment contract between the athlete and the sports organization. A special collective agreement is concluded by the representative union and the relevant representative association in sports, in accordance with the law (Article 10, paragraph 2 of the Law on Sports).

As for amateur athletes who are not compulsorily insured under the law governing pension and disability insurance, they may be included in mandatory insurance under the conditions, scope, and manner provided by that law. The funds for pension and disability insurance for amateur athletes can be provided by sports organizations and other legal entities, partially or fully (Article 15 of the Law on Sports).

An amateur athlete may be included in mandatory health insurance, in accordance with the law governing mandatory health insurance. The obligations for insuring the amateur athlete may be assumed by sports organizations or other legal entities (Article 16 of the Law on Sports).

Tax Treatment of Athletes According to the Law on Personal Income Tax

In Serbian tax law, total income is divided into eight categories (cedulas), and for each cedula, the Law on Personal Income Tax stipulates a specific tax rate. These eight categories are: wages; income from agriculture and forestry; income from independent activities; income from copyrights, related rights, and industrial property rights; income from capital; income from real estate; capital gains; and other income (other income includes income from leasing movable property, gambling winnings, income from insurance of individuals, income of athletes and sports experts, and other income that, by its nature, constitutes income of individuals, except for those explicitly exempted by provisions of the Law on Personal Income Tax).

Income of athletes and sports professionals is taxed at a rate of 20%, while the tax rate on income from personal insurance is 10%. Therefore, the legal tax rates for cedulas (income categories) differ, with differences in effective rates being even more pronounced, as the amounts of deductible expenses for each cedula vary significantly (Cvjetković, 2010, p. 192, 193). As noted, the financing of the sports industry largely depends on the level of taxes that each athlete or sports organization is obligated to pay to the state authorities in the country where they operate (Radošević & Gavrilović, 2016, p. 258).

Table 1: *Tax Rates on Personal Income in Serbia*

Source of Income	Legal Rate	Standard Costs	Effective Rate
Wages	10%	11,604 RSD	7.68%
Income from Independent Activities	10%	/	10%
Income from Copyrights, Related Rights, and Industrial Property Rights	20%	50%, 43%, 34%	10%, 11.4%, 13.2%
Income from Capital	15%	/	15%
Income from Real Estate	20%	25%, 50%	15%, 10%
Income from Capital Gains	15%	/	15%
Income from Leasing Movable Property	20%	20%	16%
Gambling Winnings	20%	11,165 RSD	15.53%
Income from Personal Insurance	15%	/	15%
Income of Athletes and Sports Experts	20%	50%	10%
Other Income	20%	20%, 90%	16%, 2%

Source: Kovačević, Ilić, & Damnjanović, 2017, 14, 15.

Depending on the nature of the engagement (whether they are employed by the payer or if it is work outside the employment relationship), the tax treatment of athletes' income also varies. An athlete can sign an employment contract with a sports club, but can also be engaged in another way.

When signing an employment contract, a professional athlete enters into an employment relationship with the club for a fixed period (up to five years), which can be renewed after that period (with the same or another sports organization). By signing the contract, the professional athlete acquires all rights, obligations, and responsibilities related to the employment relationship, in accordance with the labor law of Serbia. Based on this, the professional athlete's salary is taxed in the same way as the salaries of other individuals employed in the workforce. The difference between the taxation of athletes and other citizens is that the employment contract for professional athletes may include detailed provisions related to other benefits that are not considered salary, such as bonuses, working hours, vacations, absences, as well as other rights and obligations toward the sports organization, which all contribute to adapting to the strict regimen of physical preparation and competition.

On the other hand, as mentioned earlier, athletes can be engaged in sports organizations outside the employment relationship, where financial compensation for such engagement is paid based on a sports engagement contract. The income of amateur athletes who are not employed by the payer does not have the character of salary and is taxed according to the special rules of the Personal Income Tax Law.

The Personal Income Tax Law (Article 84a) stipulates that the income of athletes and sports professionals includes the earnings of professional athletes, amateur athletes, sports professionals, and specialists in sports, from a sports organization, or an organization engaged in sports activities, sports clubs and federations, which do not have the character of salary according to regulations governing sport. Such income includes the following types of payments:

1. Compensation for concluding contracts (transfers, etc.);
2. Compensation for the use of the athlete's image;
3. Financial assistance to top athletes with special merits;
4. Scholarships for top athletes for sports training;
5. Cash and other rewards;
6. National recognition and awards for special contributions to the development and promotion of sport;
7. Compensation and rewards for sports professionals and specialists (coaches, referees, delegates, etc.);
8. Other types of income besides the ones listed above.

In this case, the payer of the income is required to calculate, withhold, and pay the income tax for the athlete at a rate of 20%. The taxable income for the aforementioned payments is the gross income reduced by standardized costs of 50%.

Exemptions from income taxation for athletes are regulated in such a way that no personal income tax is paid on income earned from: allowances for food – meal allowances paid to amateur athletes by amateur sports clubs, in accordance with the sports law – up to 13,497 dinars per month (Article 9, Paragraph 1, Point 13 of the Personal Income Tax Law); allowances for the stay of individuals participating in EU programs and other international organizations in the fields of education, training, sports, youth work, science, research, and innovation, paid in accordance with these programs, and up to 137,941 dinars for monthly expenses (Article 9, Paragraph 1, Point 31 of the Personal Income Tax Law).

In terms of the number of tax incentives in the field of sport, Serbia does not lag behind most EU countries. However, there is no official data on how the existing tax incentives in Serbia indirectly contribute to sports financing. Therefore, no conclusion can be made about their effectiveness (Ministry of Youth and Sports, 2011, 90).

Regarding the annual personal income tax, it is imposed on the income of individuals who have earned an income exceeding three times the average annual salary per employee in the Republic during the year for which the tax is being determined, according to the data from the national statistical authority. Among others, taxable income includes the income of athletes and sports professionals from Article 84a of the Personal Income Tax Law.

Conclusion

In Serbia, personal income tax is paid by individuals who earn income. The taxation of citizens' income is regulated by the Personal Income Tax Law, which also governs tax exemptions and incentives. The personal income tax is paid on income from all sources, except those specifically excluded by this law. Taxable income is the difference between gross income earned by the taxpayer based on any of the sources and the costs incurred in obtaining and maintaining that income. Income is the total of taxable earnings achieved in the calendar year. The taxation of athletes' income in the Republic of Serbia depends solely on the modality of their engagement, as well as the type of compensation and the method of its payment. The tax on an athlete's income is calculated and paid at a rate of 20%, with taxable income for the aforementioned earnings being the gross income reduced by standardized costs of 50%.

The taxation of athletes earning income through social media represents an increasing challenge in modern sports. With the rise of influencer marketing, many athletes use their presence on platforms like Instagram, TikTok, and YouTube to promote brands and products, which can generate significant income. However, the legislation regarding the taxation of these earnings is often unclear. In many countries, athletes face challenges with the tax rules, as income generated through social media can be considered additional income or a separate activity, which may lead to varying tax obligations.

Moreover, the international nature of social media can further complicate the situation, as athletes may earn from brands located in other countries, potentially resulting in issues with double taxation. This situation requires clarity in the legislation so that athletes can adequately prepare and avoid potential tax penalties. Understanding and regulating this aspect is becoming increasingly important to ensure a fair and sustainable practice in taxing athletes who use social media to generate income.

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