Information sheet for sportsmen, sportswomen and sports teams resident or domiciled abroad concerning VAT in Switzerland

On 1 January 2018, the partially revised VAT Act came into force which, among other things, provided for changes in tax liability. This information sheet is aimed at sportsmen, sportswomen and sports teams resident or domiciled abroad (hereinafter referred to collectively as “sportspeople”) who take part in sporting events in Switzerland and become liable to tax in Switzerland.

1. Tax liability

1.1 General tax liability

The determination of tax liability is no longer based on turnover in Switzerland, instead it is now based on worldwide turnover. This change also affects sportspeople resident or domiciled abroad (hereinafter only referred to as “resident”) who have a domestic turnover of less than CHF 100,000 but a worldwide turnover of at least CHF 100,000, e.g. from entry fees and prize money or other taxable payments such as advertising services (a turnover limit of CHF 150,000 applies to non-profit sports clubs run on a voluntary basis). Those who appear to the outside world to be the supplier become liable to tax. Usually, this will be the sportsperson themself or the sports team. Depending on the form of the contract, it may not be the sportspersons themself who is liable for tax, but the management company, the sports association or the sports official, provided that he or she appears to the outside world to be the supplier and not only as a collection agent (direct representative) for the prize money (Art. 20 of the VAT Act). Sportspeople resident abroad who fulfil the conditions for tax liability must register with the FTA for VAT purposes.

1.2 Tax liability of sportspeople resident abroad

The tax liability of sportspeople resident abroad begins on making a supply for the first time for consideration on Swiss territory (Art. 14 para. 1 lit. b of the VAT Act). This means the following:

a. Tax liability from the first supply of goods or services for consideration on Swiss territory

Sportspeople resident abroad who have a turnover in Switzerland and abroad of at least CHF 100,000/CHF 150,000 become liable to tax in Switzerland from the first time they supply one of the following goods or services in Switzerland (non-exhaustive list; reference to place of supply in brackets):

- Start and victory prize money (Art. 8 para. 2 lit. c of the VAT Act)
- Performance and classification prize money (Art. 8 para. 2 lit. c of the VAT Act)
- Sale of sports equipment and other articles (Merchandise, souvenirs, printed products, etc.) (Art. 7 of the VAT Act)
- Rental of items (Art. 7 of the VAT Act)

1 Online form at: www.estv.admin.ch>Value Added Tax>Services VAT>VAT return online>VAT registration.
Example 1
A tennis player (sole proprietorship) resident abroad has an annual worldwide turnover of between CHF 200,000 and CHF 300,000 from taxable supplies abroad as part of his entrepreneurial activity as a sportsperson. In 2018, the tennis player takes part for the first time in a tennis tournament held in Switzerland. He receives prize money of CHF 20,000 for second place. This is the first time that the tennis player has supplied goods or services in Switzerland and will become liable to tax from this date.

b. Exemption from tax liability for sportspeople resident abroad
(Art. 10 paragraph 2 lit. b of the VAT Act)

The following goods and services supplied on Swiss territory do not give rise to tax liability, provided that only the following goods and services are supplied (non-exhaustive list):

- Sponsorship or advertising in accordance with Article 8 paragraph 1 of the VAT Act
- Other goods and services in accordance with Article 8 paragraph 1 of the VAT Act, e.g. sale of television and other broadcasting rights

If the sportsperson resident abroad is subject to tax, he or she must pay tax on all goods and services supplied in Switzerland (i.e. including sponsorship or advertising and other services in accordance with Art. 8 para. 1 of the VAT Act).

Example 2
A Swiss beverage manufacturer sponsors a racing cycling team of Cyclerace Ltd. CHF 50,000. The company is based abroad and has an annual turnover of CHF 850,000 from goods and services supplied abroad (worldwide). The Cyclerace Ltd. cyclists, in return, undertake to visibly carry drinks made by the drinks manufacturer during the race, as well as to wear sportswear bearing an advertising slogan for the drinks manufacturer. Cyclerace Ltd. supplies the beverage manufacturer with a domestic advertising service in accordance with Article 8 paragraph 1 of the VAT Act. Insofar as Cyclerace Ltd. exclusively supplies goods or services in Switzerland in accordance with Article 8 paragraph 1 of the VAT Act, Cyclerace Ltd. will remain exempt from tax liability in accordance with Article 10 paragraph 2 letter b of the VAT Act. However, if Cyclerace Ltd. additionally sells merchandise at a sales stand and/or the racing cycling team receives prize money, the exemption no longer applies to Cyclerace Ltd. and Cyclerace Ltd. must be entered in the Swiss VAT Register of Taxable Persons as it will become subject to mandatory tax liability. Cyclerace Ltd. must therefore pay tax on the sponsored amount of CHF 50,000 as well as on the proceeds from the sale of the merchandise and the victory prize money.

c. Supplies not subject to VAT

The following supplies in particular are not subject to the tax, even if the sportsperson is liable to pay tax:

- Goods and services exempted from the tax without credit in accordance with Article 21 paragraph 2 of the VAT Act (e.g. sale of admission tickets to sporting events or training sessions of sports teams), but voluntary taxation (option) in accordance with Article 22 paragraph 1 of the VAT Act is possible;
- Non-considerations in accordance with Article 18 paragraph 2 of the VAT Act (e.g. donations);
- receipts generated in the non-business area (e.g. salaries earned by sportspeople based on an employment contract).
2. Registration in the Swiss VAT Register of Taxable Persons

If the conditions for tax liability are met, sportspeople resident abroad must register in the Swiss VAT Register of Taxable Persons. The taxable person must appoint a tax representative resident in Switzerland (Art. 67 of the VAT Act). The representative does not necessarily need to be a fiduciary, a lawyer or a member of a specific occupational group (e.g. sports association). A private individual or an organiser of a sporting event can also be appointed. Sportspeople can register for VAT via the online form on the FTA\(^1\) homepage. Taxpayers with their place of domicile or business abroad must also provide security when they are entered in the VAT Register of Taxable Persons (Art. 94 para. 2 of the VAT Act). The security amounts to 3% of expected taxable domestic turnover (excluding exports); with a minimum of CHF 2,000 and a maximum of CHF 250,000 required. Sportspeople resident abroad must then report domestic turnover subject to tax to the FTA. In principle, input tax can be deducted in accordance with Article 28 paragraph 1 of the VAT Act.

3. Voluntary procedure for simplified tax payment

If sportspeople resident abroad supply taxable goods or services to the respective organisers in Switzerland (e.g. entry fees, prize money) and they become liable to tax as a result, the respective sportsperson can agree with the organiser that the organiser forwards the tax owed by the sportsperson to the FTA. However, this can only take place under the condition that the sportsperson resident abroad does not generate any other turnover from other types of goods or services in Switzerland other than entry fees or prize money (e.g. from advertising services, sponsorship, sales of merchandise). In applying this procedure for simplified tax payment, the sportsperson resident abroad must inform the organiser that he or she is liable for tax in Switzerland and that the organiser should pass on the tax owed by the sportsperson to the FTA. The organiser may deduct the tax directly from the prize money or entry fees to be paid to the sportsperson, so that no administrative expense is incurred in this respect for the sportsperson resident abroad. By forwarding the tax via the organiser, the sportsperson resident abroad will fulfil his tax and declaration obligations.

When using this procedure for simplified tax payment, sportspersons may not deduct input tax in accordance with section 2 above (Art. 28 para. 1 of the VAT Act). In addition, the reimbursement of VAT is excluded (Art. 107 para. 1 lit. b of the VAT Act; see VAT Info 18 [Reimbursement procedure] (available in French, German and Italian)).

The organiser is not liable for the sportsperson’s tax claim. If the tax is not passed on to the FTA by the organiser, the FTA reserves the right to claim the tax owed from the sportsperson resident abroad. The simplified payment of tax by the organiser means that the sportsperson’s tax liability continues to exist. If the sportsperson does not have all the tax owed passed on by the respective organisers, the sportsperson must register with the FTA.

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\(^1\) Online form at: www.estv.admin.ch>Value Added Tax>Services VAT>VAT return online>VAT registration online.