IF EMPLOYEE WINS A PRIZE IN A COMPANY COMPETITION, THIS IS TREATED AS HER EMPLOYMENT INCOME

The money's worth of a prize awarded to an employee in a competition organised by his or her employer is part of employee's income of employment, held Supreme Administrative Court ("SAC") in its judgement of 27 March 2015 (case no. II FSK 1695/14), which is now final and definitive.

The case concerned a company which intended to organise competitions for its employees as a tool to increase their bonds with the company and to reinforce its positive image as employer. The themes of these competitions would not be related to the employees' responsibilities or to the business of the company.

The SAC stated that:
- The treatment of a benefit as a source of income depends on whether the benefit is obtainable only by an employee or also by a person who is not in company's employment.
- Where the competition is addressed only to company employees, the prize is part of employee's income of employment.

According to SAC, it was irrelevant in that case that employee participation in the competition is voluntary and that the themes involved will not be related to duties of employment.

SAC decision means that the prizes won in company competitions are taxable according to the progressive scale (18%, 32%) and you cannot apply the 10% withholding tax on winnings in competitions, games or wagers.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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