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By PwC Deutschland | 24. November 2017

Assignment of players as gift to a football club

In a decision on 30 August 2017 the Supreme Tax Court held that where a third party provides his employees to a football club to serve as players, trainers or counsellors without receiving adequate consideration, the waiver of such compensation is to be considered as a taxable gift of the third party to the football club.

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In the case a former sponsor of a football club employed players, trainers and counsellors as commercial staff and paid them. However the players/trainers/counsellors did not work for the sponsor but rather played football for the club. The sponsor received no payment from the club for the assignment of the athletes. The tax office imposed gift tax on the club based upon the sponsor's salary payments to the athletes. The club's appeal to the tax office was unsuccessful.

The Supreme Tax Court shared the view of the lower court, that the sponsor's gratuitous assignment of the players to the club was subject to gift tax. Generally where an employer assigns his staff an adequate compensation will be paid. However, if the parties agree that the players will be employed and remunerated by a third party, but will in fact solely play football for the football club, and if that club is not required to pay an adequate compensation to the third party, the waiver of compensation by that third part will be deemed to be a gift to the football club.

This judgement could also be of significance to other types of sport.

Source:

Supreme Tax Court judgement of 30 August 2017 (II R 46/15) published on 22 November 2017

Schlagwörter

assignment of players, assignment of staff, employees, inheritance and gift tax