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By PwC Deutschland | 26 April 2026

Signing bonus paid to professional players not immediately deductible

A signing bonus which is paid by a soccer club to a professional player upon the conclusion of an employment contract may be capitalized as part of the acquisition cost for the exclusive playing rights (i. e., the one-off payment made to a player upon signing a contract with a new club) if the club is required to pay a transfer fee for the player's change of club.

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Background

The plaintiff, a professional soccer club, agreed with its players to pay signing bonuses upon the conclusion of their employment contracts. There was no obligation to repay the bonuses in the event of early termination of the contracts. The plaintiff deducted the signing bonuses paid as immediate business expenses.

The tax office, however, spread the expenses over the term of the contract as prepaid expenses. The appeal before the regional Munich Tax Court (the court of first instance) was successful. The court stated that the players had received the signing bonus solely for signing the employment contract (“signing fee”) rather than as a consideration for performance over time. Therefore, there was no room for capitalisation as prepaid expenses (deferred expenses).

The Federal Ministry of Finance, which later joined the proceedings, further emphasized that, from the plaintiff’s perspective, there is merely a purely theoretical possibility that the advance payment will not be matched by any subsequent consideration, thereby resulting in a financial loss.

Decision

Following the appeal brought by the plaintiff, the Supreme Tax Court referred the matter back to the Munich Tax Court for further investigation and a revised decision.

A signing bonus paid to a soccer player upon his change of club which is subject to a transfer fee may be considered part of the acquisition cost of the intangible asset “playing permit” that must be capitalized.

The transfer fee paid by the player’s future club to his or her former club in order to obtain authorisation from the German Football League (DFL) to have the player play in licensed competitions is consideration for the acquisition of this asset. A signing bonus is therefore part of the player's incidental acquisition costs, provided that, under the DFL's byelaws, the conclusion of an employment contract for which the signing bonus is paid is a prerequisite for the issue of a player licence.

If, on the other hand, the player‘s change of club is made without a transfer fee or if his employment contract is extended any signing bonus paid to him

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is not to be capitalised because no consideration is paid for the issue of the player's licence. In such a case, no prepaid expense may be recorded for the signing bonus provided that the player's consideration for receiving the signing bonus is limited to the signing of the employment contract.

Based on these principles, the tax court of first instance will have to reconsider the case in a second hearing. In this context, the Supreme Tax Court pointed out the following:

The tax office's conclusion that it is inconceivable to pay a signing bonus without an employment contract in place is basically correct, but it does not explain why the consideration to be provided by the player (solely) for this purpose was supposed to be over a certain period.

The key argument against this interpretation is the fact that the plaintiff drafted the signing bonus agreements without a repayment clause in the event of early termination or adjustment of the contract. The signing bonus remained with the player regardless if he properly fulfilled the employment contract, or the contract remained in effect for the initially agreed term, or if it was later terminated or mutually amended.

The findings of the tax court of first instance are not sufficient to finally determine if the signing bonuses paid in connection with transfers subject to a transfer fee constitute incidental acquisition costs. The signing bonuses apparently only served to establish the respective employment relationship. Their sole purpose was to motivate the player to enter into an employment contract with the plaintiff.

Source:

Supreme Tax Court, judgment of 3 March 2026 (IX R 33/23) published on 23 April 2026.

Keywords

bonus share, handling fee, prepaid expense, sports club