

## Transfer of players on a loan basis: Tax treatment of players' remuneration. The Portuguese perspective.

There are many reasons – financial, regulatory, and (squad) managerial, amongst others – that can trigger a Football Club's decision<sup>1</sup> to transfer a player in a non-definitive manner, i.e. on a loan basis, to another Club. From a tax perspective, this operation might present some challenges for the Clubs<sup>2</sup> and for the players themselves. The tax treatment of the player's income, either from the Club's or the player's perspective, may be particularly troublesome.

### Transfers of players between Portuguese Clubs

Loan transfers between national Clubs have the potential, by their very nature, not to provoke conflicts of jurisdiction. Nevertheless, it is necessary to distinguish between those loans where the player's remuneration becomes the responsibility of the Club of destination and, on the other hand, those loans in which the transferring Club retains the obligation to pay the player's remuneration<sup>3</sup>.

### The case of player's remuneration paid fully by the Club of destination

When the remuneration is paid by the Club in which the player carries out his activity, the tax treatment of such remuneration offers no doubt, either in the sphere of the player himself or in the sphere of the Club.

<sup>1</sup> In Portugal, clubs that participate in professional competitions (First and Second Leagues) must be constituted in the form of a sports company. As a matter of ease, we shall now refer to these simply as 'Clubs', which include sporting companies.

<sup>2</sup> The question then arises as to whether the consideration paid to the transferring club by the transferee is subject to VAT, since the onerous loan of players constitutes a provision of services subject to VAT.

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