

New Regulations on the Taxation of Football Players in Turkey

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The 2020-2021 season in the Süper Lig (Super League) officially started with the Çaykur Rizespor-Fenerbahçe match played on the evening of September 11th. Süper Lig will include only 21 teams this year because of COVID-19 measures taken by Turkish Football Federation and it will bring other primary changes.

As a result of the continuing effects of the epidemic and the measures taken in this direction, it was announced that the first half of the 2020-2021 season will be played without an audience in the beginning. Although this situation will, of course, upset the football fans and deprive football for a while from the fans, it was certain that the protective measures should last at least for a while. Although football which lacks the fan element does not sound good, it is a great innovation brought to the football industry by the "new normal", which one of the most popular idioms of recent times, describing the new measures taken by the government and authorized bodies.

Although non-spectator matches will be a challenge that closely interest football fans, another important challenge of this season will take place outside the field and will directly affect professional football players and their income.

As a result of the regulations made with the Law number 7194 published in the Official Gazette dated 7 December 2019, and through the explanations put forward in the Income Tax Communiqué No. 311 ("the Communiqué") published in the Official Gazette dated 27 May 2020, wage payments made to professional athletes and tax obligations arising from the wages of football players have been changed substantially. The date of 1 November 2019 was determined as a milestone in the contracts made with football players, and the tax practices on the payment based on the agreements signed after this date were completely changed in the scope of the Law number 7194 and the following Communiqué. Accordingly, the regulations introduced with the said regulations and the tax effects for professional footballers will be as follows:

- ◆ All payments made by sports clubs to professional athletes (monthly fixed wage, bonus per game, success bonus, signature money, image right and other benefits) are **considered within the scope of wages**.

- ◆ In the past years, the payments made by the teams competing in the Süper Lig to their contracted players were subjected to withholding at the rate of 15% and this withholding tax was accepted as the final taxation for the players. Thus, neither the players nor the club had an additional tax liability. However, **starting from 2020, the withholding tax rate applied on the wage payments to be made for the contracts signed after 1 November 2019 was increased from 15% to 20% as a result of the new Law.** Payments to be made to players whose contract was signed before 1 November 2019 will continue to be subject to 15% withholding tax.
- ◆ In the event that the (gross) income of the players who earned income in relation to the contracts signed after 1 November 2019 **exceeds 600,000 TL for 2020 (and 650.000 TL for 2021), the relevant players will be obliged to submit an annual income tax declaration. Accordingly, the total tax burden of these players will be 40% (highest slice) in regard to the income tax tariff.** The income levels of the professional football players in the Süper Lig whose contracts were concluded after 1 November 2019 will mostly be in the scope of the highest slice excluding some exceptional cases.
- ◆ **However, it will be possible to deduct the withholding tax (20%) made by the Süper Lig clubs from the tax which will be accrued (with %40 income tax rate) on their annual income tax return so long as the tax withheld was paid to the tax office.** In other words, if the club has not paid the relevant tax to the tax office, the tax office will be able to collect the 40% tax directly from the player. This is an important point since this can lead to possible conflicts between the clubs and the players.
- ◆ Considering the intention of professional football players (and managers) to agree on the "tax-free net wage" during the official negotiations with the clubs, all these details should be discussed and written on their contracts to prevent potential disputes between the parties. **Because of the 20% withholding rate to be applied on the**

payments to be made by sports clubs, it should be clearly stated on the contract that which party will be obliged to pay the 20% (40%-20%) and thus, a potential conflict can be prevented.

- ◆ The situation for foreign players can be a little more complicated since the player might be a resident in Turkey after they were transferred to a Turkish football club according to “tie-breaker rules” of the 4th articles within double taxation treaties or according to local laws if no such treaties exists. Accordingly, the income which was earned over the entire world by the player would now needs to be declared on their tax return in Turkey. In this case, if the player has investments in other countries, they will also be subject to the annual tax return, and the deductions made in the source country (if any) will be deducted on it. This is a process that also needs to be coordinated separately with portfolio managers in the relevant countries.

Consequently, the new Communique and the relevant amendments indicate a great revolution, especially for Turkish football players and foreign football players who have been playing in the Süper Lig for a while that renew their contracts after 1 November 2019 for different reasons such as a club change. **Besides that, Turkey will not be deemed as an attractive country in terms of taxes or a country with lower taxation for professional players. We're not sure whether football players will come face to face with tax offices as Cristiano Ronaldo and Lionel Messi did in Spain but, it is clear that the new regulations can cause new tax controversies and other challenges.**

Best regards,

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