



## TAX CODE OF FINANCING ROMANIAN SPORT CLUBS

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### Abstract

*There are a lot of ways of financing sports clubs in Romania, sadly only a few are known or they are rarely put into practice.*

*From redirecting 2% from the personal income tax, to directing 20% of the profit income from companies in the limit of 0.3% from their total fiscal value to the new fiscal code which came into vigor from the 1<sup>st</sup> of January 2016 where the limit was raised to 0.5%.*

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The main problem of the decrease in sports performance and results of the Romanian athletes at an international level it's considered to be lack of funding, recent negative examples have been in gymnastics that missed qualifying with a team at the 2016 Rio Olympic Games for the 1<sup>st</sup> time in 48 years, also there is a big throwback in team sports like football, handball and many others.

Successful organizations focus on understanding the consumer and ensures sporty product that meets the needs of both the organization's objectives, (Jinga G. – 2005) this is the only way sport clubs in Romania will be able to keep with the actual trends.

There are a lot of ways of financing sports clubs in Romania, sadly only a few are known or they are rarely put into practice, from redirecting 2% from the personal income tax, to directing 20% of the profit income from companies in the limit of 0.3% from their total fiscal value to the new fiscal code which came into vigor from the 1<sup>st</sup> of January 2016 where the limit was raised to 0.5%.

**The sponsorship levels for companies have been raised from 0.3% to 0.5% - Law 571/2003 – Fiscal Code art 25(4), art 62, art 139 (2), art. 140, art 146-(6), art 291 (3)**

Sponsorship is a payment in cash or in kind made to a nonprofit organization or to a person supported by such an organization, in the equivalent to certain benefits

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such as promoting and sponsoring company's right to request the organization / person sponsored to display in a prominent spot the logo and main identification elements.

In a sponsorship deal, communicated is the product or brand, and the operation itself involves two-way relationships and mutual obligations.

Cel care realizează o sponsorizare urmărește prin aceasta să obțină avantaje comerciale în sensul creșterii notorietății, o dezvoltare a imaginii de marca, inclusiv punerea cat mai mult în valoare a celui care susține sponsorizarea.

The person or company carrying out the sponsorship follows thereby to be taking advantage monitors of the commercial upside reputation of a brand image development, including making as much in value that supports the sponsorship.

The new fiscal code, approved by the two parliament rooms of Romania was sent to promulgation, provides beneficial changes in sport, which includes reducing the VAT tax to 5% for the acces to sporting events, as the raised limit for granting sponsorship from 0,3% to 0,5% from the fiscal value of a company, according to the Youth and Sports Ministry.

Thus from the 1<sup>st</sup> of January 2016 came in practice the new Fiscal Code that raised the company sponsorship grants from 0,3% to 0,5%, helping all the sports clubs and non profit organization at a national level.

The VAT reduction is contained in the article 291 paragraph (3), constituting an exception from the standard rate for sporting events, this being a harmonization of national legal provisions with directive 2006/11/EC, the primary reference for this modification being the European normative act which expressly allows derogation.

Besides raising the level of granting a sponsorship, which allows a more important source of private funding (provision contained in Article 25), it is established that by not taxing the bonuses granted to athletes for meeting performance targets for the sport clubs. Specifically, this expands the scope of this facility to the bonuses or indemnities granted to athletes and technical staff of teams, for achieving qualification and participation in official international competitions at a European or World level, to be exempt from taxes.

Teams that pay high salaries will get rid of some of the taxes, while companies have the opportunity to direct more money to sponsor the sports clubs.

Amended Articles are:

**Article amended:** Art. 25 (4) i)

**Implications:** The raised level for granting sponsorships rises from 0.3% to 0.5%



the accommodation can be carried forward for a period of 7 years. Practically, from 2016, companies have an opportunity to direct more money through sponsorship to sports. This change represents a challenge for clubs who can now attract such funding sources through the development of consistent and transparent areas of marketing, commercial and communication.

**Article amended:** Art. 62 lit. w)

**Implications:** Clubs who aspire to participate in continental competitions, and those who obtain participation in these competitions, will now have the opportunity to provide tax-free bonuses for qualification and participation. Thus, on the one hand, it encourages athletic performance, both in the domestic competitions and the European course of Romanian clubs, while providing a framework for the taxation benefits of clubs.

**Article amended:** Art. 139 (2), Art. 140, Art. 146 - (6)

**Implications:** The clubs were required to pay 5 categories of social contributions. Following this regulatory changes, in the situation a club granted higher salaries than the amount of “5 x the average gross wage”, will pay only 3 of these categories of social contributions for these salaries (individually paid social insurance, social insurance paid by the employer and paid individual health insurance). The initial proposal of the Romanian Football Federation was aimed for applying the deduction for all the 5 categories of social contributions. This provides a tax relaxation for football clubs in Romania and also a tax benefit for clubs that meet their contractual payment obligations towards the players and team staff.

**Article amended:** Art. 291 (3)

**Implications:** Lowering the VAT from 24% to 5% for sports events tickets comes to the benefit of sport clubs, by which the sporting managers of football events will be able to get increased financing, also in the benefit of football fans, that will benefit from lower prices for tickets to football games.

**Article amended:** Art. 456 (1)

**Implications:** By including in the category of non-taxable property lists and those owned by sports federations, the Romanian Football Federation will consolidate its budget and will be able to direct these amounts which constitute taxes, the projects dedicated to the development of Romanian football.

**Redirecting 2% - Law 571/2003**

Law 571/2003 allows any employee or person who performs revenue from Romania, redirect part of the annual tax for wages paid by a nonprofit organization (association, foundation, trade union, employers, political party, association of owners, unions of employees) or establishment of religion, income that would otherwise reach the state budget. Forwarding is free, that does not entail any additional expense for the person completing the form.



This can be done very simply by filling out a standard form. The form is optional and can be completed by any person receiving income from salaries and assimilated.

For those who have income from wages is required to get the 230 Form.

Those who have income from other sources (independent activities lease of movable and immovable property made as owner, usufructuary or other legal holders, agricultural activities for which the net income determined in real system gains resulting from the transfer of ownership of securities, gains from sale-purchase operations of foreign currency forward contract based) they must complete 200 statement Form.

Mandatory also it must be completed:

- The official name of the organization;
- Fiscal identification code (tax code);
- bank account of the organization (for lei), IBAN.

The form or declaration must be completed in two copies, one for the tax authorities and one for the person concerned.

The result is steering in the account of that non-profit or religious establishment organization, an amount representing up to 2% of annual tax paid for that person's salary.

The amount accruing NOT a sponsorship or a donation, but is part of the state budget is directed to every citizen by the nongovernmental sector.

### **Sponsoring a 20% profit tax**

Sponsorship is the legal act by which two people agree on the transfer of ownership of property or financial means for sustaining non-profit activities carried out by the beneficiary sponsorship.

Sponsoring a 20% from the profit tax is a tax facility existing in the tax code since 2004, not to be confused with re-directing 2% wage tax, where payment is made by ANAF.

If sponsorship payment is made directly to the account of non-profit organization (association, foundation, trade union, employers, political party, association of owners, unions of employees) or unity of worship.

Because sponsorship is deductible must be observed the following:

- Payment is by NGOs or UC;
- amount not less than 20% of tax;
- The amount does not exceed 0.5% of turnover;
- Payment to be made by 31 December of the current fiscal year;



- Making a sponsorship contract with the chosen organization;
- For amounts less than £ 5000 payment may be made in cash, subject to the signing of the sponsorship agreement and receipt NGO issue until December 31;
- For amounts greater than 5000 payment must be made by bank transfer.

In conclusion there are funding opportunities and legal support, all you have to do is access them

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