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Abstract

The year 1979 was a cornerstone for the football in Greece, since it practically meant the transformation of the sport's organization from amateurism to professionalism, establishing new rules and conditions to the management of football clubs. The increased popularity of this sport and the evolutions that took place in Europe and worldwide, forced the Greek government to establish a legislative framework for the successful management of football clubs. These interventions lead to changes in many aspects of football management such as organizational and financial. The new legal environment of football management, required the organization of this sport into a more stable and professional base, following the financial standards of other corporations operating within the Greek state. By these means the government wanted to create a fair economic framework under which the football clubs would operate with common organizational, financial and tax administration rules. The aim of this paper is to present the characteristics of the new «capital form» establishment of the football clubs (Societe Anonyme), the main financial frame under which the new establishment has to operate and the tax obligations that originate from the aforementioned legal form.

Key Words: *Accounting framework, Tax legislation, Football clubs, Greece.*

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Football was and remains one of the most popular sports on the planet. South America and Europe consist two of the cornerstone places where football was created and developed through out ages. Countries such as the United Kingdom and Brazil developed new ways for football orientation and spread out new techniques and ideas regarding the organization and management of teams and championships.

In Greece, the intense interest of the public and the government, for the creation of a legislative framework for the administration of football begun in the beginning of the 20th century. By that time, the first football clubs started to make their appearance, but their presence was strictly local and of course amateur. Through out the years the increased interest of the government on this matter resulted in more intense efforts to improve the aforementioned framework. The international aspects of this sport, which created development opportunities for the clubs (such as the participation in European and international championships and events) and some obligations the clubs had to fulfil, made football an important issue in the political agenda. The aim of the government was to force football clubs to operate and compete into a new professional environment in order to become part of the international development.

The first step on that direction was made in 1979 and specifically with the voting of the Law 789/ 1979. By this means the sense of professionalism was established in the Greek football setting. All the football clubs that were competing in the master division of the national championship were transformed into professional football clubs and received the title of the public limited companies «S.A.» which comes from the French words «Société Anonyme» and declines the capital form of the firm. In other words, professional football clubs are considered as companies where their capital and assets are divided into shares held by the owners. The professional football clubs, under their new form, are being controlled and organized according to the companies act law 2190/1920 (Regarding the organization of the public limited companies) like any other domestic firm that has this specific capital form (Avgerinou and Kriemadis, 2003).

Despite the initial law in 1979, many alterations took place in the forthcoming years and specifically in 1991

(Law 1958/1991) and also in 1999 (Law 2725/1999) where professionalism was introduced in other sports as well, beyond football. By these means the government wanted to create a fair financial and operational framework under which the football clubs would operate with common organizational, financial and tax administration rules. The aim of this paper is to present the characteristics of the new «capital form» establishment of the football clubs (Société Anonyme), the main financial framework under which the new establishment has to operate and the tax obligations that originate from the aforementioned legal form.

The Accounting Framework of Football Clubs

As we already mentioned, the football clubs operation and organization is being set according to the companies act law 2190/1920 alongside with the adjustments being implemented afterwards (Law 1958/1991, Law. 2725/1999¹). For a football club to receive its official professional form, it requires a unanimous decision at least from the half of the members of the board of directors of the initial amateur club (Law. 2725/1999, article 6, § 4). The new established professional football club operates independently from the amateur club, which maintains its operation and form in the other departments (Law. 2725/1999, article 6, § 3).

The establishment of a professional football club must be accompanied by the charter of incorporation. In that official paper the club has to mention the aim of the club's operation (article 7), the name and the club's image and finally the state under which the club will operate (article 8). Additionally the charter of incorporation must contain information for the club's capital form (numbers of shares outstanding etc.) and some details regarding the capital increase (articles 10, 12, 13), the composition of the board of directors, the executive officers and the procedure that it has to be followed in case of termination of the club and the upcoming settlement (article 50).

1. References on articles and paragraphs on this chapter refer to the Law 2725/1999, unless it's being declared otherwise.

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Professional football clubs, like any other company with the same legal form, are obliged to follow the article 7 of the code of books and records and must keep books of the 3rd category which follow the double entry bookkeeping method, as being determined by the Greek General Accepted Accounting Principles (Hereafter GAAP). As a result, from the fiscal year of 1987 all football clubs are obliged to apply the Companies' Act Law 2190/1920, as it has been adjusted from the EU 4th directive and adopted by the Greek legislation with the ministerial decision 409/1987.

This situation actually means that from the fiscal year that starts after the 31st of December 1986 (the fiscal year end altered with the law 2725/1999, article 15, into the 30th of June) are obliged to publish annual financial statements which are the balance sheet, the profit and loss account, the earnings statement and the notes to the accounts. These statements must be audited by certified public accountants who then submit an audit report to the board of directors and to the national sports agency. The aim of this audit is to reassure that the financial statements present a true and fair view of the club's assets and liabilities and to prove that no manipulation or falsification took place during the preparation of the statements. (L. 2190/1920, article 43b).

The preparation and publication of the aforementioned financial statements requires the application (by the professional football clubs) of the ministerial decision 1123/1980, the so called Hellenic General Accounting Plan. For this plan to be applicable, the official national committee of professional clubs must syntax a professional accounting guide which includes specific details and instructions regarding the implementation of the national accounting plan relative to the football club's needs. During this procedure the participation of representatives from the National Accounting Council, the National Association of Certified Public Accountants and all the professional football clubs is required.

When the aforementioned accounting guide receives its final form, it must be submitted to the Accounting Committee of the Ministry of Economics in order to verify its legitimacy and that the guide is prepared according to the Law 1123/1980. Afterwards, when its legitimacy is being verified, the guide is passing to the Minister of Economics in order to be signed and published in the state's official journal.

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Practically the application of the Hellenic General Accounting Plan by the professional football clubs does not have great differences from the other common companies of the same legal form (except industrial and financial firms). The Hellenic General Accounting Plan is divided into ten groups of accounts according to their nature and use (whether they are accounts of assets, liabilities, expenses and so on). The majority of these account groups are being implemented with no alteration by the football clubs as in many other firms of the same legal form. The only difference is being observed in the first and second groups of accounts (Assets and Inventories) and in the ninth group which contains the independent costing accounts. Specifically:

1. Intangible assets and capitalized expenses (expenses for players transfers etc) are included in the account No 16 (group 1st).
2. Athletic infrastructures are considered as fixed assets and they are included in the accounts of the 1st group (Assets).
3. Inventories: If football clubs sustain any kind of inventories, they are obliged to operate an inventory valuation system. Additionally, since many football clubs have a large quantity of consumable supplies that cannot be characterized as assets (account No 25), they have to apply an inventory system. After the first usage of this system they are amortized and their value is being written off from the accounting books.
4. Accounting groups from No 3 until No 8 do not present any difficulties for their implementation into the football clubs accounting guide.

Professional Football Clubs and Taxation

The tax obligations that the professional football clubs have to meet are determined by the tax code 3843/58, which clarifies the income taxation rules of all legal entities. Being more specific, all domestic corporations that operate in the Greek domicile (Independent of their legal form), are considered as taxpayers and must submit a tax return on the ministry of economics (article 3, § 1 & 2).

The taxable income of every domestic firm of the aforementioned legal form, in which the professional football

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clubs are included also, is actually the net income or profit which originates from activities that took place within the county's territory or abroad. When the income tax is estimated and deducted by the overall income, the remaining income is the shareholders distributable profits (article 4, § a). The taxable income can be estimated either during the calendar year, in case that the fiscal use ends on the 31st of December, or during the administrative year in case that the fiscal use ends on the 30th of June each year.

The football club's taxable income is estimated from the year's net profit, which profit is calculated as the difference between the firm's earnings and expenses (L. 2725/ 1999, article 13, § 3). From the overall taxable income the law clarifies some expenses that are tax deductible, for instance depository interests (article 6, § 3), funds that the club has to pay in order to buy floatation titles, payments for the board of directors remuneration and so on (article 8, § 1, 2a, 4).

In the case of a football club's clearance the taxable income is estimated by the funds that the members of the board of directors receive, beyond their initial contribution to the club's capital formation. The shareholders overall capital contribution is estimated as the sum of the initial contribution plus the cash reserves that have been formed during the club's operation (Article 8^A, § 6).

The income tax that the professional football clubs are obliged to pay is calculated with a tax rate of thirty five percent (35%)² over the overall taxable income. Moreover, if the professional clubs possess any real estate property which provides additional income to the club, then a supplementary tax is imposed. This tax is estimated with a rate of three percent (3%) from the total gross income which originates from the real estate property (article 10, § 1, 3) and also a tax up to ten percent 10% of the income that originates from real estate property rentals.

2. The specific tax rate was in act from 1985 until 2000, altered in 2000 into 40% according to Law 2873/2000, decreased in 2001 into 37,5% and further decreased into 35% according to L. 2992/2002 until today.

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improvement conducted with the voting of Law 2725/1999, created the necessary framework for the management of sports and specifically football, on a strictly professional level.

The professional football clubs operation and organization is being determined by the companies Act Law 2190/1920. Precisely, from the beginning of the 1987 fiscal year all clubs are obliged to keep 3rd category's accounting books and to publish financial statements (balance sheet, the profit and loss account, the earnings statement and the notes to the accounts) which must be audited by one or two certified chartered accountants of the Greek Association of Chartered Certified Accountants.

The preparation and publication of the aforementioned financial statements require the application of the ministerial decision 1123/1980, the so called Hellenic General Accounting Plan. The application of accounting groups 1 to 8 (fixed assets, inventories, receivables and cash, long-term liabilities and owners equity, short-term liabilities, operating expenses, operating income, and income summary accounts respectively) do not present any difficulties, beyond the fact that some adjustments are crucial in the first and second group of accounts (Assets and Inventories respectively) in order to be applicable by the football clubs. The ninth group which contains the independent costing accounts cannot be applied by the professional sports clubs.

Since professional football clubs are considered as legal firms with specific capital form, their taxation is made according to the Law 3843/58. The football club's taxable income is estimated from the year's net profit. From the overall taxable income the law clarifies some expenses that are tax deductible, for instance depository interests, funds that the club has to pay in order to buy floatation titles, payments for the board of directors' remuneration and so on.

The income tax that the professional football clubs are obliged to pay is calculated with a tax rate of thirty five percent (35%) over the overall taxable income. Additionally, there is a tax up to 3% of the gross income if the club owns any real estate property and also a tax up to ten percent 10% of income that originates from real estate property rentals. The final act is the submission of a tax

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return in the local revenue office until the fifteenth day of the fifth month after the end of the fiscal year, for the total income acquired during the specific period.

However, the legislators need to be extremely cautious in order to clarify the details regarding the legal entity of the professional football clubs, mostly for tax orientation reasons. The athletic law does not mention any details relative to the speculative character of the professional clubs (Avgerinou & Kriemadis 2003), but on the contrary as any other domestic firm (with speculative characteristics) of the same legal form, publishes financial statements and is being taxed analogously.

Consequently, a suitable adjustment is needed so as to clarify any vague legal order as the previously mentioned, and also to create the proper accounting and tax administrative framework, since the professional football clubs cannot be compared, regarding their operations, with the other limited companies which function in a clearly speculative manner.

Additionally, there must be an increased interest in the possibilities for the Greek football clubs to get listed on the Athens stock exchange. Despite the fact that the professional football clubs do not fulfil the Hellenic Capital Market Commission specifications, we must bear in our minds that such an act will actually mean the revision of their tax and accounting orientation. The implementation of the International financial reporting standards-IFRS and the International Accounting Standards-IAS (for firms listed in the Athens stock exchange only) since 1-1-2005 require the amendment of the financial and general administration tactics on behalf of the directors of the clubs.

Therefore, a fruitful avenue for future research is to examine the quality of the clubs' financial statements and the overall accounting administration. Also, it would be interesting to consider the impact of the IFRS and IAS adoption on their future financial performance.

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