



TAX CONSULTING

## SPONSORSHIP OF PROMINENT TEAM SPORTS

In this leaflet, we would like to outline the tax saving opportunities inherent in the sponsorship of so-called prominent team sports (football, handball, basketball, water polo, ice hockey).

### AS A TAX CONSULTANCY FIRM, WHY DO WE RECOMMEND SPONSORSHIP OF PROMINENT TEAM SPORTS?

As of 1st July 2011, the sponsorship of prominent team sports has not only been one element of corporate social responsibility on the part of market players but also a new form of corporate tax relief which, with the appropriate planning, can result in significant savings.

### WHO IS THIS PROPOSAL AIMED AT?

We put forward this proposal specifically for those taxpayers who face a significant corporate tax bill, since the saving can be claimed in the form of tax relief.

### WHAT LEVEL OF SAVING CAN BE ACHIEVED THROUGH SPONSORSHIP OF PROMINENT TEAM SPORTS?

Sponsorship is made up of two parts to which different rules apply.

The non-refundable support on the one hand, as an expenditure, reduces the sponsor's final balance sheet result and, on the other hand, the total amount of funding can be charged against corporate tax, thus it reduces the sponsor's corporate tax liability.

The sponsors of sport development programmes filed from the 2013/2014 sponsorship season have to pay supplementary sport development support in the tax year of sponsorship as well to the national federation of the prominent team sport team to which they paid the sponsorship forming the basis of the tax relief. In the case of sponsoring a public sport body, the supplementary sport development support can and must be paid to the public sport body only. If the sponsorship is provided after 1st January 2014, the supplementary sport development support

may also be paid to an amateur or professional sport organization operating under the federation of the supported sport or to a non-profit foundation created for the development of the given prominent team sport.

The rate of the supplementary sport development support is 75% of the reduction achieved based on sponsorship in the sponsor's corporate tax liability. This support may also be granted based on a sponsorship agreement, which means that the sponsor may receive consideration for the supplementary support.

Based on the above rules, the maximum tax saving is 2.25 percent of the amount granted.

### HOW DOES THE SAVING ACHIEVED THROUGH PROMINENT SPORT SPONSORSHIP WORK OUT?

Let's assume that the projected corporate tax liability of a taxpayer in the given fiscal year is the following:

Title	Total
tax base calculated on final result:	HUF 300 000 000
<b>projected corporate tax liability:</b>	<b>HUF 27 000 000</b>

If the taxpayer sponsors an eligible sports organization with an amount of HUF 17 779 000, its corporate tax liability will be as follows:

Title	Total
tax base without sponsorship:	HUF 300 000 000
sponsorship:	HUF -17 779 000
new tax base:	HUF 282 221 000
calculated corporate tax:	HUF 25 400 000
tax relief:	HUF -17 779 000
<b>revised corporate tax liability:</b>	<b>HUF 7 621 000</b>

The sponsor must also pay supplementary sport development support the amount of which, in our example, is as follows:

Title	Total
sponsorship:	HUF 17 779 000
<b>rate of supplementary sponsorship</b>	<b>HUF 1 200 083</b>

The reduction in taxation achieved as a result of sponsorship works out thus:

Title	Total
tax reduction:	HUF 19 379 000
sponsorship-related expenditures:	HUF 17 779 000
rate of supplementary sponsorship:	HUF 1 200 083
saving realized:	HUF 399 918
<b>rate of saving:</b>	<b>2.5 percent</b>

The barely more than 2% saving that can be achieved on the basis of the given example may appear modest, although it should not be forgotten that there is another tax planning opportunity inherent in sport sponsorship, that is, the lower sum of corporate tax liability also contributes to a reduction of the sum of the corporate tax advance payable in the next year. In the given example, instead of the originally payable monthly HUF 2 250 000 tax advance, it is only necessary to pay a monthly HUF 635 000 corporate tax advance.

If the tax base without sponsorship is between HUF 55 562 000 and HUF 196 837 000, then in this case, with sport sponsorship, it is possible to achieve a position where instead of payment of the corporate tax advance on a monthly basis, the tax advance liability only arises quarterly.

## WHO IS ELIGIBLE FOR SUPPORT?

Funding can be provided to the following organizations active in prominent team sports under the designated chapters:

	Federation	Amateur sports club, sports school	Professional sports club	Non-profit foundation	Sporting body (Hungarian Olympic Committee – MOB)
Recruitment-training tasks	•	•	•	•	
Personnel-related expenditures	•	•	•	•	•
Tangible assets investments, renovation	•	•	•	•	
Infrastructural development to comply with safety requirements	•	•	•	•	
Tasks associated with training, education	•	•	•	•	•
Sponsoring expenditures associated with competitions		• *		• *	

\*Through the federation

## THE FOLLOWING ARE REQUIRED TO ACHIEVE THE SAVINGS (INTER ALIA):

- selection of sports organization complying with the provisions and with an approved sport development programme;
- statement in the sponsorship contract that the sponsor is not entitled to receive any form of counter-performance;
- procurement of the sponsorship certificate issued by the sports directorate body or federation; furthermore

- the provision of funding within the year;
- in the case of pre-financing – with transfer to specified independent bank accounts available for entitlements defined in the sponsorship certificate;
- in the case of sponsorship with post-financing – with transfer to a segregated bank account to be opened with the sport directorate body or national sporting federation.

If the supplementary sport development support is not paid to the national federation of the given sport, the

sponsorship or support contract must be sent within 30 days of conclusion to the national federation of the supported prominent team sport.

In the case of sponsorship provided after 1 January 2017, the sponsor may apply for the tax relief in the 8 tax years following the year of granting unlike in the previous years (in which sponsors could apply for the tax relief in 6 years).

### WHY IS IT WORTH APPROACHING US WITH REGARD TO ARRANGING SPONSORSHIP OF PROMINENT TEAM SPORTS?

- Our specialists can help assess your projected corporate tax liability, and then determine the optimal sum of sponsorship for your particular case.

- Our company will assist you in deciding what sum of sponsorship can be certified under which chapter, based on the sport development programme of the body receiving funding, which thus guarantees that our clients are able to claim tax relief on 100 percent of the amount of sponsorship they have committed.
- We draft the contracts of sponsorship complete with the necessary specificities and, where requested, we can also assist in coordinating the contracting process.
- We work on behalf of our clients to obtain issuance of sponsorship certification.
- We undertake to handle all the administration associated with the taxation relief, therefore our clients do not have to struggle with possible issues arising in relation to the validation of the tax relief.

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In addition to medium-sized Hungarian enterprises, foreign-owned multinational companies also represent a significant part of our client portfolio.

### FOR FURTHER INFORMATION, PLEASE CONTACT:

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