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Possibilities for Tax Optimization in Swedish Sport

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Aim and Research Question

Ice hockey and football are two sports that are at the forefront when it comes to professionalization and commercialization in Swedish sport. Players in the top tiers of these sports are full-time professionals, and the top leagues in these sports (Swedish Hockey League [SHL] and Swedish Football League [SFL]) are the biggest in terms of financial turnover. A consequence of these leagues becoming increasingly professionalized and commercialized is that sport law has become more important in Sweden. This juridification of sport is, however, more evident in other countries (e.g., the United States). The European Parliament has also drawn attention to this, and a sub-area that has recently received attention is taxes for football players (Houben et al., 2021). In their study, Houben et al. (2021) scrutinized the tax treatment of professional football players remuneration in 7 member states. Two of their conclusions were: 1) that the tax treatment differs widely between the countries; and 2) that “this topic of research is underdeveloped from a scholarly perspective” (p. 10). Against this background, the aim of this study is to analyze how sport clubs in Sweden can use Swedish tax legislation to create better economic conditions for their organizations.

Theoretical Background

The concept of utility-maximization and the work by Houben et al. (2021) will be used as theoretical points of departure. According to Vamplew (1988), utility-maximization (also known as win-maximization) in a sporting context means that financial profitability is subordinated to the clubs’ interest in achieving sporting success. Consequently, these clubs can well be financially unprofitable and make financial loss in favour of sporting success.

Research Design, Methodology and Data Analysis

This study is based on what can be described as legal method (i.e., a form of document analysis). In this research, this means that Swedish tax law, preparatory work, case law and doctrines are analysed. These sets of data will provide knowledge of how tax legislation can be used to create better economic conditions.

Results/Findings and Discussion

Sweden is known for having a high tax burden. The main rule in Swedish tax legislation is that individuals are unlimitedly liable for tax (see SFS 1999:1229). Income that a player receives from a club is charged with municipal tax, which despite its name includes both a municipal tax and a regional tax. In 2023, this tax rate amounts to an average of 32.24 percent (SCB, 2022). Furthermore, if an unlimited taxable person earns more than SEK 554,900 per year before deductions, they also need to pay an additional state income tax corresponding to 20 percent of the part of the taxable earned income that exceeds the strata level. For players with a salary exceeding the strata limit, the tax is approximately 50–55 percent depending on which municipality the player lives in.

However, there are some tax solutions for sports clubs to attract professional players. Alongside the main rule of unlimited tax liability, there are two different tax solutions that can be used in Swedish sport. The first was introduced in 1991 and is called the Special income tax for foreign residents, artists, and athletes (A-SINK) (SFS 1991:591). This act stipulates that players who resides outside Sweden can play at a tax rate of 15 percent on their taxable...
income, but they can only stay a maximum of 183 days during a 12-month period. Bonuses such as a signing bonus can also be taxed according to A-SINK. The second solution is the so-called “expert tax relief” (SFS 1999:1229). The aim of this tax relief is to attract foreign citizens carrying out particularly qualified tasks (e.g., researchers), and since 2012 this relief also includes professional athletes (Björkman, 2012). If the expert tax relief applies, players will get a reduced tax corresponding to 25 percent of their earned income. However, the employment and stay must be limited in time (maximum of 5 years).

**Conclusion, Contribution, and Implication**

In general, there are as presented possibilities for tax optimization in Swedish sport. Sport clubs can use A-SINK or the expert tax relief to cost-effectively attract skilled elite players who would otherwise be too expensive. As such, sport clubs can use the tax legislation to become even more “win-maximizers”. However, even if Swedish clubs, especially in SHL and SFL, are using these solutions, they are still having difficulties competing and winning at the highest international level. Additionally, considering that both tax solutions are limited in time, and applies to foreigners only, clubs can have difficulties with their long-term planning if they use these solutions to a high extent. In sum, this study contributes to the limited knowledge on tax legislation in sport in general, and on tax legislation and possibilities for tax optimization in Swedish sport in particular.