

Prosecutors Raid German Soccer Association In Tax Probe

By **Todd Buell**

Law360 (October 7, 2020, 6:13 AM EDT) -- Investigators searched the offices of Germany's soccer association and the homes of current and former officials on Wednesday as part of a tax fraud probe, prosecutors in the German city of Frankfurt said.



Germany's soccer association, which oversees the top-level Bundesliga, pictured, has been raided in a tax fraud probe, prosecutors have said. (AP Photo/Matthias Schrader)

Some 200 agents took part in the raid in the German federal states of Hesse, Bavaria, North-Rhein Westphalia, Lower Saxony and Rhineland-Palatinate, the prosecutors said. Tax investigators as well as officials from German federal police agencies also took part.

Authorities allege that six current and former officials of the association, known as the DFB, deliberately and incorrectly declared income from advertising of home matches of the German national soccer team from 2014 and 2015 as income from asset management, and therefore evaded paying €4.7 million (\$5.5 million) in taxes.

The Frankfurt prosecutors did not identify the accused, in line with German privacy standards. A spokeswoman for the prosecutors office refused to identify them when asked by Law360 to do so.

Income from asset management is tax-free for the DFB because it is a registered association, prosecutors said. But income from commercial operations is subject to tax. Registered associations are generally nonprofit organizations.

Prosecutors said in a statement that, according to a contract dated December 2013, the DFB leased the rights to allocate advertising space in venues for international matches of the national soccer team to a Swiss company — which was not identified — for the period 2014 to 2018.

The company was not permitted to choose advertising partners — the DFB actively participated instead in allocating advertising space via sponsorship contracts.

"The tax law consequence of this is that the income from the lease is not to be allocated to tax-free asset management but to taxable business operations, and would therefore have been taxable," prosecutors said. "According to the investigations so far, there is a suspicion that the accused knew about this tax inaccuracy but chose it consciously in order to enable the DFB to enjoy a large tax advantage."

The distinction between asset management and business activities is key for tax purposes, say specialists.

Katrin Gäbler, a tax adviser with the firm LPA-GGV in Frankfurt, told Law360 that while she couldn't speak directly about the DFB case, in general the transfer of the right to use advertising space in sports facilities is treated as asset management, as long as the nonprofit organization "does not actively participate in the execution and handling of the advertising business and the lessee has an appropriate profit."

The DFB, for Deutsche Fussball-Bund, is the umbrella organization for organized soccer in Germany, from professional Bundesliga play at the highest level down to amateur clubs. It is a member of the FIFA and UEFA international soccer organizations.

The DFB said in a statement that it is cooperating with investigators.

--Editing by Ed Harris.

All Content © 2003-2020, Portfolio Media, Inc.