



State aid: Commission decides Spanish professional football clubs have to pay back incompatible aid

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Following three separate in-depth investigations, the European Commission has concluded that public support measures granted by Spain to seven professional football clubs gave those clubs an unfair advantage over other clubs in breach of EU State aid rules.

As a result, Spain has to recover the illegal State aid amounts from the seven clubs, namely FC Barcelona, Real Madrid, Valencia, Athletic Bilbao, Atlético Osasuna, Elche and Hercules.

Commissioner Margrethe Vestager, in charge of competition policy, commented: *"Using tax payers' money to finance professional football clubs can create unfair competition. Professional football is a commercial activity with significant money involved and public money must comply with fair competition rules. The subsidies we investigated in these cases did not."*

EU State aid rules apply to public interventions in the market to ensure that they do not distort competition by selectively favouring one market participant over another. Professional sport is an economic activity. Football clubs conduct marketing, merchandising, TV broadcasting, transfer of players etc., and compete at international level. In many cases, professional football clubs have significant turnover. EU State aid rules ensure that public funding does not distort competition between clubs. They protect the level playing field for the majority of professional clubs who have to operate without subsidies.

The first investigation concerned tax privileges in favour of **Real Madrid, FC Barcelona, Athletic Bilbao** and **Atlético Osasuna**. In Spain, professional football clubs are considered as limited liability companies for tax purposes. However, these four clubs were treated as non-profit organisations, which pay a 5% lower tax rate on profit than limited liability companies. The four clubs benefitted from this lower tax rate during over twenty years, without an objective justification. Spain has in the meantime adjusted its legislation on corporate taxation to end this discriminatory treatment effective as of January 2016. To remove the undue advantage received in the past, the clubs now have to return the unpaid taxes. Based on available information the Commission estimates that the amounts that need to be recovered are limited (€0-5 million per club) but the precise amounts that need to be paid back are to be determined by the Spanish authorities in the recovery process.

In a second investigation, the Commission examined a land transfer between **Real Madrid** and the City of Madrid. The inquiry determined, based on an independent study, that the land affected by the transaction was overvalued by €18.4 million. This gave Real Madrid an unjustified advantage over other clubs, which it now needs to pay back.

Finally, the Commission investigated guarantees given by the State-owned Valencia Institute of Finance (IVF) for loans granted to three Valencia football clubs (**Valencia, Hercules** and **Elche**). At the time, those clubs were in financial difficulties. The public guarantee allowed the clubs to obtain the loans on more favourable terms. As the clubs paid no adequate remuneration for the guarantees, this gave them an economic advantage over other clubs, who have to raise money without state backing. The state financing was not linked to any restructuring plan to make the clubs viable and none of them implemented compensatory measures to offset the distortion of competition created by the subsidy. In order to restore the level playing field with non-subsidised clubs, Valencia, Hercules and Elche now have to pay back the advantage they received. This amounts to €20.4 million for Valencia, €6.1 million for Hercules and €3.7 million for Elche.

The Commission has today also adopted decisions concerning State aid to five [Dutch football clubs](#).

The Commission's investigation covered the following measures:

Name of club	Year of measure	Description
Real Madrid CF	2011	A settlement on a transfer of land from the City of Madrid to Real Madrid agreed in 1998. Eventually, the transfer did not take place. The settlement to compensate for the absence of the transfer was based on a re-evaluation of that land at a value of €22.7 million, instead of the 1998 value of €595 000. The Commission investigation showed that Real Madrid was entitled to compensation of €4.3 million, so that Real Madrid obtained an advantage of €18.4 million.
Real Madrid CF, FC Barcelona, Athletic Club Bilbao, Club Atlético Osasuna	Since 1990	Privileges regarding corporate taxation of Real Madrid CF, FC Barcelona, Athletic Club Bilbao and Club Atlético Osasuna. These four clubs were exempted from the general obligation for professional football clubs to become sport limited companies. The effect of this exemption was that these four clubs enjoyed a preferential corporate tax rate of 25% instead of 30% applicable to sport limited companies. Spain has adjusted its legislation on corporate taxation to end this discriminatory treatment effective as of January 2016.
Valencia CF	2009 and 2010	2009: State guarantee by the Valencia Institute of Finance for a bank loan of €75 million from Bancaja (now Bankia) to Fundació Valencia Club de Fútbol, which was used to finance the acquisition of shares of Valencia CF by Fundació Valencia Club de Fútbol. 2010: The Valencia Institute of Finance increased its guarantee to Fundació Valencia Club de Fútbol by €6 million to cover overdue capital, interest and costs, stemming from a defaulted payment of the guaranteed loan previously granted to Valencia CF.
Hercules CF	2010	State guarantee by the Valencia Institute of Finance for a bank loan of €18 million from Caja de Ahorros del Mediterraneo to Fundació Hercules de Alicante, which was used to finance the acquisition of shares of Hercules CF by Fundació Hercules de Alicante.
Elche CF	2013	State guarantee by the Valencia Institute of Finance for two bank loans of €14 million in total, from CAM (€9 million) and from Banco de Valencia (€5 million), to Fundació Elche Club de Fútbol, which was used to finance the acquisition of shares of Elche CF by Fundació Elche Club de Fútbol.

Background

Public interventions in favour of market players that carry out economic activities can be considered free of State aid within the meaning of EU rules when they are made on terms that a private operator would have accepted under market conditions (the market economy investor principle – MEIP). If the MEIP is not respected, the public interventions constitute State aid within the meaning of the EU rules (Article 107 of the Treaty on the Functioning of the European Union – TFEU), because they confer an economic advantage on the beneficiary that its competitors do not have. The Commission then assesses whether such aid is compatible with the common EU rules that allow certain categories of aid.

The Commission's action under State aid rules keeps the playing field level for the majority of professional clubs who have to operate without subsidies. Such subsidies can enable bigger or smaller clubs to overcome their rivals. They can also prevent rivals from growing and being competitive.

The non-confidential version of the current decision will be made available under the case numbers [SA.29769](#) (tax privileges for Real Madrid CF, FC Barcelona, Athletic Club Bilbao, Club Atlético Osasuna), [SA.33754](#) (Real Madrid) and [SA.36387](#) (for Valencia, Hercules and Elche) in the [State Aid Register](#) on the [DG Competition website](#) once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

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Press contacts:

[Ricardo CARDOSO](#) (+32 2 298 01 00)

[Yizhou REN](#) (+32 2 299 48 89)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)