

**INTERNATIONAL MONETARY FUND**

**Statistics Department**



**The Statistical Treatment of Transfer and Loan  
Agreements of Sport Players and of Their Salaries and  
Residence When on Loan**



## **The Statistical Treatment of Transfer and Loan Agreements of Sport Players and of Their Salaries and Residence When on Loan<sup>1</sup>**

*This note clarifies the treatment of transactions related to transfer agreements of sports players in balance of payments statistics. The sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) indicates that transactions related to transfer agreements of sports players should be classified in the capital account as acquisition/disposal of nonproduced, nonfinancial assets. However, it does not refer to other terms associated with transfers of sports players and does not provide guidance on the treatment of loan agreements of sports players. This note clarifies that fees paid for the temporary transfer of rights to use the services of sports players under loan agreements should be recorded as rent, and amounts related to other terms, such as risk factors, transfers of registration, agents' commissions, players' sponsorship and media rights, should be recorded in the relevant balance of payments items. It also clarifies that, if the parent club pays part of the salary of a player on loan, this part should be deducted from the loan fee and considered to be paid by the borrower. It finally confirms that, if the loan lasts for more than one year, the player's country of residence should be considered to have changed.*

### **I. RECOMMENDED CLASSIFICATION OF TRANSACTIONS ASSOCIATED WITH TRANSFER AGREEMENTS OF SPORT PLAYERS**

1. Paragraph 13.15 of the *BPM6* states that the transfer fees paid by one sporting club to another for the transfer of a player is an example of entitlements to future goods and services on an exclusive basis. Such entitlements constitute economic assets, consequently the **transfer fees** should be classified as **contracts, leases, and licenses** under acquisition and disposal of nonproduced, nonfinancial assets in the capital account.<sup>2</sup>
  
2. The rationale for classifying transfers of players as contracts, leases, and licenses is derived from the fact that transfer agreements usually involve the transfer of players' federative rights, which may be defined as "the rights binding a professional player to a club by virtue of an employment contract which is duly registered before the respective national association."<sup>3</sup> Since a player can be registered to play for only one club at any given time, the federative rights cannot be fractioned. Thus, transfer fees reflect the economic rights derived from the federative rights and represent entitlement to future services (player's

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<sup>1</sup> A previous version of this note was prepared by the Balance of Payments Division of the Department of Statistics of the Banco Central do Brasil and presented at the thirty-first meeting of the IMF Committee on Balance of Payments Statistics in October 2018 (see BOPCOM 18/13b at <https://www.imf.org/external/pubs/ft/bop/2018/31.htm>).

<sup>2</sup> Paragraph 13.11 of the *BPM6* defines contracts, leases and licenses as follows: "Contracts, leases, and licenses covers those contracts, leases, and licenses that are recognized as economic assets. These assets are creations of society and its legal system and are sometimes called intangible assets. Examples include marketable operating leases, permissions to use natural resources that are not recorded as outright ownership of those resources, permissions to undertake certain activities (including some government permits), and entitlements to purchase a good or service on an exclusive basis."

<sup>3</sup> Definition stated in Project TPO, KPMG, <https://www.ecaeurope.com/media/1682/tpo-report.pdf>.

performances) on an exclusive basis (due to the indivisibility and therefore exclusiveness of federative rights).

3. The *BPM6 Compilation Guide (BPM6 CG)*, paragraph 15.13 states: “Both ‘transfer’ and ‘loan’ agreements may be of a variety of forms with different terms, including those related to risk factors, transfers of registration, salaries for the players, players’ sponsorship and media rights, and so on. The compiler would need several details regarding the terms of the agreements (with particular attention to agreements that are significant in value) to determine appropriate classifications in the balance of payments.”

4. Examples of such terms in transfer agreements are: third-party entitlements of economic rights, agents’ commissions, and other terms.

- (a) Third-party entitlements occur when any party other than the two clubs directly involved in the transfer or the players themselves own a share of the players’ economic rights.<sup>4</sup> Third-party entitlements may be mandated by federations’ regulations, as in the case of training compensation and solidarity mechanisms<sup>5</sup> that occur in football. There are cases when agents own shares of the economic rights of the players that they represent.
- (b) Agents’ commissions are the compensation for the agents’ intermediary services.
- (c) Other terms could cover risk factors, transfers of registration, and players’ sponsorship and media rights.

5. If third parties, other than the two clubs and the player directly involved in a transfer, receive a part of the transfer fee because they own a share of the player’s economic rights, the amount received by these third parties—*the third-party entitlements*—should be classified as *contracts, leases, and licenses* under acquisitions and disposals of nonproduced, nonfinancial assets in the capital account.

6. *Agents’ commissions* should be classified as *trade-related services*. However, disproportionately high commissions suggest that the agent owned a share of the player’s economic rights, in which case the commission (net of their intermediation services) should be classified as *contracts, leases, and licenses* under acquisitions and disposals of nonproduced, nonfinancial assets in the capital account. Knowledge of the transfer market is necessary for the compiler to be able to define an appropriate cap for the intermediation services.<sup>6</sup>

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<sup>4</sup> The FIFA Regulation on the Status and Transfer of Players (<https://resources.fifa.com/image/upload/regulations-on-the-status-and-transfer-of-players.pdf?cloudid=adi1292xtnibmwrqnimy>) has banned, since 2015, third-party ownership, a specific kind of third-party entitlement in which the third-party is not a club with which the player has been registered in the past. Consequently, the only kind of third-party entitlement currently allowed in football is with a player’s former clubs, particularly through the compensation and solidarity mechanisms.

<sup>5</sup> FIFA Regulation on the Status and Transfer of Players, Chapters 20 and 21.

<sup>6</sup> For this, federations’ regulations might be useful. In the case of football, for example, [FIFA regulations on working with intermediaries](#) establish 3 percent as an appropriate commission.

7. Transactions related to *other terms* should be recorded in *the relevant balance of payments items* if details on the transfer agreement are available.

## II. RECOMMENDED CLASSIFICATION OF TRANSACTIONS ASSOCIATED WITH LOANS OF SPORT PLAYERS

8. The *BPM6* does not provide guidance on the “loan agreements” of players; however, the *BPM6 CG*, paragraph 13.104 states: “Another component that is classified under rent is related to agreements in professional sports involving the sale of rights to use players. Under so-called loan agreements, a player is allowed to temporarily play for a club other than the one with whom the player is currently under contract. The *fees paid under loan agreements* should be recorded in property income as *rent*.” Paragraph 15.12 reemphasizes this statement: “When the sale of rights to a player involves a cross-border transaction, the fee paid by the party acquiring the player under a ‘transfer agreement’ should be classified under gross acquisitions/disposals of nonproduced, nonfinancial assets in the capital account. In contrast, amounts paid under ‘loan agreements’ (which, as noted, involves the temporary transfer of rights to use the services of players) should be recorded in property income as *rent*.”

9. If details on the loan agreement are available, more than one item will possibly be recorded in the balance of payments. The amounts related to *other terms*, such as risk factors, players’ salaries, agents’ commissions, and players’ sponsorship and media rights, should be recorded in *the relevant balance of payments items*.

## III. RECOMMENDED CLASSIFICATION OF TRANSACTIONS ASSOCIATED WITH SPORT PLAYERS’ SALARIES WHEN ON LOAN AND DETERMINATION OF THEIR RESIDENCE

10. Related to *players’ salary*, one important term in the case of loan agreements is the responsibility for paying players’ salary. The property income classified as rent paid by the club receiving the player to the club lending the player covers only the temporary transfer of rights to use the services of the player.

11. In some cases, the parent club may opt to keep paying the player’s salary in full or in part. In this case it should be considered who bears the economic responsibility for paying the salary—the parent club, the borrower club, or whoever is appointed in the agreement. Given that during the term of the loan the player has an employment contract with and plays exclusively for the borrower club, it should be considered that it is the borrower club’s responsibility to pay the player’s salary.

12. Therefore, the salary that the receiving club owes to the player should be considered as a separate transaction and as paid by the borrower club. If the contract establishes that the

salary<sup>7</sup> (or a part of it) is the responsibility of the parent club, it should be rerouted to the borrower through a deduction from the loan fee. If the salary (or a part of it) is higher than the loan fee, the loan fee (recorded as rent) should be assumed to be zero and a transfer from the parent to the borrower club, equal to the difference, will be recorded under *secondary income, other current transfers*.

13. Finally, the *residence of a player* on loan should be determined according to the general rule stated in paragraph 4.117 of the *BPM6*. If the loan lasts for more than one year, it should be considered that the player's country of residence has changed; otherwise, it should be considered that it has not changed.

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<sup>7</sup> The rationale for the parent club to engage in a transaction in which it agrees to keep paying the player's salary or even making a loss may be that the parent club see economic value in the transaction that is not explicit in the contract. For example, the club might not have a place for a young player in its roster and might decide to lend him/her hoping it will help with his/her improvement. Or the club might have a sunk cost from a high salary previously agreed with a player that is not performing well and lending him/her to another club could reduce at least part of this cost.