

The Chinese Player Transfer ‘Tax’: An Analysis

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The summer transfer window has been open for less than two weeks but, at the time of writing, football clubs in the top five European leagues have already completed 454 deals worth a total of £981.4 million. With a month still remaining before the transfer window closes in the majority of countries, there is still plenty of time in which for clubs to do their business.

Recent transfer windows have been notable for a series of high-profile, high-value transfers into the Chinese leagues. 2016 saw Ezequiel Lavezzi move from Paris Saint-Germain to Habei China Fortune for a reported £41.49 million, while Carlos Tevez moved from Juventus to Shanghai Shenhua for £32.99 million and Brazilian play-maker Oscar joined Shanghai SIPG for £20.8 million. Those three players are now in the top five earners in world football. Lavezzi reportedly earns £798,000 a week, Tevez is reportedly paid £634,615 a week and Oscar reportedly takes home £400,000 a week. Last year, China spent more than \$450 million on footballers, the fifth-largest such outlay by any country.

Yet noteworthy transfers into the Chinese leagues have so far proved conspicuous by their absence in the present transfer window. The reason for this appears likely to be linked to the implementation by the Chinese Football Association (the “**CFA**”) of a 100% ‘tax’ on the signing of any new players. The new rule provides that any loss-making clubs buying players will have to pay the same amount as the transfer fee into a fund, which is designed to help the development of young Chinese players.

The CFA has since issued a statement explaining the rationale for this rule:

“To benefit the healthy and steady development of professional football leagues and curb the irrational spending on players, those clubs which are in the red should pay the same sums of money as they are spending on buying players to the Chinese Development Fund.”

The rationale is evidently noble in aim. There clearly exists a fear at the CFA that wealthy Chinese clubs will favour the glamorous import of foreign players over the development of young Chinese players. While the influx of talented foreign players is likely to improve the quality of football played in the Chinese leagues, it may be to the detriment of Chinese players and, therefore, the Chinese national team. This fear is also borne out in the CFA’s reduction in the club quota for overseas

players to four, down from five. Now, only three overseas players will be allowed on the pitch at the same time.

This is not a concern unique to China. For years, it has been suggested that the large number of foreign players participating in the English leagues has hindered the progress of the English national team. Former Italian coach Arrigo Sacchi has echoed this fear in respect of Italian football, stating in 2016 that:

“...it’s obvious that there are more foreigners in our league than others. In Serie A 53 per cent of the players are foreign while it’s 15 or 20 per cent elsewhere. I agree with having foreign players in the league but they should at least be strong. There are too many average players who keep young Italians out of their sides. We need to know how to give youth a chance, only like that will the national team continue to be competitive.”

Yet, while virtuous in aim, the practical corollary of the CFA’s rule is that players are now twice as expensive to buy. If Habei China Fortune were to have purchased Lavezzi since the introduction of this rule, rather than before, it would be required to pay a total of £82.98 million (£41.49 million for the transfer fee paid to Paris Saint-Germain and £41.49 million into the development fund). That is on top of the player’s reported annual salary of £41,496,000.

It seems likely that there is a direct correlation between the introduction of this new rule and the apparent decline of activity in the transfer market by Chinese clubs. Yet in the long run, it may be that such rule helps foster a more sustainable footballing model, mitigating against the prospect of the Chinese league’s bubble bursting while encouraging the development of young Chinese players.

Of course, the new rule will not affect the transfer of players that move without the payment of a transfer fee. The Chinese clubs will therefore have free reign to pick up players whose contracts with their previous clubs have expired; if there is no transfer fee to pay, there is no need to make payment of a contribution to the development fund.

In the short-term, Chinese clubs may prove more reticent to pay the large sums that had become the norm over the course of the past few years. However, with time, it is likely that clubs will become accustomed to the new framework and adapt accordingly. Certainly, it appears unlikely that this will mark the end of the Chinese leagues’ burgeoning popularity.

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National Law Review, Volume VII, Number 181

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