



TAXATION OF E-SPORTS IN DEVELOPING WORLD GELİŞEN DÜNYADA E-SPOR'UN VERGİLENDİRİLMESİ

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Abstract

Today, great progress is being made in information technology with the digital age. However, technological opportunities have started to be used extensively in many areas. The game industry has also been affected by this situation. With electronic sports (e-sports), the sports concept of the new digital world has begun to change. E-sports has become an important organization for both the players and the game industry. E-sports, where interest is increasing day by day, has led to the formation of a large economic market. The world benefits greatly from this market. However, there are some problems with taxing e-sports in the world. It is seen that there is no clarity on how e-sports will be taxed. The existing problem in this regard causes a decrease in the tax revenues of the countries and the emergence of international tax problems. The aim of this study is to provide information about e-sports in the developing world and to make suggestions on various examples of taxation. As a result of the study, it was determined that there are weaknesses in taxing e-sports around the world. Especially the absence of tax legislation regarding e-sports and the existence of a legal gap in taxation could seriously damage the tax systems of countries.

Keywords: *Developing World, E-Sports, Taxation.*

Öz

Günümüzde dijital çağ ile birlikte bilişim teknolojisinde büyük bir ilerleme kaydedilmektedir. Bununla birlikte teknolojik imkânlardan birçok alanda fazlasıyla yararlanılmaya başlanmıştır. Oyun endüstrisi de bu durumdan oldukça etkilenmiştir. Elektronik spor (e-spor) ile yeni dijital dünyanın spor anlayışı değişmeye başlamıştır. E-spor gerek oyuncular gerekse de oyun endüstrisi açısından önemli bir organizasyon haline gelmiştir. Her geçen gün ilginin biraz daha arttığı e-spor, büyük bir ekonomik pazar oluşmasına sebep olmuştur. Bu pazardan dünya, büyük ölçüde faydalanmaktadır. Ancak, dünyada e-spor'un vergilendirilmesiyle ilgili bazı sorunlar yaşanmaktadır. E-spor'un nasıl vergilendirileceği konusunda tam olarak netliğin kazanmadığı görülmektedir. Bu konuda varolan sorun, ülkelerin vergi gelirlerinde bir azalışa ve uluslararası vergi sorunlarının doğmasına sebep olmaktadır. Bu çalışmanın amacı, gelişen dünyada e-spor hakkında bilgi vermek ve vergilendirilmesiyle ilgili çeşitli örnekler üzerinden önerilerde bulunmaktır. Çalışma sonucunda dünya genelinde e-spor'un vergilendirilmesi konusunda zafiyetlerin olduğu tespit edilmiştir. Özellikle e-spor'a ilişkin vergi mevzuatının olmaması ve vergilendirme konusunda hukuki boşluğun bulunuyor olması ülkelerin vergi sistemlerine ciddi zararlar verebilecektir.

Anahtar Kelimeler: *Gelişen Dünya, E-Spor, Vergilendirme.*

GENİŞLETİLMİŞ ÖZET

Çalışmanın Amacı

Bu çalışmada, gelişen dünyada e-spor'un vergilendirilmesiyle ilgili uygulama örneklerinin incelenmesi ve Türkiye'de ayrıntılı durumunun ortaya konulması hedeflenmiştir.

Araştırma Soruları

E-spor, spor olarak ifade edilebilir mi? E-spor gibi büyük bir pazarın vergilendirilmesinde ne gibi sorunlar vardır? Vergilendirme konusunda öncü ülkeler e-spor'u nasıl vergilendirmektedir? Türkiye'de e-spor'un vergilendirilmesi hangi konumdadır? Sorun bağlamında hangi öneriler getirilebilir?

Literatür Araştırması

Dijitalleşen dünya ile beraber spor müsabakaları elektronik ortamda oynanır hale gelmiştir. Bu bağlamda e-spor dünyanın her yerinden aynı anda kolayca oynanabilen yapısı nedeniyle diğer sportif faaliyetlere ve aktivitelere göre uluslararası boyutta tercih edilmektedir. Birçok beceriyi bir arada kullanmayı gerektiren oyun dünyası, dünya çapında popüler olmuş oyunlar ile anılmaktadır. Büyük bir pazar haline gelen e-spor ile firmalar yatırımlarını bu alana doğru kaydırmaya başlamıştır. Ancak böylesi büyük bir pazarın vergilendirilmesi ile ilgili sorunlar karşımıza çıkmaktadır. E-spor kazançlarının nasıl vergilendirileceği konusu dünyanın üzerine eğilmesi gereken önemli bir konu olarak gündemde yer almaktadır. Literatürde e-spor'u şans oyunu olarak gören ülkelerin, vergisel düzenlemelerini de bu kapsamda yaptıkları karşımıza çıkmaktadır. Çalışmada bu kapsamda ABD, Birleşik Krallık ve Türkiye örnekleri daha detaylı ele alınırken, diğer yabancı ülkelerdeki duruma da ayrı bir başlık altında değinilmiştir.

Yöntem

E-spor'un vergilendirmesi konusunda yazılan raporlar, makaleler vb. akademik çalışmalar taranarak konuya çeşitli öneriler getirilmiştir. Bu kapsamda çalışmada e-spor'un güncel hukuki durumu ele alınmıştır. Ülkeler incelenirken ise, çalışmanın sınırını belirleyebilmek adına ABD, Birleşik Krallık ve Türkiye daha kapsamlı değerlendirilmiştir. Ancak dünyadaki genel duruma da bakabilmek adına diğer ülkelerin e-spor'u vergilendirme konusunda hangi noktada olduğu ele alınmıştır.

Sonuç ve Değerlendirme

E-spor, hitap ettiği kitle düşünüldüğünde her geçen gün payını daha da arttırmaktadır. Özellikle tüm dünyayı etkisi altına alan Covid-19 salgını nedeniyle tüm spor müsabakaları durdurulup, salgın geçene kadar ertelenince, e-spora olan ilgi katlanarak büyümeye başlamıştır. Ancak ülkelerin esas itibarıyla hedeflerine bakıldığında e-spor alanında gençleri yetiştirmek olduğu görülmektedir. Tüm bu hedeflere rağmen e-spor gelişen dünyanın bir ürünü olarak standartlaşma evrimini hala tam olarak tamamlayamamıştır. Bu anlamda sürecin iyi bir koordine ile uluslararası kapsamda yönetilmesi büyük önem arz etmektedir. İncelenen ülke örneklerinden ABD'de durum vergilendirme açısından daha net iken, Birleşik Krallık'ta tam anlamıyla netlik kazanmadığı görülmektedir. Bu konuda ülkede bir

düzenleme yapılması konuya açıklık getirilmesi açısından önemlidir. Ayrıca ülkede elektronik oyunların, spor olarak kabul edilmemesi sorunun esas çıkış noktasını oluşturmaktadır. Dünya genelinde de, e-spora yönelik vergi mevzuatı oluşturulmaması sorunun tam anlamıyla çözülememesinin başlıca sebebidir. Böylesi büyük bir alanda bazı hukuki boşluklar nedeniyle vergi gelirlerinde kayıplar yaşanabilecektir. Dolayısıyla ülkelerin vergi sistemlerinde ciddi zararlar meydana gelebilecektir. Birçok bakanlığın eşgüdümlü bir şekilde hareket ederek bahsi geçen konular üzerine düzenlemeler yapması gelişen dünyaya daha büyük bir ivme kazandıracaktır. E-spor ile ilgili kanuni bir düzenlemenin yapılması birincil ihtiyaç olarak göze çarpmaktadır. Bir diğer konu olarak profesyonel nitelendirilecek liglerin belirlenmesi ve bu durumun vergi kanunlarında yer alan sponsorluk indiriminde dikkate alınması, e-spor sektöründe bulunan paydaşların elde ettiği gelirlerin niteliğinin belirlenmesi doğru bir vergilendirme yapılması adına önemlidir. E-sporcuların daha fazla desteklenmesi, hak ve yükümlüklerini açık bir şekilde görebilmeleri gerek vergilendirme açısından gerekse de sektörün ekonomik, sosyal darbe almaması açısından dikkat edilmesi gereken konular arasında yer almaktadır. Yakın zamanda geleneksel spora olan ilginin daha da azalabileceği düşünüldüğünde, bu tür düzenlemeler rasyonel bir vergilendirme açısından oldukça önem arz etmektedir.

1. INTRODUCTION

In the changing and developing world, people's habits and orientations are different day by day. With the progress of information and technology, traditional understandings have been abandoned, and digital systems with more practical features have begun to be a substitute. With the development of electronic technology in recent years, sports competitions have become played electronically. Due to its structure that can be easily played from all over the world at the same time, it is preferred internationally compared to other sports and activities. The game world, which requires using many skills together, is known for games that have become popular around the world. E-sports, which is a reflection of digitalization, has started to gain fame day by day. E-sports, where the concept of time and space is not important, appeals to a wide audience. National and international tournaments are organized in this field. The number of official and private tournaments organized is gradually increasing, and these tournaments turn into revenues of up to millions of dollars. Professional sports clubs and players emerging in this field attract the attention of the competitions that millions of people watch live, the federations established, sponsors, and advertisers.

With e-sports, which has become a large market, companies have started to shift their investments towards this area. Thus, a large economic sector has emerged. In line with all these developments, various countries have started to accept those engaged in e-sports as athletes. Then, E-sports Federations started to be established. As a great indicator of the importance given to the subject, various steps are being taken worldwide. However, there are some problems with the both state and the public regarding e-sports, which is a new field. The taxation of e-sports is one of these problems. Taxation, which includes various discussions, is among the issues that tax administrations of countries are interested in. Legal arrangements regarding e-sports have started to be made in places where e-sports attracts great attention in the world. In this study, the conceptual framework and historical process of e-sports are included. Then, the stakeholders and the importance of e-sports were evaluated. Finally, the tax aspect of e-sports, which is the main subject of the study, and some problems that arise are discussed. In this context, to shedding light on, the United States of America (USA) and the United Kingdom (UK) examples are given briefly. Meanwhile, Turkey evaluated in more detail, and various proposals have been made. In addition, e-sports applications in other countries have been evaluated briefly.

2. CONCEPTUAL FRAMEWORK AND HISTORICAL PROCESS OF E-SPORTS

People use the term sport to mean many things between them. Many activities such as hunting, shooting and fishing are called field sports. Running is expressed as a recreational sport, and chess as a mental sport. Then are these a sport? If it is sports, what is e-sports? Such questions have been posed (Lokhman et al., 2018; Overbeek and Molenaar, 2018; Parry, 2019; Reitman et al., 2020).

The concept of e-sports dates back to the end of the 1990's. The first use of the concept of e-sports was the press release of the Online Gamers Association (OGA) in 1999, where Eurogamer Mat Bettington compared e-sports with traditional sports. The spread of e-sports, especially among young people, and its emergence as a sport have been expressed as cultural phenomena (Wagner, 2006).

There are many definitions of e-sports in the literature (Bányai et al., 2019). E-sports are areas of sports activities where people develop their mental and physical abilities by using information and communication technologies (Wagner, 2006). Electronic games with e-sports; represents a kind of merger between sports, business, and media (Martoncik, 2015).

E-sports is a form of sports in which the basic aspects of sports are facilitated by electronic systems, mediating both the inputs of players and teams and the outputs of the e-sports system with human-computer interfaces. In this sense, e-sports usually includes competitive (professional and/ or amateur) video games, leagues, tournaments coordinated by different people, and sports organizations where players are usually supported by various business organizations. In recent years, e-sports has become one of the fastest-growing new media formats driven by the growing resource of online games and streaming technologies (Hamari and Sjöblom, 2017).

E-sports has started to form its own sector as a result of being intertwined with technology. Technological products are offered to players with advanced video cards and game computers with new generation processors, hardware equipment such as special keyboards, mice, headsets, and auxiliary equipment to increase the success of e-sports players (Civan Kemiksiz, 2019).

Among the fact that define e-sports, passion, coordination, intelligence, cooperation, and training come first. In the definitions made by those who accept e-sports as a true sport branch, there are opinions that information and communication technologies are a group of competitions organized by blending physical and mental elements (Cambrand et al., 2014).

As a newly developing field, e-sports is growing rapidly every day as a sector with many players and followers all over the world (Mangeloja, 2019). Many game companies compete in the field of e-sports to make themselves known and organize many organizations and events in this context (Rai and Yan, 2009: 27). In addition, e-sports players and spectators come together in tournaments both locally and globally. With the development of e-sports, professional e-sports teams have also been established. Professional e-sports teams are not much different from the teams which are already available in other sports (Can, 2020; Llorens, 2017).

In recent years, it is seen that even those who carry out traditional sports activities are interested in e-sports and follow them closely (Cranmer et al., 2021). After Turkey's three biggest clubs, including Besiktas, Fenerbahce, and Galatasaray, set up the e-sports team, *Gala* has been the champion of the second season. With the price of technological devices falling, previously existing arcade halls have

been moved to homes, television screens, and even mobile phones. Although the history of games played in an electronic environment date back to earlier times, the first known competitive video game tournament was the game called “Spacewar”, which was held in the Artificial Intelligence Laboratory of Stanford University in 1972. In the 1980s, digital games started with the arcade halls. A digital meaning individual and competitive game culture have been developed with arcade halls. As a matter of fact, in addition to single-person games, there were also types of games played with two people in the arcade halls. The games played in these arcades were generally based on a simple score tracking mechanism based on leveling up against a computerized machine and passing the previous score. The games in question were later transferred to the computer environment. Established USA in the 1980s, the National Video Game Team started to go on tours around the world, including America, Europe, and Asia. This world tour experience resulted in an important role in the history of e-sports. In the following process, while local networks such as Arpanet and NSFNET and computers started to be connected to each other, games were played in the same computer environment in multiple ways (Demirhan, 2019).

These developments on internet networks have paved the way for innovations in the game world. With the ability to play games by connecting different computers to each other, the concept of online gaming has emerged. This situation has played an important role in the current position of e-sports (Egliston, 2018; Akgöl, 2019).

Especially since 2005, e-sports has gradually reached a much greater volume and a number of participants in a different type of games. Having a digital and transcultural nature and not knowing any physical or geographic boundaries played an important role in the popularity of e-sports. The most common types of e-sports worldwide are strategy games, fighting games, first-person shooting games, and sports games. The most popular of these games are Starcraft II, League of Legends, Counter Strike: Global Offensive, Dota 2, and Hearthstone (Karhulahti, 2017; Ghoshal, 2019; Sarı, 2019).

Over time, e-sports has gained wide acceptance. However, there is still some resistance to whether e-sports can truly be considered a sport (Holden et al., 2017; Xiao, 2020). This situation is not only about e-sports but also about drawing the boundaries of sports in general. Because the players seem to be sitting in e-sports, it is generally (especially traditional sports fans) of the opinion that e-sports cannot be called sports. Traditionally, the physical activities of the players are still seen as an important part of sports activities (Hamari and Sjöblom, 2017). E-sports is not valid for all computer, mobile, or console games. E-sports has defining features indeed. One of them is to provide the competitive element in equal conditions (Abanazir, 2019a). It should not include transactions such as increasing performance and production by spending money. Also, equal conditions need to be restored after each match (Şimşek and Devecioğlu, 2019).

E-sports has a number of distinctive features. These are (Özkurt, 2019):

- They can be played in a virtual or computer environment.
- E-sports can be played individually and as a team.
- It does not require large financial resources in terms of new facilities and equipment.
- It has the opportunity to play in every region of the world.
- Large financial resources are not needed as they are played in a virtual environment.
- Requiring mental and physical efforts and having tools and equipment specific to its nature.
- It includes competition and the desire to win.

E-sports stands before us as a candidate to be one of the most important concepts of the digital age. The fact that the ratings compete with traditional sports branches and even surpass them in many countries attracts the attention of teams, advertisers, and other stakeholders (Martin-Niedecken and Schattin, 2020; Sweeney et al., 2021). In this context, the fact that e-sports gradually establishes its own identity and the states recognize e-sports have brought the formation of federations. For example, a federation has been established in South Korea since 2000 under the name of E-Sports Association. The headquarters of the International E-sports Federation, which was established in 2008, is also located in Seoul. In the European region, France has been the first state to recognize e-sports legally. In Turkey, Turkey Digital Games Federation established in 2011, is of great importance because it is the first federation that was founded in Europe. However, the federation was closed in 2013. In the following years, an E-Sports Federation was established within the Ministry of Youth and Sports, and licenses were started for athletes (Armağan, 2018).

With the establishment of the E-Sports Federation, it is aimed to create licensed clubs and players in this field and to perform this sport on a professional ground. Moreover, participation in tournaments can only be achieved thanks to these licenses. The game rules of each tournament are determined jointly by the gaming companies and tournament organizers. National e-sports federations in more than 45 countries, including Turkey, were founded. Some countries have e-sports national teams in various games. In the 2022 Asian Games, a medal branch will be organized in the field of e-sports. In addition, the USA accepts players interested in e-sports as official athletes. Considering all these developments, we can say that e-sports has just started to enter our lives, has increased its development, especially in the last 10 years, and will increase its impact in the future (Çiftçi, 2019; Smith et al., 2019).

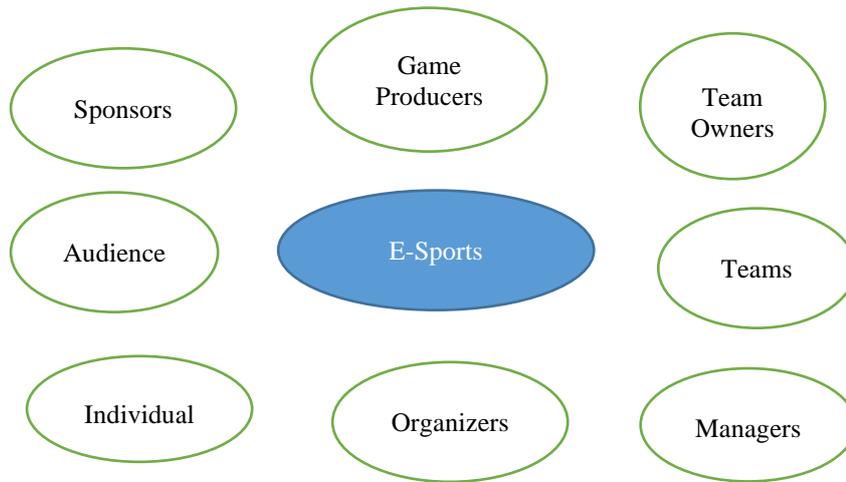
3. STAKEHOLDERS AND IMPORTANCE OF E-SPORTS

Today, many national and international e-sports tournaments are organized. These tournaments have contributed greatly to the development and spread of the concepts of e-sports and athletes by providing a professional environment for players to compete (Witkowski et al., 2013). The number of official and private tournaments and the interest shown in these tournaments are increasing day by day, thus paving the way for e-athletes to perform this as a professional profession. Now, e-sports

tournaments have turned into big events with prizes up to millions of dollars and followed by thousands of viewers in arenas and hundreds of thousands of them on live broadcasts over the internet. Hundreds of e-sports clubs have been established, operating in different fields of e-sports and gathered under the roof of various companies and sponsors, and these clubs train regularly, compete in various leagues and tournaments, and strengthen their staff by transferring when necessary. Players taking part in e-sports matches are called “cyber athletes”. While the starting age for professional players is usually 16-17, players leave the industry when they arrive at the average age of 24. However, this is not a rule (Can, 2020).

E-sports, which has become an industry with the number of players participating and the audience it reaches, is a profitable investment tool for game producers and companies that want to reach more users through sponsorship (Lee et al., 2014; Chikish et al., 2019). The revenues from e-sports on a global scale were approximately 325 million dollars in 2015, 493 million dollars in 2016, and 696 million dollars in 2017. It is estimated that the total revenue from e-sports in 2020 will be around 1.5 billion dollars (Yıldız, 2020). Considering the revenue shares obtained from e-sports, the stakeholders in the e-sports industry are in the form shown in Figure 1.

Figure 1. Stakeholders of E-Sports



Source: Yükçü and Kaplanoğlu, 2018.

In e-sports, in addition to the players, the fans and the audience are also important elements of this field. The e-sports platform, which is experiencing an increase in the number of fans and viewers every day, has attracted the attention of important companies and organizations in terms of brand and sponsorship. The increase in the number of viewers and fans has enabled many brands to enter the sponsorship race in this area. On the other hand, in addition to platforms that broadcast e-sports competitions as live broadcasts, television channels on e-sports are also established in some countries. Unlike traditional sports, the vast majority of e-sports audiences are found to be in the online and multiplayer environment, which is quite common compared to media types that are the only providers of viewing or participation environments. According to Nielsen, more than 80% of fans watch e-sports

online. For this user base, online media platforms such as Twitch and YouTube are priority distribution points (Pişkin et al., 2019).

The gradual growth of the e-sports economy, on the one hand, increased the number of sponsor companies, and on the other hand, the amount of investment made in this field reached very serious amounts. Sponsors arising from sectors that are directly related to e-sports or not, such as technology, gaming, electronic goods, finance/ banking, automotive, make large investments in the field of e-sports. The main purpose of the sponsors is to indirectly advertise their own companies and products before other stakeholders of the sector and thus increase the number of customers (Yıldız, 2020).

Although the difficult path towards professionalization in e-sports where is a fairly new field, it is seen that all sides of the issue work for the required structure. The biggest concept of confusion at this point is experienced in the ownership of e-sports. Supporting the players and teams for the growth of the e-sports economy emerges as one of the priority areas. The biggest advantage of e-sports is that it is already ahead of many other sports branches and is rapidly developing on the way to institutionalization (Abanazir, 2019b). On the other hand, due to the structure of e-sports, it is the game company that determines the rules of each league. For this reason, it is very difficult to establish a rule or regulation covering the whole area. Besides, the sponsorship mechanism, which emerged as the main source of income in e-sports, is not at the desired level yet. The fact that no rules are determining the sector yet and the awareness of e-sports is low on the basis of some segments are the problem areas that need to be solved. Regardless, in order to accelerate the development of the e-sports branch in general, it is important to explain e-sports correctly in all layers such as state authorities, public opinion, families, and brands (Türkiye E-Spor Federasyonu, 2019).

4. TAXATION OF E-SPORTS AND SOME PROBLEMS

We are faced with a situation in which important developments are experienced in the field of e-sports, and e-sports will grow more and more. Considering this development and growth, it is possible to state that the number of young people who want to turn to e-sports will increase in the future (Pizzo et al., 2019). Today, many official and private e-sports tournaments are organized at the international level, and the demand for e-sports is increasing day by day. As we mentioned before, companies aiming to reach large masses thanks to e-sports sponsor these activities. In this way, an economy expressed in millions of dollars emerges. Although it contains a large economic cycle, e-sports activities also have some drawbacks, especially in taxation, from the perspective of political authority (Yıldız, 2020).

One of the most important sources of income for e-sports activities is the advertisement of e-sports related products and the income obtained from the advertisement of other goods and services not related to e-sports (Macey et al., 2021). Computer, hardware, and software manufacturers such as Sony Playstation, Microsoft Xbox, Asus computer etc., are also interested in these advertisements, as well as

other large companies such as Mastercard, T-mobile. Another income is the prize money. Although the prize money was initially funded by the game's developer for the promotion of the game and attracting more amateur users and viewers, the sponsorship gained with the increasing popularity is increasing with the sales of advertising and tickets. Another revenue item is player sales made within the game. In addition, income can be generated by donating in the game, subscribing as a viewer, etc. However, there are serious problems in taxing e-sports. Since the vast majority of games are controlled by the game's publishers, there may be situations such as changing the rules at any time, setting new rules, selecting teams, and denying normal sports procedures (appeals against decisions and doping controls). Some researchers consider e-sports only as a means of entertainment due to these missing elements that an activity can be qualified as a sport. Undoubtedly, as in other sports, there is an element of entertainment in e-sports. However, e-sports is seen more as a sport due to the presence of the competitive element, the scoring system and the tournament structure. As a matter of fact, e-sports is also accepted as a sport for the players and the audience (Demirhan, 2019).

E-sports is often played internationally. This situation raises the issue of international double taxation. As it is known, in almost all countries, residents of their own country are taxed on the income they earn around the world. Also, non-residents are subject to tax through withholding in some countries. The same is true in Turkey. Turkey is taxed on all income they earn from those that are built in, while non-residents are considered limited taxpayers and withholding tax on income they receive is done. When this situation is applied worldwide, the issue of double taxation arises. For this reason, agreements to avoid double taxation are made between countries. There are also regulations to prevent double taxation in the Organisation for Economic Co-operation and Development (OECD) Model Tax Agreement. Article 7 of this agreement includes regulations on commercial earnings, article 12 on intangible rights, article 15 on taxation of wage earners, and article 17 on the taxation of artists and athletes. With this article, the difficulties encountered in taxing the artists and athletes performing in the international arena were tried to be prevented. According to this, with the second paragraph added in 1977, if another person receives the performance income, not the artists and athletes themselves, the country of origin will have the right to tax this income. Based on the provisions of this agreement, it can be said that e-sports can also be evaluated within this scope. Thus, double taxation will be prevented (Demirhan, 2019).

4.1. Taxation of E-Sports in the USA

In the USA, e-sports players are considered as official athletes. There are tax regulations in the country for those who perform outside their own countries and do not reside in the USA. In this framework, those who do not reside in the USA will be taxed within the framework of this regulation if they earn income within the days they are in the country. For example, those who come to New York as members of a professional team have to share their income depending on the number of days they spend

in the city. There are also differences between states. In another example, in California, e-athletes are taxed not only on their income from participating in tournaments, but also on their sponsor income (Demirhan, 2019).

If you are a foreign athlete or artist who performs independent individual services in the country under the laws of the USA Revenue Service (Internal Revenue Service), you will be subject to taxation on income from the USA. This includes the purchase, and sale of goods, royalties, performance, sponsorship, etc. all revenues. As a result, a Federal Income Tax Declaration must be submitted on the income generated when you are in the USA. E-athletes are also evaluated within this scope and they are subject to tax on their income (salary, reward, sponsorship, broadcasting income, etc.) (IRS, 2020).

4.2. Taxation of E-Sports in the UK

E-sports is growing rapidly in the UK, and the interest in e-sports is increasing day by day. In this context, the legislation created for the actors is of great importance. However, electronic games are not accepted as sports in the UK (Linnell, 2017). Electronic games are subject to game tax, because e-sports activities are in the same category with chess and bridge. Actually, the UK Bridge Federation acknowledges that bridge is a sport, but the UK Sports Federation and the UK Revenue and Customs Administration (HMRC) do not accept it, but accept bridge as a game. Those who play bridge are subject to value added tax (VAT) over their participation fee to the tournaments. Since e-sports is evaluated in the same way, VAT is collected from those who participate in these activities on the participation fee. For example, if an e-sports event will be held in Wembley, the host team must apply for VAT and VAT must be deducted from the price of tickets sold. In recent years, chess and bridge federations have attempted to consider these branches as sports. If this situation is accepted, probably e-sports will be open to be evaluated in the sports category in the future (Demirhan, 2019). However, this situation has not been clarified yet.

4.3. Taxation of E-sports in Turkey

In Turkey, e-sports category although it has a high mass of players is periodically made only as League of Legends tournament official. The game developer Riot Games, with its investments in Turkey have launched the first and only server e-sports league. "Turkey Championship League" as it is called in other sports leagues are professional players and clubs. In addition, the league has the following conditions (Can, 2020):

- Teams are also professional companies.
- The matches are played with two teams of five people.
- There must be a minimum of two substitutes.
- Teams can have a maximum of two foreign players.
- Team players have professional contracts with their teams.

- The maximum contract of a player is two years.
- Teams are not allowed to meet with a contracted player.
- A player transfer can be made in return for a testimonial.

The taxation of e-sports activities in Turkey does not have a special arrangement in the Turkish tax law. E-sports legal rights and obligations of stakeholders with the establishment of Turkey's e-Sports Federation (TESFED), is make real to adopt regulations involving criminal sanctions to be applied in case of failure to comply with established rules. We understand that the ministry considers e-sports as a sport, and e-sports players as athletes, with the requirement to obtain an e-sports license from the General Directorate of Sports of the Ministry of Youth and Sports in order to participate in e-sports competitions (Yıldız, 2020).

E-sports clubs earn income thanks to the success they have achieved in the leagues and tournaments they participate. Besides, it can be said that with the increasing recognition of this sport branch, sponsorship revenues also increase. E-athletes, on the other hand, have income from their clubs within the scope of salary and transfer fees. In Turkish Law, sports clubs can operate in two different ways. Firstly, the clubs with the status of an association established in accordance with the provisions of the Associations Law “*It was published in the Official Gazette dated 23.11.2004 and numbered 25649*” and the other sports clubs that continue their activities as a company established according to the provisions of the Turkish Commercial Law “*It was published in the Official Gazette dated 14.02.2011 and numbered 27846*”. However, the point to be considered here is that sports clubs are first established as an association and then they can transfer or lease their professional teams to companies. The main difference between these two structures is that although the associations do not have any purpose of sharing earnings, the main purpose of companies is to earn profit and distribute it to their members. Although there are two legal entities legally separate from each other, in practice these two legal entities have both legal ties (as partners in the company) and moral ties (such as the development of sports club and sports, etc.) (Karataş Durmuş, 2016).

E-game producers bring together the games they produce with their users, both on their own websites and through various international marketing channels. The sale of games and game contents subject to e-sports activity is in the nature of a service sale. Organizers, on the other hand, are persons or institutions that organize e-sports competitions. They determine the tournament rules, the teams that can participate in the tournament, the qualifications of the team members, the physical platform where the tournament will be held and the companies that will publish the e-sports online, the time of the tournament, the referees who will serve during the tournament, the entrance ticket prices of the audience to the tournament platform and the monetary awards to be given (Armağan, 2018).

The services offered by both e-game producers and e-sports organizers are continuously performed within the framework of a commercial organization, with the aim of gaining profit, and the

earnings obtained require corporate tax to be called corporate income. In any case, the earnings of e-game manufacturers and game organizers are corporate income. E-gaming manufacturer within the scope of taxpaying firms and games organizers in Turkey or institutions within the framework of the general principles of all the services it performs abroad is supposed to be subjected to tax, from their e-gaming manufacturers in the scope of limited liability and the game organizers in Turkey workplace or representatives holders will operate the taxation process in accordance with the provisions that are also valid for residents under article 22 of the Corporate Tax Law (Sarı, 2019).

When we evaluate at the sponsorship issue, behind the sponsorship of large-scale companies to e-sports competitions and organizations lies the motive of these companies to increase their sales by reaching more users and ultimately to gain more profit. The Law No 5520 Corporate Tax Law article 10 of the first paragraph of subparagraph (b) in 3289 numbered Youth and Sports General Directorate of Organization and Duties, dated 17.06.1992 with the Law on and 3813 numbered Turkey Football Federation Organization and Duties made under the Law It has been stipulated that sponsorship expenditures can be deducted from the corporate income by showing all of the sponsorship expenses for amateur sports branches and 50% for professional sports branches, which are determined in accordance with the mentioned laws.

The most important income of e-athletes is wages. In addition, sponsorship income, compensation payments, and other benefits provided to the athletes are also among the income of the athlete. Apart from wage income, athletes can earn income that will be deemed as real property income or securities income. Such income is taxed within the framework of general provisions (Bülbül and Öz, 2020).

It is not possible to consider wage payments of e-sports players as wage payments of athletes within the scope of the provisional article 72 of the Income Tax Law (Yıldız, 2020). On the other hand, since the earnings of e-athletes can be earned on their own behalf and account without being subject to the employer, based on personal time, knowledge and talent rather than capital, it is also possible to tax according to the provisions of self-employment income.

According to the article 1/3-c of the VAT Law numbered 3065, shows and concerts with professional artists and sports activities, matches, races, competitions attended by professional athletes are subject to VAT. In the VAT General Implementation Communiqué, the distinction between amateur and professional should be made according to whether the artist or athlete receives income in return for these activities. The term professional implies that a person does his profession not for pleasure or enthusiasm like an amateur, but for the purpose of earning and a living. Concert concept, on the other hand, refers to the musical performance performed in any type of music and with any instrument or sound or both in a general or private meeting. If the athlete and artist earn income due to their activities, they are professional. This activity is done in return for a certain benefit. Therefore, when making a

distinction between amateur and professional, it should be checked whether athletes and artists earn a certain income due to the shows, concerts, matches, races, and similar organizations they participate in, individually or through the institutions, organizations, organizations, clubs or similar enterprises they are affiliated with. In addition, since all of the activities carried out in a commercial organization are income generating, there is no discrimination for such activities. It is taxed according to the general provision in article 1/1 of the VAT Law (Sarı, 2019).

As can be seen, if e-sports players earn an income as a result of a contest or event they participate in, these revenues will be subject to VAT according to article 1/1 of the VAT Law. Here, the taxpayer is the organizer company that organizes the competition and earns income from the organization. On the other hand, since the athletes who do not earn income in the sports branches in which they operate are considered amateurs within the scope of the VAT Law, the income earned due to organizing a competition or event with amateur athletes will not be subject to VAT. According to the VAT Law, it is clear that wages and premiums in the form of wages and similar benefits obtained by e-sports players, whether amateur or professional, are not subject to VAT (Yıldız, 2020).

With the gradual development of e-sports and the increasing budgets of e-sports clubs operating in this field, player transfers will be made from abroad, and management services will be received in this context. According to the VAT Law made in the service or services from Turkey, it was required to utilize in Turkey. Transfer and manager service purchases such transactions for which it is deemed a service that is utilized in Turkey will be subject to VAT. Although VAT payers are the one who provide manager service or sport club abroad, they have to withhold 18% VAT as they are responsible for the e-sports club benefiting from the relevant services in Turkey, because they have no residence workplace legal and business center in Turkey (Çiftçi, 2019).

Another issue is that products or services given to e-athletes for single-use or trial purposes can be evaluated within the scope of promotion and excluded from the scope of taxation. E-athletes can deduct expenses related to the acquisition of earnings and ensure continuity of earnings from gross revenue. In this sense, the costs of internet connection, computer or game console, and maintenance costs that may be related to e-sports can be deducted from gross revenue (Kılıçer and Peker, 2020).

4.4. Taxation of E-sports in Other Countries

The debate is on whether a game related to e-sports can be viewed as a bet due to the predominance of the chance element in the game or whether it is a skill-based game with the influence of the player. There have been many debates on the subject that spread to tax courts. Although some experts claim that the personal skill element is more important than the luck element, it is also considered to be within the scope of betting. This brings revenue management in many countries to the idea of thinking of online games as betting. However, the general opinion is that not all e-sports games should be considered this way (Overbeek and Molenaar, 2018). For this reason, many countries solve the

taxation problem with income tax or corporate tax. Revenue administrations collect income tax from e-sports player real persons. If it is a limited company or a joint stock company partner, it is subject to corporate tax. For example, earnings from e-sports in Sweden are accepted as income according to the Swedish Tax Law. The taxpayer or tax responsible is also obliged to pay the tax (Coraggio, 2020).

When we look at the world practices, we have not come across a country that creates tax legislation for e-sports. In Colombia, for example, the rules for taxing e-athletes are the same as for other professions paying income tax. When the professional player earns income from the tournaments he/she has participated in, these earnings are subject to the taxation rules of the prizes. In Mexico, e-sports players are paid by their teams under the “provisions of the services contract”. Players invoice to their teams under this contract. Additionally, e-sports players are hired as an employee and can receive a salary. In both cases, e-sports players are subject to income tax. When the players are paid under the service agreement, they fill out and declare their statements themselves. All stakeholders match their marketing, sponsorship or cash prize income with the most appropriate current tax law and pay their taxes (Kılıçer and Peker, 2020).

In Austria, too, e-sports players are subject to income tax. This applies equally to non-Austrian professional athletes participating in e-sports events in Austria. Professional athletes residing outside such Austria will also be subject to income tax on the prize money received in Austria (Petrovic and Nutz, 2019).

5. CONCLUSION

With the development of technology, people can communicate with each other in faster and easier ways by using technological tools. People can communicate with each other, play games and carry out some social activities thanks to computers, game consoles, and phones. Thanks to the constantly developing technology, the concept of sports is also changing. Digitalization is one of the innovations that will not harm the essence and nature of sports, but will make it suitable for modern life. The rapid change and transformation of technology cause a transformation in the field of sports, as in almost every field. While sports is essentially a fun game to spend time, it has turned into a large economic market over time. E-sports plays a big role in this. Considering the audience it addresses, it increases its share significantly every day. Especially when all sports competitions were stopped and postponed until the epidemic passed, due to the Covid-19 pandemic that affected the whole world, interest in e-sports started to grow exponentially. However, when we look at the main targets of the countries, it is seen that it is to train young people in the field of e-sports. Despite all these goals, e-sports has not yet fully completed its standardization evolution as a product of the developing world. In this sense, it is of great importance that the process is managed in an international context with a good coordination.

Like many countries in the world, Turkey has also established E-sports Federation. In this way, possible informality is prevented as the data of e-sports clubs are forwarded to the Ministry of Treasury and Finance through the federation as a result of the activities they participate in. However, the legal regulations to be made are not limited to this. The issue of how e-sports earnings should be taxed is on the agenda as another issue that the world should focus on. In the literature, it is seen that countries that consider e-sports as a game of chance have made their tax regulations within this scope. If the person works for the team, they will be taxed on wage income through withholding. If we consider game producers and e-sports organizers as a company, they will be subject to corporate tax. If an income is obtained as a result of a competition or event attended by e-sports players, they must be subject to VAT. However, if it is independent, it must be taxed on self-employment earnings. Among the country examples we have examined, it is seen that the situation in the USA is clearer in terms of taxation, while it is not fully clear in the UK. Making a regulation in the country on this issue is important in terms of clarifying the issue. Moreover, the fact that electronic games are not considered as sports in the country constitutes the main starting point of the problem. Worldwide, the main reason for not being able to solve the problem fully is the lack of tax legislation for e-sports.

In Turkey, there is no specific regulation on e-sports. However, the presence of the E-sports Federation is an indication that the issue is given importance. Making a legal regulation regarding e-sports stands out as the primary need. As another issue, it is important to determine the leagues to be qualified as professional and to consider this situation in the sponsorship deduction included in the tax laws, to determine the nature of the income obtained by the stakeholders in the e-sports sector in order to make accurate taxation. Supporting e-athletes more and seeing their rights and obligations clearly are among the issues that should be considered in terms of taxation and the sector not to suffer economic and social impacts. Considering that the interest in traditional sports may decrease further in the near future, these regulations are very important in terms of rational taxation. The existence of some legal and financial gaps in such a large area could seriously damage the tax systems of the countries. If many ministries act in a coordinated manner and make regulations on the aforementioned issues, it will give greater momentum to the developing world.

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