14. Tax matters

14.1. Current balances with public administrations

The breakdown of current balances with public administrations at June 30, 2018 and 2017 is as follows:

Receivable balances:

	Thousands of euros	
	6/30/2018	6/30/2017
VAT receivable from tax authorities	130	48
Corporate income tax receivable from tax authorities	17,840	680
Total	**17,970**	**728**

Payable balances:

	Thousands of euros	
	6/30/2018	6/30/2017
Current personal income tax payable to tax authorities	95,742	64,038
Payables to Social Security entities	1,316	1,234
Corporate income tax payable to tax authorities	-	1,429
VAT payable to tax authorities	3,901	5,443
Other concepts payable to tax authorities	147	-
Amounts payable to tax authorities in relation to inspection assessments signed in agreement	13,471	-
Total	**114,577**	**72,144**

14.2. Reconciliation of accounting profit and taxable income

The reconciliation of accounting profit and expected taxable income is as follows:

June 30, 2018:

	Thousands of euros		
	Increase	**Decrease**	**Total**
Accounting profit/(loss) (before tax)			20.148
Permanent differences:			
Fines, penalties, donations and gifts	632	-	632
Other	7,836	(671)	7,165
Temporary differences:			
Provision for risks and expenses	49,986	(25,036)	24,950
Forward transactions	1,651	-	1,651
Non-deductible depreciation and amortization for tax purposes	-	(4,765)	(4,765)
Utilization of tax loss carryforwards	-	(10,935)	(10,935)
Taxable income	**60,105**	**(41,407)**	**38.846**

June 30, 2017:

	Thousands of euros		
	Increase	**Decrease**	**Total**
Accounting profit/(loss) (before tax)			31,385
Permanent differences:			
Fines, penalties, donations and gifts	213	-	213
Other	31,581	(11,675)	19,906
Temporary differences:			
Provision for risks and expenses	27,772	(40,302)	(12,530)
Forward transactions	2,838	-	2,838
Non-deductible depreciation and amortization for tax purposes	-	(6,984)	(6,984)
Utilization of tax loss carryforwards	-	(8,707)	(8,707)
Taxable income	**62,404**	**(67,668)**	**26,121**

The main differences between the taxable base of the income tax and the accounting profit/(loss) correspond to the provisions recorded during the current year and the adjustment of certain expenses considered non-deductible for tax purposes in prior years.

The Club has availed itself of the provisions set forth in article 11.4 of the Income Tax Law so income is considered to be obtained proportionally as the corresponding payments are collected. During the year ended June 30, 2018 temporary differences have been reversed corresponding to the sale of players in prior seasons, which have resulted in an increase in the taxable base amounting to 1,651 thousand euros, becoming taxable as the payments established by contract have been collected.

For the tax periods beginning on or after 2013 and 2014, pursuant to article 7 of Law 16/2012 the depreciation and amortization of property, plant and equipment, intangible assets and investment property could be deducted up to 70% of the depreciation and amortization that would have been deductible had this percentage not been applied. The depreciation and amortization that was not deductible according to said Law is deducted on a straight-line basis over 10 years or over the useful life of the asset as from the first tax period beginning in 2015. The reversal of non-deductible depreciation and amortization in the year ended June 30, 2018 amounts to 4,765 thousand euros.

14.3. Tax recognized in equity

At June 30, 2018 and 2017 the breakdown of taxes recognized directly in equity is as follows:

June 30, 2018:

	Thousands of euros		
	Increase	**Decrease**	**Total**
Deferred tax:			
Arising in the year-			
Grants (Note 11.2)	27	-	27
Total tax recognized directly in equity	**27**	**-**	**27**

June 30, 2017:	Thousands of euros		
	Increase	Decrease	Total
Deferred tax: Arising in the year- Grants (Note 11.2)	27	-	27
Total tax recognized directly in equity	**27**	**-**	**27**

14.4. Reconciliation of accounting profit and corporate income tax expense

The reconciliation of accounting profit (loss) and corporate income tax expense is as follows:

	Thousands of euros	
	6/30/2018	6/30/2017
Accounting profit/(loss) (before tax)	20,148	31,385
Permanent differences	7,797	20,119
Total Base	27,945	51,504
Tax rate	25%	25%
Tax liability	6,986	12,876
Deductions	(1,152)	(975)
Other adjustments	268	1,350
Adjustment of unused tax loss carryforwards	1,116	-
Total tax expense recognized in the income statement	**7,218**	**13,251**

14.5. Breakdown of corporate income tax expense

The breakdown of the corporate income tax expense is as follows:

	Thousands of euros	
	6/30/2018	6/30/2017
Current tax		
For continuing operations:	8,559	6,785
Deferred tax		
For continuing operations:	(1,341)	6,466
Total tax expense	**7,218**	**13,251**

At June 30, 2018 the "Corporate income tax receivable from tax authorities" heading corresponds to withholdings and payments on account amounting to 26,399 thousand euros less current tax (8,559 thousand euros).

14.6. Deferred tax assets and liabilities

The breakdown of the balances in these accounts at June 30, 2017/18 and 2016/17 is as follows:

June 30, 2018:	Thousands of euros			
Description	Deferred tax assets		Deferred tax liabilities	
	Amount	Tax effect	Amount	Tax effect
Grants	-	-	2,540	635
Temporary differences	82,933	20,733	-	-
	82,933	**20,733**	**2,540**	**635**

June 30, 2017:	Thousands of euros			
Description	Deferred tax assets		Deferred tax liabilities	
	Amount	Tax effect	Amount	Tax effect
Unused tax loss carryforwards	15,664	3,916	-	-
Grants	-	-	2.652	663
Temporary differences	62,744	15,686	1,648	412
	78,408	**19,602**	**4,300**	**1,075**

There are no unused tax loss carryforwards at June 30, 2018.

At June 30, 2017 the unused tax loss carryforwards were as follows:

Year	Thousands of euros		
	Unused	Capitalized tax credits	Uncapitalized tax credits
2009/10	15,113	3,778	-
2010/11	551	138	-
Total	**15,664**	**3,916**	**-**

In the provisional estimate of the 2017/18 income tax, tax loss carryforwards have been utilized up to the 25% limit of the previous aggregated taxable base, that is, 10,935 thousand euros. The 25% limit was set by Royal Decree Law 3/2016 of December 2, whereby tax measures were adopted to consolidate public finances as well as other urgent social measures. Additionally, Law 27/2014 of November 27 approved the elimination of the time limit on the utilization of tax loss carryforwards, which is effective for the tax periods beginning on or after January 1, 2015.

14.7. Years open to inspection and tax inspections

On February 18, 2016 the tax authorities notified the Club of the beginning of verification and inspection proceedings regarding the following taxes and periods:

a. Corporate income tax for the 2011/12, 2012/13 and 2013/14 seasons.

b. VAT for the period comprised between January 2012 and December 2014.

c. Withholdings / payments on account of investment income for the period comprised between January 2012 and December 2014.

d. Withholdings / payments on account of employee/independent professionals income tax for the period comprised between January 2012 and December 2014.

e. Withholdings / payments on account of property leases for the period comprised between January 2012 and December 2014.

f. Withholdings / payments on account of non-residents taxation for the period comprised between January 2012 and December 2014.

On November 17, 2016 the inspection proceedings were extended to the following periods:

a. Corporate income tax for the 2014/15 season.

b. VAT for the period comprised between January 2015 and June 2015.

c. Withholdings / payments on account of non-residents taxation for the period comprised between January 2015 and June 2015.

d. Withholdings / payments on account of employee/independent professionals income tax for the period comprised between January 2015 and June 2015

Pursuant to article 148 of the General Tax Law and article 178 of General Regulations governing Tax Proceedings, these tax proceedings were considered as general and were completed on May 4, 2018, issuing notifications of assessments signed in agreement for tax liabilities for the income tax, VAT, personal income tax withholdings and non-resident withholdings amounting to 10,288 thousand euros, late payment interest amounting to 2,383 thousand euros and fines amounting to 800 thousand euros, which are recorded in the "Other payables to Public Administrations" in the liabilities side of the balance sheet.

The "Current provisions" heading in the balance sheet at June 30, 2018 includes the estimate of the fine related to the income tax assessments signed in agreement.

Additionally, on June 29, 2018 the Club was notified of settlement agreements derived from the aforementioned assessments signed in disagreement, amounting to 13,496 thousand euros, and late payment interest amounting to 3,298 thousand euros. Although in the assessments signed in disagreement the inspection authorities state that in their opinion there are indications of a tax infraction, at the date these financial statements were authorized for issue the Club has not been notified of the start of any disciplinary proceedings.

The Club's Board of Directors and its tax advisors consider that the provision recorded at June 30, 2018 in the "Non-current provision" heading of the balance sheet is sufficient to settle the liabilities that may arise as a result of the assessments signed in disagreement (Note 12).

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. At June 30, 2018 the Club is open to inspection for the following taxes and periods:

i) Corporate income tax for the years 2015/16 to 2016/17.

ii) VAT, withholdings on employee/independent professionals income tax, investment income and non-residents taxation for the period comprised between July 2015 and May 2018.

The Board of Directors of the Club considers that the above-mentioned taxes have been appropriately settled and, therefore, in the event of discrepancies in the interpretation of the tax treatment applied to transactions, any potential liabilities that could arise would not have a significant impact on the accompanying financial statements.