



Champions League Final 2011 – Taxing times!

The announcement by UEFA of the ticket prices for this year's Champions League final at Wembley brought an outcry that UEFA were exploiting fans, despite UEFA's claims that the pricing was in line with comparable events such as the World Cup and European Championship finals.

It also brought into question again the issue of tax and major sporting events and, for the Champions League final, it has already been a key issue for the UK.

When the FA bid to host the final in 2010, tax was the reason given by UEFA as to why Wembley was not selected, but the decision was delayed over the naming of the 2011 host venue to give the FA a chance to address UEFA's concerns. These concerns related to UEFA's request that the participating players from non UK teams be exempt from any tax liabilities arising from their presence in the UK for the period of the match. Under UK tax rules, visiting overseas sports stars are taxed on that part of their income that is deemed to arise from their time here and covers appearance money, prize money and a proportion of sponsorship and other commercial income which HM Revenue & Customs (HMRC) deem to be earned during their time in the UK. While the issue of appearance or prize money has never really been in dispute, the allocation of an element of sponsorship and other commercial income has always been an issue as to how much, if any, relates to the time spent in the UK by the sports star, particularly when the majority of these deals are concluded overseas. This all came to a head in a case between HMRC and the tennis star, Andre Agassi, back in 2006 where HMRC won the right to levy tax against a proportion of Agassi's commercial income wherever it arose, even though the deals that HMRC were looking at were between two US companies. Since then, the issue has been over how much of this income should be taxable. Initially it was looked at on a simple pro-rata of the time spent during a particular year in the UK but, over recent years, HMRC has sought to take a different approach by looking at it as a proportion of the key events that a sports person takes part in, with the overall effect of yielding a higher return for HMRC.

Therefore, for the 2011 Champions League final, specific legislation has been included in the UK tax system (Schedule 20, Finance Act 2010), to exempt any employee of the competing non-UK teams from any income tax that is related to the services or duties performed in the UK in connection with the final. There has already been a precedent for this as similar legislation was enacted for the 2012 Olympic Games in Finance Act 2006.



So that deals with the players, but what about UEFA itself? A question was asked about whether UEFA would have to pay tax in the UK on the income it would receive from the sales of the tickets for the final? The short answer is probably not as it is usual for the event holder to include as part of the conditions for the successful bidder to indemnify the event holder from any tax liabilities that may arise from holding the event. Given that there has not been any specific legislation needed for this area, it is assumed that the FA were comfortable about being able to provide these guarantees to UEFA and would have included any liabilities in their costs for hosting the event. The FA will receive a facility fee from UEFA for use of Wembley and also a share of the ticket income received by UEFA and this income will be subject to tax as part of the FA's overall income. Given that UEFA will only be in the UK for a short period of time, they are unlikely to be regarded as having a permanent establishment in the UK which could render them liable for preparing tax returns and creating any potential tax liabilities. The ECB had similar issues with the ICC over the Twenty20 World Cup in 2009.

The length of time the event holder is expected to be in the UK is the key issue here. For the 2012 Olympic Games, specific legislation was enacted in Finance Act 2006 to exempt the International Olympic Committee (IOC) from any tax liabilities which provided certainty for the IOC that they would not be regarded as having a permanent establishment in the UK, which will also include the time spent prior to and after the Games in setting up and decommissioning. Similar legislation is likely to have been required for FIFA had England been successful in securing the bid for the 2018 World Cup.

So, as with all things in life, tax penetrates into areas where you would not normally expect to find it and can have a significant financial impact on a particular event.

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