

Module 2. Taxation in wealth – How to minimise taxation costs in sport

Unit 2.1

Introduction

In this module, we will look at how taxation in wealth can be minimised within sport. This will be explained from the perspective of an individual and larger sporting organisations. Firstly, we will define tax, exactly what it is and what it is used for, including the types of tax that we may encounter. Then, we will investigate why individuals and organisations want to minimise tax before outlining some of the methods in which they could do this, not only in normal business, but also in sport.

We will then discuss the potential issues of doing this, both legally and morally; for example, how we can legally minimise our tax and not get into any additional legal trouble when doing so. Then, we will consider the perceptions of avoiding or minimising tax and what that might do to our brand in the court of public opinion. The module will finish with a summary, and then with an activity that will bring module one and this module two together.

To start, what is tax?

What is tax?

The first thing to understand is that we all pay tax, but the locations and motivations for doing so can be much different. Tax can be defined as “mandatory contributions levied on individuals or corporations by a government entity—whether local, regional, or national.” (Gorton, 2022). Taxation has been used throughout history, with sophisticated tax process put together in both the ancient Greek and Roman empires.

The aim of taxation is to fund public works and services, which can be altered depending on the needs of a region or a nation at a particular time. Certain transactions or lifestyles might be taxed more heavily to consider the movement of wealth in a society. In addition, the proceeds of tax can also change; for example, different levels of tax spending may be funnelled to different areas due to the different outcomes that a government wants to achieve. In wartime, tax revenues will be diverted to these resources, while other areas will see their tax income decrease.

Another consideration we need to be aware of is that tax rates do not stay constant, and they often change depending, again, on the situation that a country might find itself in or the political ideas of the current government. Tax rates can often change on the basis of political ideology. Should we, as a population, be spending more on tax to fund



improvements for the life of the population as whole? Or should we be encouraging growth by taxing wealth generation less at a current time period? These are only two very broad examples, and both will have their place in taxation systems. To be taxed, and minimise this, we need to understand exactly what types of tax there are to be paid.

Types of tax

There are many different types of tax we should be aware of. Butler (2014) helpfully provides some of the most common areas of tax that we can encounter. Despite this, as we go through this module, please be aware that different regions and countries will have differing arrangements.

Table 1: Types of tax

Types of tax	Explanation
Income tax	Levied on earnings, rental income, royalties, interest and dividends.
Value added tax (VAT)	Levied on purchase of most goods and services, mainly at a rate of 20 %.
Capital gains tax (CGT)	Levied on gains arising on disposal of assets in one's lifetime.
Stamp duty and stamp duty land tax (SDLT)	Levied on most transactions involving the purchase of equities at a flat rate.
Inheritance tax (IHT)	A flat rate of 40 % levied on the death of a UK-domiciled individual (or a non-UK-domiciled individual who has become 'deemed' domiciled) on worldwide assets above £325,000 if not left to a surviving spouse/civil partner or charity/political party.

Source: own source based on Butler (2014).

Let us begin with income tax. This is, probably, the most common type of tax observed by the general population; it is tax that is paid on your income. Anything that you will earn, regardless of source, will be added to your income tax bill. This may be from your employee or any self-employed contract work that you are carrying out.

Value added tax (VAT) is, again, a tax that most people will have paid and continue to pay in their daily lives. It is a tax that is added onto purchases of all kinds: from the small such as a chocolate bar at the local shop to brand-new cars. Sometimes, these are factored into the price that the consumer will see displayed. In some countries, it can be quite substantial: in the UK, it is currently 20 % of the purchase price and as high as in Nordic



countries, although governments can and do change these percentages to stimulate certain sectors.

To begin our look at the more uncommon taxes that we might not have come into contact with on a regular basis, we will see capital gains tax (CGT). Capital gains tax is paid on gains, above a certain threshold, made by selling assets. This could include, for example, the selling of property: if the property was originally purchased for £100,000, and then subsequently sold for £150,000, capital gains tax would be paid on the £50,000 profit. Quite how much would need to be paid will depend on certain factors, including—but not limited to—the amount of profit made and the existing wealth of the individual.

There is also stamp duty and stamp duty land tax (SDLT) to consider. These are often seen in conjunction with property, and will often go by different names depending on the country that you are in. They are essentially taxes on purchases and sales that meet a certain threshold.

Finally, inheritance tax (IHT) is a tax paid, as the name would suggest, on any estate value that is left to individuals upon another individual's death. Again, the taxable amount will depend on the total amount left by the individual and will also be impacted by the tax status of the deceased individual.

Some of these taxes can be quite substantial, and, therefore, throughout history, individuals and groups have investigated ways in which their tax bills could be reduced. As we will discover, some of these ways are on the more illegal side of things.

Minimisation vs. evasion

In this section, we will discuss the differences between tax minimisation and evasion, and some of the methods that can be used to lower an individual's tax bill. As we have already noted, this can be legal or illegal in nature, but it is almost always controversial.

There are several terms that appear when discussing tax that we might be overly familiar with. Some of these phrases are used interchangeably, even when their meaning is different. This occurs often when discussing tax minimisation and tax avoidance. So, what is the difference between minimisation and evasion? We can begin to understand the difference by looking into the figure below from Murray. As you can see, Murray replaces minimisation with avoidance.



Figure 1. What is the difference between tax avoidance and tax evasion?



Source: Murray, 2020, <https://bit.ly/3xewqx5>.

Tax minimisation (or avoidance in this figure) is the process of using legal, legitimate means, in an effort to pay less tax than would ordinarily do if they took no action. Why individuals and groups want to minimise their tax bill is, of course, varied, as we will discover in the following subsections.

On the other hand, tax evasion is the practice of not paying taxes, often illegally. Those looking to evade tax will often do so through a combination of not reporting income, not paying the required number of taxes that have been allocated, or understating the amount of tax that you owe overall. The understandings of these schemes can be shown in the following table, based on the data collected through study conducted by HMRC. We can see that there is a clear distinction between tax avoidance and tax evasion in the minds of those interviewed, and so, we can assess that people do often know what they are doing. As we go through subsections, we will encounter the motivations behind this.

Table 2: Understandings of tax schemes

Tax avoidance understood to be:

Within the letter of the law

Tax evasion understood to be:

An illegal form of not paying tax

Tax avoidance understood to be:	Tax evasion understood to be:
A low-risk opportunity	A high-risk form of saving tax
An inviting and palatable opportunity	A wrongful activity to engage in
Negotiable with HMRC	Not permitted by HMRC
Legitimate	A deliberate non-disclosure of taxes to HMRC

Source: own source based on HM Revenue and Customs (2015).

Tax evasion is treated as a criminal offence in most countries around the world, and the penalties for engaging in this type of action can be severe, including huge fines and even jail time. Despite this, it is not enough to put some people off and, in some countries, this is a problem created by market conditions and low tax morale, which can be difficult to stop.

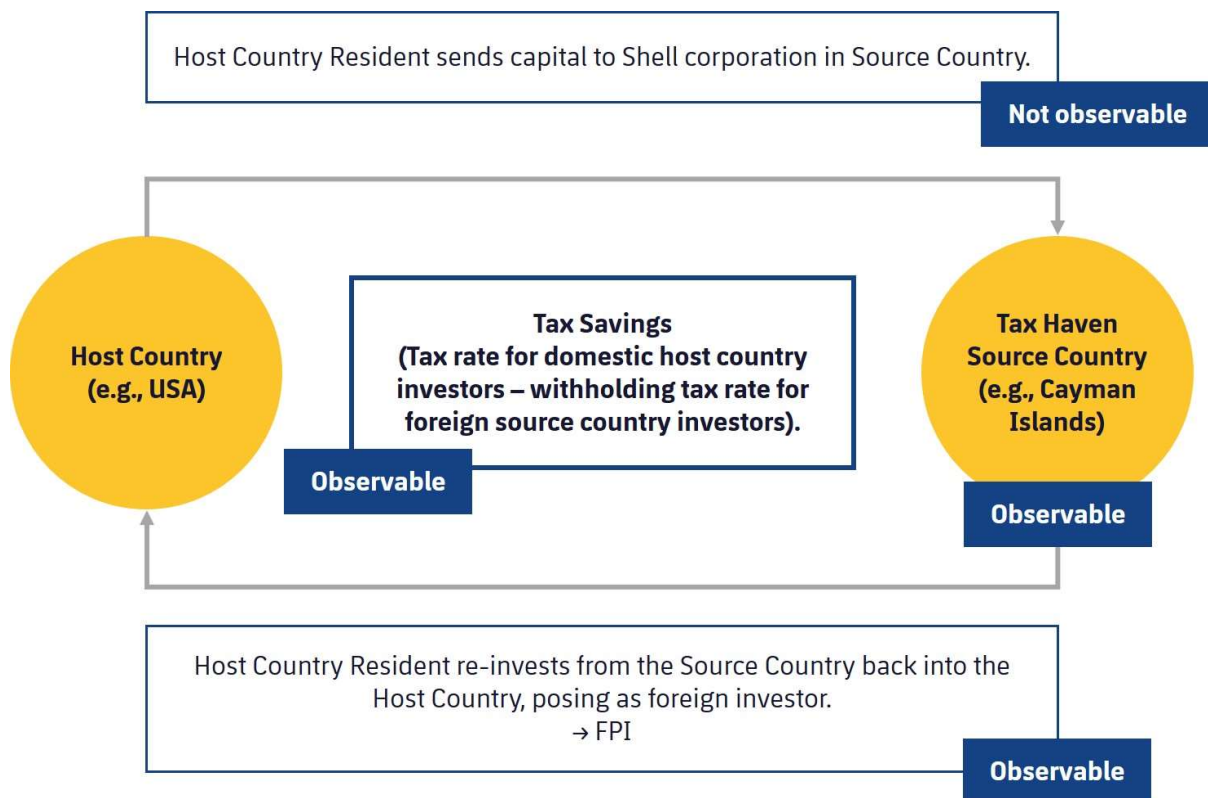
Tax morale is the feeling of guilt when not complying with tax regulations; when tax morale is high within a country, tax obligations by individuals and businesses are adhered to, and tax collections and revenues are high. However, there are also countries having a low tax morale.

A country that has a low tax morale will undoubtedly be plagued by tax collection problems. The more the people who evade tax, the harder that it will be to collect tax, since those that do avoid detection. It is this group mentality which might cause the low tax morale in the first place; if you see someone not paying their tax and getting away with it, you might begin to think why should you pay your tax. In addition, other factors can also come into play; there might also be concerns over the fairness of the current tax administration, perceived equity or inequality of fiscal exchange within the region, or, indeed, a general poor attitude toward the current governments.

To illustrate this issue, we can look at some of the methods that are used to evade tax. This can include the concept of roundtripping, which is detailed in the figure below from Kemme *et al.* (2020).



Figure 2. Roundtripping



Source: own adaptation based on Kemme *et al.*, 2020, p. 2.

Roundtripping is the practice of exploiting the tax loopholes for financial benefit, by taking money from a host country, depositing it in a tax haven source country before, and then reinvesting it in the host country. The loophole that often exists is that investors into a country will pay a lower tax rate than those already inside of the country. Therefore, by moving money around in this way, an investor or company can make tax savings that they would not be entitled to when conducting business normally.

This is only one way of conducting tax evasion; there are many more such examples that can be explored. However, in this module, we are looking at the legal tax minimisation methods that can be employed within sport, although this is not entirely risk-free. So, given the risks, that we will explore later, why do individuals, groups and organisations engage in this practice?

Why do we engage in tax minimisation?

Put simply, some individuals and organisations wish to hold on to more of that money. They do not want to give their money to tax, and would prefer for it to be in their bank accounts. The motivations behind this can differ; they might wish to hold on to the money for investment purposes in a further effort to future-proof themselves when times are harder, for example, the individual stops playing professional sport.



In addition, by holding more money within accounts, readily accessed, we could respond quickly and more efficiently to any circumstance that needs a cash injection. We might also be in a better financial situation than some of our competitors, who are not taking advantage of these schemes.

It might not just be the motivation of saving money that encourages us to engage with these schemes. People are often more than happy to do not only the legal thing, but also the right thing. Therefore, we need to think about why individuals or organisations believe that tax avoidance schemes are the right thing to do.

We need to remember that tax avoidance schemes are legal, although this does not stop it from being a moral issue for some people. It is, of course, in the interests of any tax authority to minimise the use of tax avoidance schemes as much as possible. Even though they are legal, they do cost the region or country in which they take place a significant sum of money. To understand this topic further, research was commissioned by Her Majesty's Revenue and Customs (HMRC); the UK tax authority sought to find out the motivations for those joining tax avoidance schemes.

Table 3: Motivations for using tax avoidance schemes

Unaware	Justifiers	Deliberates
Unaware of their scheme as a form of tax avoidance.	Aware of scheme as 'on the edge of tax law'.	Aware of scheme as a form of tax avoidance.
Strongly influenced by society's moral and political attitudes towards tax avoidance.	Justified scheme use.	Strongly influenced by belief in avoidance as within the letter of the law and thus legitimate.
Acceptance of tax avoidance has changed in recent years and their attitudes have followed.	Strongly influenced by personal implications of avoidance, e.g., damaged reputation, time and cost of court proceedings, fines from HMRC.	Strongly influenced by their own moral attitude that avoidance by big business justifies their own avoidance.
Unlikely to engage in tax avoidance again.	Partially influenced by society's morals and political attitudes.	A belief that HMRC should not be able to make what individuals saw as retrospective changes to tax law.
	Will continue to engage in all legal forms of minimising tax.	Will continue to engage in all forms of tax planning.



Source: own source based on HM Revenue and Customs (2015).

We can see that the study splits the responses given by participants into three sections: unaware, justifiers, and deliberates. The unaware are on the lower end of this scale; those that fit into this category were often unsure or unclear as to whether their particular scheme actually fits into a tax avoidance scheme. They would have, perhaps, not done it, if they had been aware and were unlikely to engage in the practice if offered again and with their new knowledge.

The justifiers were influenced by society and thought: if others were making a success of these schemes and not being challenged, then they should do it too. They did possess some knowledge of what the scheme is, what it would do, how it would benefit them, and how it might impact them if in the future it was found to be illegal.

The final section, the deliberates, had a full understanding of the schemes and how they operate. They were comfortable with using these schemes and did not rely on the public's opinion of them. Furthermore, they were comfortable with the consequences of their actions and would use tax avoidance schemes in the future. So, why do individuals and organisations within sport want to minimise tax? And are these largely for the same reasons?

In sport

Sport, as we know, can have both differences and similarities to normal businesses. Therefore, in some regard, it is highly likely that they will operate in the same way as those individuals and businesses that we have just discussed.

The motivations will, of course, vary from individual to individual, and from organisation to organisation. Though, given the large financial figures that professional sport has begun to receive, it is a way of retaining some of the wealth that you have accumulated rather than hand it over to the government. As we have already covered, the business market is highly competitive, and we know this does not change for sport, perhaps it even gets worse. It is in our interests, as sporting organisations, to retain as much financial capital as we can because we have to remain competitive constantly, and having this cash in reserve allows us to remain competitive. This could allow us to sign better players or improve the customer experience in a way that will allow us to be ahead of our rivals.

Athletes, given their increased wealth, are often put in the highest tax band and can see a great deal of their wealth being taken in tax. By entering into these schemes, they can not only hold on to more wealth for themselves, but also more wealth for the dependents. Sporting careers can be cut short for all sorts of reasons, and, for many, this might not be a gradual slide into retirement, but done at the flick of a switch. And this is not guaranteed to happen when the athlete in question is maximising their earning potential. Considering all of this, it is important that they investigate ways in which to make the most of their income while they are earning it.



Tax minimisation methods

There are many methods of tax avoidance that normal businesses and those in the sporting sector can use. In this subsection, we will discuss a few of these; this was designed to be an exhaustive list of every type of tax avoidance practice, highlighting the most common.

Let us begin with the use of foreign subsidies. Organisations using foreign subsidies do not have to pay domestic taxes on income from abroad. This practice is known as an offshore tax-shelter; the money earned abroad can be left abroad, and no tax is payable (Apergis, 2020). However, what we can do is use this money as leverage for borrowing, and for investment purposes in other countries, though still no tax will be paid.

We can also use a process of accelerated depreciation. Depreciation is a normal part of business, as our assets (e.g., machines, buildings) will naturally lose value as they get older. We can then take that loss in value and offset it against our tax obligations because the assets are worth less, the organisation is worth less, and, therefore, the tax bill decreases. Accelerated depreciation works in the same way, but increases the speed of supposed value loss. We can then lower the value of our assets, and, in turn, less income, as we factor in depreciation costs, allowing us to pay less tax. Apergis (2020) notes that, if the level of investment is maintained in the organisation, something we can also offset tax against, then this could continue indefinitely.

The legal status of someone living in a different country can also be a way of minimising tax. In a UK context, an individual can hold a status as a UK non-domiciled individual. The exact meaning of this is outlined by Makortoff (2022) below:

A person who is registered as non-domiciled with HM Revenue and Customs is tax resident in the UK, but does not have to pay UK tax on income and capital gains earned overseas – including on company stocks or cash made from selling a second home – unless they bring their money into the UK or deposit it into a UK bank account. (para. 1).

What this means is that, even though the individual concerned is a legal resident of the UK, if they can prove that they are also a resident of another country and intend to maintain ties to that country, they will not be taxed. Do these same methods apply to sport?

Tax minimisation methods in sport



The organisations that participate within the sporting sector will often use similar methods to that of normal businesses, although their motives might be a little different. One of the ways a sporting organisation can also reduce their tax obligations is by offsetting tax against losses experienced by the business. We have shown that normal businesses do this with machinery and buildings. We might consider there is a little opportunity to do this in sport, although you do remember that some organisations own their own arenas and stadiums. But also, they have vast training facilities that have buildings and equipment to keep the athletes in top condition, these all depreciate and, therefore, should be taken into consideration.

More commonly, we think about wages and transfers. You cannot pay tax on nothing, and, if a sporting organisation can show that it has lost money during the previous year, then tax can be offset against some of these losses. For example, think of the big transfers made by football clubs; these prices will often far outstrip revenue generated. Therefore, football clubs, or other sporting organisations, can offset the losses they have built up over time against profits made, and it is only when they have used up those losses that they start paying tax. This has worked well for those owners of American sports franchises who, despite their organisations earning millions of dollars and they themselves being worth millions—if not billions—, have been able to pay comparatively little tax. They have managed to do this by engaging in a rigorous program of offsetting losses experienced by the organisation. Quite cleverly, they have convinced the IRS, the US tax authority, that not only should player salaries be a deductible expense from their tax bill, but also that the players themselves can depreciate (Faturechi *et al.*,2021). This method has allowed millions upon millions of dollars to be saved by the organisations in tax, as they can demonstrate that organisation value is attached to contract and player value.

As we know, nothing is one hundred percent risk-free, and, as a result, we must consider these risks; for example, some organisations do fly a little close to the sun, and the IRS does notice! These risks can be both financial and non-financial in nature, something we will be tacking in tax minimisation: getting it right. One element that crops up time and time again when considering tax within sport is wages. The wages that those at the top of their respective fields get paid are verging on the astronomical, falling into the top tax brackets, and, therefore, it is no surprise that they and their advisors wish to take advantage of schemes that can reduce this. Individuals can also seek to minimise their tax through the methods used by 'normal' individuals. These can be as simple as putting yourself on the correct tax code to make sure you do not get overcharged, or claiming money back on purchases that would assist you with self-employment, investments, or charitable donations.

They might also enter into schemes that are not available to the general population, that they can enter, for example, by moving some of their income into other companies, some elements of their income operating offshore to avoid some of their tax levied against them. Within a UK context, they might use the non-domiciled tax status as mentioned in



the previous subsection, thereby reducing their taxable obligations. This could be appropriate for the players that are transferring to the UK to play in the Premier League, although this will only apply to the top earners, as management of this scheme is not free.

Furthermore, as contracts between the players and the clubs they represent are now frequently split between playing contract and media rights and image, this is another opportunity to limit tax contributions. If players can show that they are earning some of their money outside of the country they are currently residing in, perhaps image rights or prize money, they can put this money into businesses based on those different countries to save tax. If they do not do this, they can be subject to a double tax situation.

Many countries around the world do enter into agreements with other nations, allowing individuals and companies not to pay tax twice on the same income. For example, an athlete that wins a competition in the UK will be taxed on that prize money, but will not, as long as the country of their residence is involved in a tax agreement, be taxed a second in their home country. Some athletes have taken this a step further by moving to countries to reduce their tax bill; consider F1 drivers Lewis Hamilton and Lando Norris have moved to Switzerland and Monaco respectively to, in part, avoid paying the higher rate of taxes that they would do on earnings and other income in the UK.

Before any individual goes off and begins working out the sometimes complicated tax regimes of their country, in an effort to save some money, they should consider the principles that we will be acting on.

Minimisation principles

Adopting elements to minimise levels of taxation should not be entered into lightly. There are many things that either an individual or organisation should consider before entering into tax minimisation strategies. Butler (2014), again, provides detailed areas of consideration for anyone looking to minimise their tax obligations.

Table 4: Principles of tax planning

Principle	Justification
1. Know your personal allowances.	This is the amount you can earn, or capital gains that you can realise without paying tax.
2. Know your income tax band.	Official figures show that the number of higher rate taxpayers in the UK has almost doubled since 1998/99.
3. Take action.	Make use of tax-efficient savings schemes, allowances, and reliefs.
4. Deferring tax.	Even if you cannot avoid tax, deferring when you have to pay it can enable you to



	generate additional returns in the meantime.
5. Integrated planning.	Your spending, earning, investing, and lifestyle decisions all need to be taken into account to determine how to best minimise taxation.
6. Too good to be true.	If something looks too good to be true, it probably is.
7. Know what you are doing.	If you do not understand it (having at least tried to), then do not do it.
8. Tax schemes.	Be wary of expensive tax schemes with large up-front fees from organisations with which you have no existing relationship and that require a DoTAS number to be entered on your tax return.
9. Be wary of any arrangement that involves overseas entities or structures and/or that passes through several entities.	Before ending in a final structure, as your money usually feeds many hungry mouths.
10. Nothing is certain.	Remember that the rules can and do change, although retrospective changes are the exception and not the rule.
11. Your residence status affects your liability to most UK taxes, except inheritance tax.	So, bear in mind the rules that determine this because they changed a few years ago (see later in this chapter).
12. Tax is not everything.	Be careful not to let the tax tail wag the lifestyle planning dog. Moving abroad, for example, might help you to avoid tax, but might have an adverse effect on your family and other personal relationships.

Source: own source based on Butler (2014).

Let us pick a few of these out to talk further about. Firstly, Butler (2014) suggests making use of these schemes when they are available. The schemes can be extremely useful in making sure that you can be as much tax efficient as possible. If you have the capabilities to do so, there is really no reason not to, if everything goes to plan. However, you should not do this without consideration that something might be amiss.

There is, of course, a risk that we get seduced by a scheme that is too good to be true. As Butler (2014) notes, if something looks like this, it is probably not going to exist. It will



either be hiding something in the fine print, such as fees that we were not additionally aware of. Or indeed something more sinister such as fraud.

You can avoid, to some degree, issues like this, if you yourself have a level of understanding about these schemes. By no means is Butler (2014) suggesting that you become an expert, but it is your money, and you should be confident that entering into any agreement is in your best interests. To make up for lack of knowledge or confidence in entering these schemes yourself, you can always employ someone to manage this for you. However, as we have seen in previous modules and courses, you will need to factor this cost in to any financial return that you then wish to make.

The final section, tax is not everything, raises an important point. While it may seem like it, and we cannot on occasion truthfully say that money has not been a very important element of our lives, it is helpful some perspective. As Butler (2014) notes, there are ways we can minimise our tax, but we need to consider if this is the correct path for us, as it can change our lifestyle. We can move to a different region or country in an attempt to reduce our tax bill, but, if we spend all of that income on travelling back, then it is hardly worth it. Often, this perspective is lost, and there are countless stories in which long-term friends and family have fallen out over money issues. When asked after the fact, most people will say that falling out over money is a great regret.

Tax minimisation variations

What we should say firstly is that all tax arrangements are different depending on the country that the money is earned in. There might be some obligation, for example, of a sports star to pay tax on the earnings in their home country as well as the one they currently live in. So, while we will include some examples within this module, it is recommended that you are up-to-date with the tax rules and laws in your country, and with how this might impact on individuals and organisations.

In some instances, as we have noted, it is not about avoiding paying tax, but it is about encouraging investment. There will often be investment schemes in which the costs of tax are limited, and, therefore, transferring some of the earned wealth into these schemes will reduce the tax burden on the individual or organisation. There are many ways in which individuals can set up accounts that will charge them less tax than having it in a normal bank account. For example, an individual savings account, self-invested personal pension, small self-administered scheme or offshore portfolio bond are all examples within the UK that individuals can use to save money and get lower tax rates.

Tax minimisation: getting it right

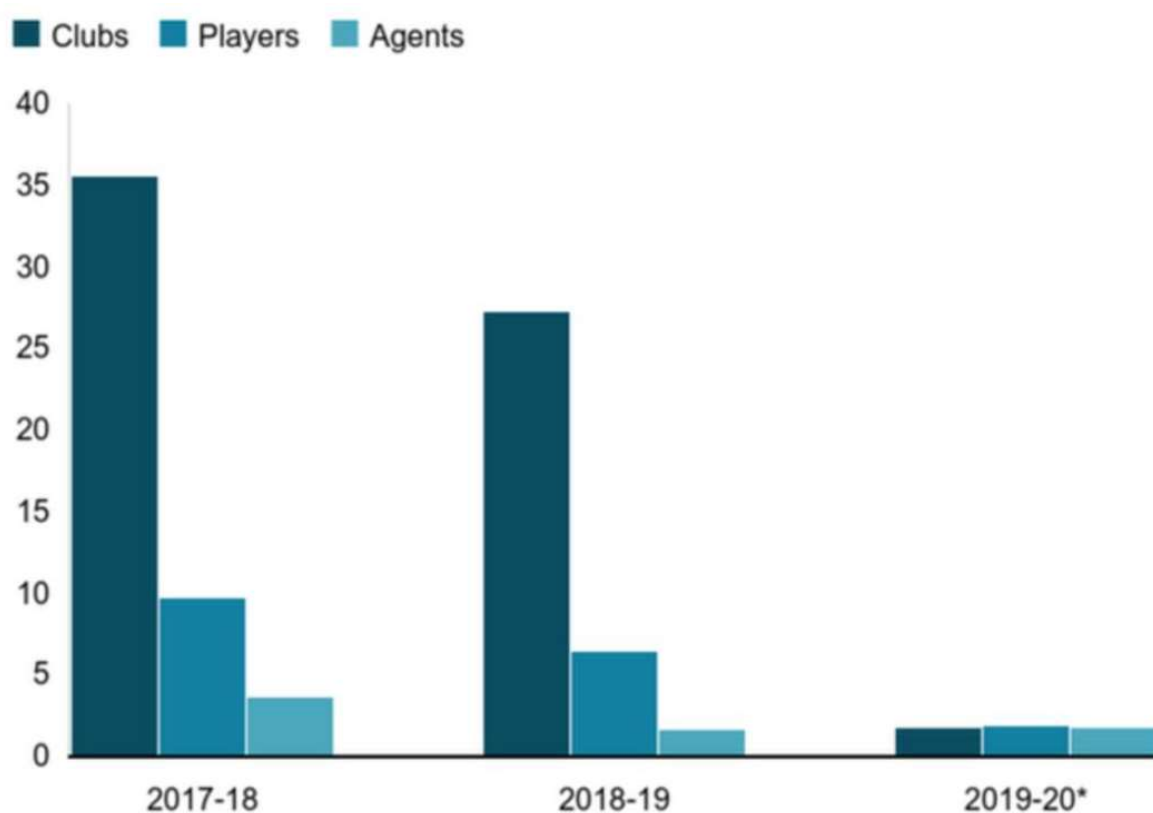
We have demonstrated the methods of tax avoidance, but it is equally important that we make sure that any tax planning scheme is successful and legally allowed. So, how can we do this?



Financially, if the tax minimisation process is incorrect, or worse, fraudulent, this can have big consequences for the individual or organisation. Often, legal action will be brought against the offending party, and, in many cases, we have seen huge tax settlement, bills and fines running into the many millions of pounds being paid out. There are several examples from the world of sport that we can show in which this has occurred.

The figure below was compiled by Homer, for the BBC hints, at the scale of attempted tax minimisation within English football. However, this is not legal tax minimisation; instead, this is illegal tax evasion and, as such, the figures below, in the millions of pounds, have been recovered from actors within the football industry.

Figure 3. Taxes recouped from the football industry by HMRC



Source: Homer, 2020, <https://bbc.in/3qNA6Tb>.

While we can note the decrease in these figures over a period of time, and significantly so during the pandemic, it is still a staggering amount of money. It demonstrates that some of the avoidance methods that we have discussed, and new ones that we are perhaps not aware of, are not as legal as we would like to.

We must consider that, if a tax authority can prove that not only have we avoided tax but also illegally evaded tax, they will go after the amount we should have paid. This has led to some quite serious consequences for sporting organisations. Sporting organisations are hit with large tax bills that need to be paid quickly; when they cannot do that, they are sometimes entered into administration (an administrator will take charge of the business

to make sure payment can then be made to creditors), which can lead to competition fines and points deductions.

Players and managers have also been caught out; notably famed football manager José Mourinho was sentenced to a suspended prison term and a £1.9m fine for his part in a tax evasion scheme while in Spain in 2019 (Jones, 2019). But not only is it these financial penalties but also the view of the public, which is equally, if not more important.

Taxes and public opinion

Minimising tax is not illegal, and it is a way that many businesses operate in an attempt of reducing their own costs, to allow the organisation to be more liquid. For individuals, it works in much the same way, as it allows them to hold on to more of their earned income by offsetting some of the costs that they might encounter through everyday life.

However, avoiding tax, while technically not illegal, might rise the possibility of reputation damage. Often, people do not like unfairness, and, when it is seen within society, people get upset. We have seen countless occasions in which, often, the wealthier individuals within our society have been able to avoid paying, what might be deemed as their fair share, by using clever loopholes to filter money through offshore accounts and tax avoidance schemes that would not be available to the average person. This feeling can be displayed in the following figure, prepared by the Tax Justice Network.

Figure 4. Costs of tax avoidance



Source: Tax Justice Network, 2020, <https://bit.ly/3quyeOT>.

This, probably, quite rightly, upset a few people, often when people are found to have made use of these schemes, and once these have come to light and have been quickly followed by a grovelling apology from the user of the scheme. Although they have apologized, there is still likely to be reputational damage for the individual concerned. They might be subject to a period of mistrust from the court of public opinion, although, as the research by Hardeck *et al.* (2021) shows, depending on the country, mistrust might only be found when the tax scheme does not comply with national regulation.

Cases in sport

There have been numerous examples of tax schemes that have reached the public domain, putting both players and clubs in awkward situations as they try to explain their actions to their fans. However, on other occasions, the strength of feeling and support that fans have for a player or a team have been able to see those impacted in tax avoidance schemes avoid criticism. The criticism has instead been forwarded to the organisation or group that advised them to use the tax avoidance scheme. This again shows the difference between sport and other businesses; we would not find the same level of defence offered to a normal business or employee had they acted in the same way.

Summary

In this module, we have covered the tax arrangements of different businesses, how they pay tax, and how they avoid it. Sporting organisations and athletes do not avoid it for fun, they do so for a multitude of reasons, though essentially to make sure that more of their own money is able to be held on to. We have also discussed whether or not these schemes are legal, illegally or public frowned upon, and what to do in all occasions. It appears that sport, once again, manages to behave and receive considerations that are not available to normal businesses.

Activity: Modules 1 and 2

The aim of this activity is to strengthen the knowledge that you have gained from these two modules. For these two modules, the task is as follows:

Prepare a pre-recorded presentation (Microsoft PowerPoint would be useful for this task) of no more than 5 slides.

You are the head of an investment group which is looking to invest, made up of you and others who are involved in a non-sporting industry. This could be energy, manufacturing, etc; the choice is yours.

Consider if sport, given the unique nature of the industry and the ability for organisations to reduce their tax bills, is a worthwhile investment from both a financial perspective and in the eyes of the public.

Detail which sporting organisation you will invest in and justify that choice. What do you hope to achieve in this investment for both the sport organisation and your previous

business? You should consider the goals of the investors, the levels of investment required, and the ability of the investment to make the financial returns needed.

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