

Yes, I really do need another Coach !

Not of the sporting kind, but someone to maximise my earnings

Personal taxation will rise to 50% next year. Take off national insurance and other payments and the modern day professional is paying more in taxes than the remainder paid into the bank account. Now is certainly time for Clubs, Players and Staff to at the very least review matters going forward.

What may be possible?

At the Club level, changes can be made which benefit all staff. Specialist arrangements, often (but not necessarily) based on a pre-set goal or target can lead to a large tax advantage. We can provide independent advisors who work with the Club to set targets and agree them with the Chairman and Manager and then explain how the system works to all. This "top slice" of income is always going to be traditionally taxed at the highest rate unless an alternative remuneration package can be developed. With players on fixed term and/or renewable contracts, going to play for foreign teams and eventually retiring, there is considerable scope to reduce tax exposure and therefore increase take-home pay. Typically the Club will set up a "special incentivisation entity", which is managed independently from the Club to ensure the target, once achieved, triggers a payment from the Club to be held for the benefit of all those in the bonus scheme. Instead of making an outright payment (which would save no tax) the scheme can purchase assets that would have been acquired with the funds, such as a holiday home, investment property or even a medium/long term investment such as stocks and shares. More unusual investments can also fall within the arrangements, such as woodlands and car collections. Annual rates of tax can typically be below 10%, which is a further incentive!

Because the overall "bonus pot" is managed independently from the Club and each player has their own separate account, upon leaving the Club the choices available often lead to a big opportunity to save tax. A player going abroad can find their pot could be realised totally free of further UK taxes. Others moving Clubs may find similar circumstances. Even a new re-negotiated contract can bring about planning



advantages via the incentivisation arrangement that would otherwise not have been possible. There are further very significant opportunities that arise from such planning which need to be considered on a Club by Club basis.

Single player/Manager opportunities

Individual image rights are currently a hot topic with both the tax man and players. There are still tax effective arrangements where, for example, the Club and player agree that a specific pension trust is set up by the club for the player's benefit. This then receives image right payments and not the player directly, which considerably reduces the tax paid. Some image rights can be tax free. This structure can be used for other purposes very tax effectively. Transfers into the pension structure, which is more flexible than a standard pension, takes those assets outside exposure to UK Inheritance Tax, currently at 40%.

Straightforward pension planning should also not be overlooked. UK based pensions can be transferred overseas and subsequent exposure to UK tax completely cleared. There is a set procedure for this, controlled and authorised by the Tax Authorities. The HMRC website even contains a list of approved overseas pensions approved by them, so you know that your transfer is totally compliant and will not trigger any further taxes on transfer out of the UK. This is important as unauthorised transfers can be taxed at up to 82%!

CONCLUSION

This is a very specialist area. There are many genuine opportunities to save tax, both at the Club and staff level, but these are generally not well known or understood. Current advisors know some of these, but often not all, thereby missing some important improvements.

Major companies, both domestic and international use similar arrangements to incentivise and retain their key assets – their personnel. These organisations use specialist Financial Coaches to review their individual needs and suggest any worthwhile updates to current procedures. In this way they gain an operational advantage over their competitors.

Individuals should also have their own independent Financial Coach to maximise their own opportunities and identify any Club-based planning that could enhance their take-home pay. Their long term planning is essential.

The Castle Trust Group* offer a free initial consultation, together with a follow up written outline guidance letter, to Clubs and individuals on tax planning and investment structuring. They also provide a **confidential second opinion** on financial matters. They are often engaged to work with existing advisors to ensure the latest and most effective structuring is constantly considered.

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