

Sports players – Tax Responsibilities



The responsibilities of each business differ according to the structure used. This Information Sheet explains some of regimes with which all entities must comply.

Tax Return

For both Income and Corporation Tax purposes, you are required to complete a tax return and calculate and pay the tax due under the “Self Assessment” arrangements. The HM Revenue & Customs (HMRC) has the power to make enquiries concerning those tax returns and tax calculations.

If it is established that a tax return or tax calculation is incorrect, interest and penalties can be charged in addition to the amount of tax underpaid. Penalties are also charged for failure to submit a tax return by the due date.

The taxable profits of sole traders, partners and limited companies are not always the same as their accounting profits. There are certain expenses, which are not deductible for taxation purposes (eg entertaining and travelling expenses between your home and principal place of business).

PAYE Scheme

In the case of a limited company, you (possibly with others), own the shares in the company and you will probably be a director and, as such, an employee of the company. Your income from the company will be in the form of a salary and/or dividends.

For wages and salaries of any business paid to employees arrangements will need to be

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made with the HMRC:

- To set up a PAYE Scheme
- Deduct Income Tax and National Insurance contributions from payments to employees
- Pay those deductions plus Employers’ National Insurance to the Inland Revenue on a periodic basis.

The Employer’s National Insurance charge is a deductible expense in computing business profits for tax purposes.

The total cost of National Insurance is lower for a sole trader or partner than is the case for an employee (including a director of a limited company) but so are the benefits should they be needed.

If a shareholder pays tax at ‘Higher Rates’, there will be an additional income tax charge on any dividends they receive in the tax year.

Make sure that you regularly set cash aside so that you have enough to meet tax liabilities as they fall due.

We can advise you on the cost effectiveness of dividends compared to salaries.

Value Added Tax

If your turnover exceeds the registration threshold, you will normally be required to register for and charge VAT on your income and pay it over, after deducting any VAT on allowable expenses, to HMRC. They will also consider voluntary registration, which could benefit the business.

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There are special schemes for smaller businesses including cash accounting and annual accounting, otherwise VAT is usually payable quarterly. HMRC will carry out periodic checks of your accounting records and VAT Returns. Failure to make an accurate return, or pay the tax on time may result in estimated demands being made by HMRC plus penalties and interest.

Easing the Tax Burden

There are many ways in which your overall tax burden can be mitigated or remuneration packages can be organised to enhance the value to employees (including directors) whilst capitalising on the tax savings to the employer. These can be complicated issues and you should seek specialist advice.

About Kingston Smith’s sports team

Kingston Smith is a top 20 firm of Chartered Accountants. Our sports sector team have an in-depth understanding of the sports sector. We have helped many sports clubs and professionals and this experience means you receive positive and practical advice, based on a thorough understanding of your sport. By offering a ‘one stop’ complete tax and accountancy solution for all sports clubs and professionals, we can give you confidence that your commercial interests are being successfully managed.

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