

STRATEGIC TAX PLANNING PARTNERSHIP

International & UK Tax Consultants

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RONALDO – IS TAX BEHIND HIS MOVE TO SPAIN?

Ronaldo has hit the headlines for his record breaking Transfer Fee in his move to Real Madrid.

Many are thinking of the size of the Transfer Fee and his huge wage deal. What's been missed is the impact of the new 51.5 % tax rates on earnings above £150k coming in on April 6th 2010.

In the light of this; Ronaldo's move to Spain represents a shrewd piece of tax planning by Ronaldo's advisors. Spain has a special law to encourage foreign executives and foreign companies to set up and move to Spain. Coined "Beckham's Law" after it was rumoured to be modelled on a deal "David Beckham" struck with the Spanish Tax Authorities, it has been law in Spain since 2007.

The basic deal, which can last for nearly six Spanish years, taxes Spanish wages at a flat rate of only 24%. The real bonus however, is that non-Spanish income and capital gains are not taxed at all! Unlike, the UK's non-Domiciled Rules (which were limited in 2008!), any non-Spanish income and capital gains can be brought into Spain without further tax. This means that Ronaldo's income from endorsements and image licensing outside of Spain will, in effect, be totally tax free!

Combining the effects of tax free non-Spanish income and capital gains with the modest 24% flat rate on his wages, means that Ronaldo's move to Spain could save him upwards of £3m - £4m per year. Take that over the six year period of his contract and the move represents a huge tax saving bonanza! Given that footballers have limited careers that can be over by the early to mid 30s; these tax savings will be of significant benefit to Ronaldo. Ronaldo's move may also be an impetus for other UK based Premier League players to consider a move abroad to avoid the impact of the 51.5% tax hike.

Although, there are still a few legitimate tax shelters left in the UK to mitigate the effects of this tax hike, they tend to tie up footballer's money for at least seven years and involve a significant level of commercial risk.

Daniel Feingold, Senior Partner of Manchester based Strategic Tax Planning Partnership commented: Ronaldo's move is a clear sign that many high earners are not going to stay in the UK and pay the 51.5% tax; especially when there are much better tax deals on offer in other EU countries such as Spain!

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