

In football, image is all...

Graham Hambly recently chaired a seminar on football finance, guest-starring four football finance experts. Here's how the evening unfolded

Tax and HMRC took centre stage at the recent 'No Accounting 4 the Love of Football' seminar, sponsored by HMRC Enquires Investigations & Powers magazine, along with the ACCA and ICAEW.

One of the key note speakers was King's Counsel's Patrick Way. He explained that HMRC has a big thing about image rights. Remember, you don't pay tax on overseas earnings until you bring them into the UK, he told the packed audience at London's Crypt on the Green. But, as we all know, HMRC doesn't like the fact that so many international footballers don't want to pay tax on those image rights. There is also the added complication of agents' fees, said Way.

Mediation with HMRC could be the way forward, as he is representing a famous footballer who has got valuable image rights. HMRC want to split the fee between the footballer and club, as HMRC say the footballer 'got benefits'. Way was waiting for his meeting, and said he was going in with an open mind.

Sofia Thomas, a partner in Juno Tax and Chair of the International Sports Association, also spoke at the seminar. She said footballers are some of the highest taxpayers in Europe, so governments clearly realise they can receive significant amounts of taxes from them. The problem is many are not well advised and there is a need for more professional tax advisers to help them. A tax investigation is a serious business and players like Ronaldo and Messi have suspended prison sentences hanging over them now. They can also have their assets frozen, which can come as a big shock for those who are used to a lot of cash.

She talked about two big tax cases. One involved a footballer on a net contract in Turkey, who was asked to pay additional tax liabilities, and the second was on a net contract, who received £1.5m from the Chinese government when he left – money his club said was theirs! You will have to watch the video to find out the outcomes of the cases.

Deloitte's Kunal Sajdeh took the audience through the Deloitte Football Money League, which looks at the 20 highest revenue generating football clubs. These clubs generate about €10.5bn in revenue, with Real Madrid topping the pile on around €830m. The three streams of revenue come from matchday, broadcast and commercial. Interestingly, this year commercial revenue outperformed broadcasting revenue. This shows how clubs are exploiting their brands globally, he said.

When it comes to matchday revenue the benefits for UK clubs is the number of matches they have at home. There are 20 clubs in the Premier League compared with 18 in Germany. There are also two cup competitions, which is rare elsewhere in Europe. The Premier League also benefits from its global reach when it comes to

broadcasting revenue, although Sajdeh said Real Madrid and FC Barcelona are trying to fight this.

Commercial sponsorship is a big one for clubs, especially front-of-shirt and stadium rights. Stadium revenue is another major driver (think Spurs staging NFL games).

Football tours also help drive commercial revenue.

University of Liverpool's Kieran Maguire explained that football was invented in 1992 by Sky! Since then, he said retail prices have increased by 108%. The revenue for the Premier League's 20 teams has increased by 2,600%. And remember, this is – despite what Maguire – says a mature industry.

But there is one slight problem. During the period where revenue has increased by 2,600%, wages have increased by 3,600% and 18 out of 20 Premier League clubs in 2022 (a non-Covid year) lost money. The two clubs to make a profit were Brentford, it being their first season in the Premier League – many of their players were paid £30,000 a week, which by Premier League standards is low. The other club to make a profit in 2022 was West Ham United, and that's down to Londoners paying for their stadium.

Why do we have this financial conundrum, Maguire asked. It's because of the gaps in football. There is a gap at the top of the Premier League between the four clubs that qualify for the Champions League and the two clubs that don't. He ventured that the gap this season will probably be between £120m and £140m. From next season it could rise to £200m.

Maguire emphasised that what we have now in modern-day football is a 'casino game', with everyone twisting on 19. And, as everyone knows, when you twist on 19 the house always wins!

You can now check out the full video at <https://tinyurl.com/mvdnpt4h>

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The speakers

- Sofia Thomas, partner in Juno Tax & chair of International Sports Association
- Patrick Way, King's Counsel & football tax expert
- Kunal Sajdeh, a manager in the Deloitte Sports Business Group & sub-editor of Deloitte's Football Money League
- Kieran Maguire, University of Liverpool & The Price of Football Podcast