

Taxes and international soccer

Arguably the biggest sports story yesterday -- it even made the Drudge Report -- was the transfer of Cristiano Ronaldo (whose second name of Ronaldo is [in honor of Ronald Reagan](#)) from England's Manchester United to Real Madrid of Spain. Unlike U.S. sports, where players switch clubs in trades, most soccer teams simply pay cash for the player that they want, provided he is still under contract. The fee paid by Madrid to Manchester? 80 million pounds, or about \$130 million.



Brandon Arnold of the Cato Institute, meanwhile, notes that taxes likely played a role in Ronaldo's decision to [switch teams](#):

There are a number of reasons why Kaka and Ronaldo are moving to Spain, but it's pretty clear that taxes played a significant role. That's because in 2005, Spain passed a tax break for foreign workers, including soccer players. This gives Spanish teams a huge advantage in bidding wars with teams from higher-tax countries like Italy and England. To make matters worse, England recently raised its top income tax rate.

"The new tax rate in England is going to make things much harder for English clubs," [noted](#) Jonathan Barnett, a leading sports agent whose clients include Glen Johnson, Ashley Cole and Peter Crouch. "It will hinder the [English] Premier League and help the Spanish league because Spain has big tax discounts for footballers, so there's an enormous advantage to go there. Someone like Ronaldo could be offered the same money at Real Madrid but be 25% better off."

A friend of mine is actually an agent for professional soccer players and he frequently sends his players to Denmark's professional ranks. One reason is that Denmark has a tax provision for foreigners that are deemed "experts" in their field. Provided they make at least \$125,000 they are subject to a 20 percent income tax rather than the 60 percent most Danes pay. I imagine that this also helps other Danish industries attract high-level talent and stay competitive. In addition it is worth noting that many Danish clubs provide items

such as housing and cars as part of contracts for their players, which are not subject to income tax.

Posted by Colin at 9:34 AM