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Tax Relief on Retirement for Certain Income of Certain Sportspersons – S480A TCA 1997

1. Introduction

Section 12 of Finance Act 2002 introduced Section 480A into the Taxes Consolidation Act 1997 to provide relief on retirement for certain income of sportspersons specified in Schedule 23A of the Taxes Consolidation Act 1997. The relief, given by way of repayment of tax, takes the form of a deduction from earnings and can be claimed for any 10 years of assessment chosen by the taxpayer from the period comprising the year of retirement and the preceding 14 years of assessment.

2. Who can avail of the relief?

Persons specified in Schedule 23A TCA 1997 can avail of the relief. These are:

Athlete	Badminton Player
Boxer	Cyclist
Footballer	Golfer
Jockey	Motor Racing Driver
Rugby Player	Squash Player
Swimmer	Tennis Player*
Cricketer**	

* Applicable 1999-2000 and subsequent years

**Applicable 2012 and subsequent years

The present list is confined to persons involved in various sports, where participants would be expected to have a relatively short earnings span.

It is available to sportspersons who are employees or self-employed on a professional basis. It is not available to persons engaged in sport primarily as a leisure activity or on an amateur basis, rather than a competitive one.

3. Conditions for relief

Permanent Cessation

A qualifying sportsperson must satisfy the Revenue Commissioners that he/she has ceased permanently to be engaged in that occupation or to carry on that profession.

It is a question of fact in each case as to whether an individual has permanently ceased to be engaged in an occupation or to carry on a profession. In many cases, the fact of permanent cessation may be fairly obvious from the circumstances, e.g. in the case of permanent incapacity. If there is a doubt, it is necessary to have regard to all the circumstances, including the particular nature of the sporting activities carried on. For example, a jockey or boxer may cease permanently to be engaged in his/her profession if his/her professional licence has not been renewed.

Evidence such as a testimonial match following an announcement of retirement would indicate that a football player ceased permanently to be engaged in the sport of playing football on a professional level. The fact that a sportsperson continued to participate in the sport on an amateur basis would not preclude a claim under this section.

The date of the permanent cessation is also a matter of fact in each case.

Residence requirement in year of cessation

From 1 January 2014 a sportsperson must be resident in the State, an EEA state or an EFTA state for the year of assessment in which he/she ceases permanently to be engaged in that occupation or to carry on that profession. Prior to that date the requirement was that the sportsperson must be resident in the State.

Must make a claim

A sportsperson claims the relief by including a claim in his/her return of income. However, where the sportsperson is not required to submit a return of income, he/she may submit a claim directly to the Revenue Commissioners.

A claim for relief must be made within 4 years from the end of the year of assessment in which the sportsperson retires.

4. How does the relief work?

It is a deduction from total income

Qualifying sportspersons will be entitled to a deduction from total income for up to any 10 of the years of assessment claimed. The amount of deduction available is set at 40% of the gross receipts,

before deducting expenses, which arose **wholly and exclusively** from engaging in the sport. It does not apply where no direct sports earnings exist and is restricted to **direct earnings** from participation in certain sports.

Meaning of income which arises "wholly and exclusively"

Subsection (6) of section 480A TCA, 1997 defines the meaning of "wholly and exclusively" as -

- Salaries, fees, wages, bonuses or perquisites received as a **direct** consequence of playing the game, in the case of an employee, and
- All match or performance fees, prize moneys and appearance moneys received directly from playing the game, in the case of a self employed person.

Excluded income:

The following income, regarded as indirect income, is excluded-

- Sponsorship moneys received
- Receipts received for participation in advertisements, promotions, videos or television or radio programmes
- Receipts for personal appearances or interviews, newspaper articles or magazines
- Receipts for the right to use the individual's image or name to promote or endorse products or services or in any other manner.

5. Other features of the relief:

- The relief is given by means of repayment of income tax.
- It does not carry interest.
- PRSI, the Health Contribution, Income Levy or USC as applicable are chargeable on the income before the relief is granted.
- It does not create or augment a loss for the purposes of Chapter 1 of Part 12 of the Taxes Consolidation Act, 1997 (loss relief).
- It operates as a deduction, but this deduction is not to be taken into account in determining the net relevant earnings of the person for the purposes of section 787 and 787B of the Taxes Consolidation Act, 1997 (retirement annuity contracts). The application of 787B only applies with effect from 1 January 2017 in accordance with section 6 Finance Act 2016.

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- The relief given will be withdrawn if the person recommences to engage in the sport on a professional level, by making an assessment under Case IV of Schedule D for the years in respect of which the relief was originally given. These assessments may be made at any time. Where relief has been withdrawn this does not prevent a subsequent claim for the relief if and when the sportsman finally does retire at a later time.

6. Example before section 480A relief claimed

Direct Income (i.e., match fees)	200,000
Less expenses	(60,000)
Indirect Income (i.e., sponsorship)	<u>70,000</u>
Taxable Income	210,000
Tax @ 40% (2015 rate)	84,000

7. Example after section 480A relief claimed

Direct Income (i.e., match fees)	200,000
Less expenses	(60,000)
Section 480A relief $200,000 \times 40\%$	(80,000)
Indirect Income (i.e., sponsorship)	<u>70,000</u>
Taxable Income	130,000
Tax @ 40% (2015 rate)	52,000
Repay	32,000