

PaCCS Conference – Snapshots extended abstract Economic and Financial Crime workstream

Understanding the organisation of tax abuse in professional football

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My PhD research aims to understand how tax abuse in English men's professional football is organised with a view to informing more effective and efficient control. By 'tax abuse' I mean any activity in which financial advantage is achieved by illicitly withholding taxes from the state. Tax abuse may be perpetrated by individual or corporate taxpayers and may come in various forms, including activities which are frequently referred to as 'tax evasion', 'tax avoidance' or 'aggressive tax planning'. Tax abuse is therefore only *sometimes* a crime. At other times tax abuse might only constitute a civil infraction – such as tax avoidance schemes that can be counteracted and sanctioned via the UK's General Anti-Abuse Rule – whilst others might not represent any formalised wrongdoing despite being socially harmful and morally questionable.

Irrespective of their differing legal statuses, all forms of tax abuse share at least three key characteristics with transnational organised crime as defined by the Council of Europe. Firstly, all tax abuse places a burden on society as it restricts a government's ability to fund public services. Secondly, the use of company formation agents and shell companies in low tax jurisdictions means perpetration and financial flows are often transnational. Thirdly, tax abuse requires the support of professionals with specific skills, statuses and access due to the legitimate business sectors in which they operate. Tax abuse can also be considered as a form of white-collar offending: it is an activity which is socially injurious, though not necessarily criminal, and is perpetrated by individuals engaging in otherwise legitimate business activity.

Within the context of professional football in England, abusive tax activities can have particularly serious effects on the economy. According to [recent official reports](#), English football clubs are the highest spenders on player transfer fees (which are subject to VAT), contributing 43% of the global transfer spend in 2020-2021. When also taking into account the significant payroll taxes due for the employment of a Premier League footballer, who in 2019 earned approximately [£3.2m per year on average](#), the tax burden of English professional football, and therefore also the incentive for tax abuse, is high.

Crucially the professional football sector generates specific opportunities for tax abuse that are only accessible by those operating within football (or similar sectors). The misuse of so-called 'image rights' agreements is one key area of concern for HMRC. Used appropriately these arrangements allow players to legitimately receive payments for commercial exploitation of their image – such as in club marketing or sponsor advertising – from their employer at a lower rate of tax than most UK taxpayers are subject to. However, when

misused these arrangements can become a cost-cutting technique permitting clubs to attract top footballing talent that they might not otherwise be able to afford.

Another tax abuse opportunity which HMRC are currently addressing is the misreporting of agent (or 'intermediary') fees. When a player is transferred from one club to another, usually at least one agent is involved in negotiating both the transfer fee and the wages that the player will receive from their new employer. In some cases the same individual agent will represent both the player being transferred and the purchasing club. Due to differences in corporation and payroll tax rates, the tax due on the fees that agents receive for their services is lower when a greater proportion of that fee is paid by the club than by the player being transferred. This creates an opportunity for tax abuse by artificially reporting that an agent did more work for the buying club than was actually the case.

Whilst the true costs of tax abuse in professional football are unknown – because some behaviours are undetected or unreported, whilst the authorities lack the appropriate powers to combat others – a recent Freedom of Information Act request I made to HMRC gives some idea of the size of the problem. Between 2017-2018 and 2019-2020, HMRC recouped approximately £150 million through tackling tax non-compliance – including tax abuse – in the professional football sector. It is likely that much of this was recouped from individuals or entities operating in England. Furthermore, during this time, HMRC's Football Compliance Project opened 601 new cases (435 against players, 71 against clubs and 95 against agents).

My research aims to investigate the procedural organisation of these behaviours – such as how they are achieved and who is involved – but also crucially to conceptualise the unobservable structures and mechanisms which enable, incentivise or facilitate these abuses. By enhancing analysis of the necessary dynamics of tax abuse with abstraction of the contingent conditions which contribute to whether and in what form tax abuse can occur I hope to produce impactful recommendations for improved control and sustained prevention. To achieve this I am adopting an intensive qualitative research strategy, combining (1) abstraction and conceptualisation of the procedural and facilitative aspects of tax abuse with (2) semi-structured interviews with key actors from both enforcement and industry sectors and (3) case file and document analysis.