



## Sports group update: Relief for sportspersons at full-time

### Introduction

The Office of the Revenue Commissioners (Revenue) recently updated its manual on the tax relief available to certain sportspersons on retirement from professional sport to illustrate the interaction between the relief and pension contributions. This briefing in summarising the updated manual at a high level provides an overview of how this relief works and who may avail of it.

### Who can avail of the relief?

The following are “qualifying sportspersons” for the purposes of the relief:

Athlete	Jockey
Badminton Player	Motor Racing Driver
Boxer	Rugby Player
Cyclist	Squash Player
Footballer	Swimmer
Golfer	Tennis Player
Cricketer (only for 2012 and subsequent years)	

## Conditions for relief - permanent cessation

A qualifying sportsperson must satisfy Revenue that he or she has “*ceased permanently*” to be engaged in that sporting occupation or profession. Revenue has cited the following as examples of facts which would indicate permanent cessation:

- career ending injuries,
- professional licence not renewed, or
- a testimonial match following an announcement of retirement.

The fact that a sportsperson subsequently continues to participate in the sport on an amateur basis would not necessarily preclude a claim for this relief.

However, relief will be withdrawn if a person recommences engagement in the sport on a professional basis. In this case, a subsequent claim for the relief may be made when the sportsperson finally retires.

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 they ceased permanently to be engaged in that sporting occupation or profession.

## How to make a claim for the relief

A sportsperson claims this relief by including a claim in their tax return, or, where they are not required to submit a tax return, they may submit a claim directly to Revenue. A claim for relief must be made within 4 years from the end of the year of assessment in which the sportsperson retires.

## How does the relief work?

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, between the year of retirement and the preceding 14 years of assessment.

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.

The phrase “*wholly and exclusively*” is defined as including “*salaries, fees, wages, bonuses or perquisites paid ... as a direct consequence*” of playing the sport, in the cases of an employee, and “*all match or performance fees, prize moneys and appearance moneys paid ... as a direct consequence*” of playing the game, in the case of a self-employed person.

### Example:

Paula is a professional soccer player who retired from soccer in 2018. She wishes to claim sportspersons relief. To do so, she reviewed her income from playing soccer for:

- the year of retirement, and
- the 14 years prior to the year of her retirement

She selected the 10 years which allowed her to maximise her relief claim.

One of the years she wishes to claim for is 2013.

Paula's taxable income for 2013:

Soccer Salary	€175,000
Employment expenses	(€4,000)
Net Schedule E Income	€171,000
Personal Appearance Income	€9,000
Taxable Income:	€180,000

After claiming sportsperson relief for 2013, Paula's taxable income will change:

Soccer Salary	€175,000
Employment expenses	(€4,000)
Sportspersons relief	
<b>(€175,000 x 40%)</b>	<b>(€70,000)</b>
Net Schedule E Income,	€101,000
Personal Appearance Income <sup>1</sup>	€9,000
Taxable Income:	€110,000

The relief allows Paula to reduce her taxable income for 2013 by €70,000. Paula will carry out a similar review for the other 9 years she selects to calculate her total relief. The relief will be given by way of repayment of tax (i.e. the difference between the income tax actually paid on €180,000 in 2013 and what would have been payable as income tax on taxable income of €110,000.)

Any personal pension contributions Paula may have made will be deducted from her earnings in calculating her taxable income.<sup>2</sup>

<sup>1</sup> "Indirect income" is excluded from the relief. For example (1) Sponsorship moneys received; (2) Receipts for advertisements, promotions, videos, television or radio programmes; (3) Receipts for personal appearance, interviews, newspaper articles or magazines; (4) Receipts for the right to use the individual's image or name to promote or endorse products or services in any other manner.

<sup>2</sup> Tax relief on contributions to a personal pension (RAC or PRSA) is subject to two main limitations:

(1) The maximum amount of pension contributions in respect of which an individual may claim tax relief may not exceed the relevant age-related percentage of the individual's earnings in any year of assessment. The age-related percentage limits are:

Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 or over	40%

A 30% limit applies below the age of 50 years to a qualifying sportsperson.

(2) There is an overall limit of €115,000 (from 2011) on the amount of earnings that may be taken into account for tax relief purposes, which translates into a maximum pension contribution of €34,500 for a qualifying sportsperson aged under 55 earning €115,000 or more (€115,000 x 30%).

**This article does not constitute tax advice and is not to be relied upon as tax advice. Please contact a member of the William Fry Tax or Sports Group team should you have any further enquiries.**

## Contact

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