International athletes in the UK: the laws of the game

Personal tax

28 March 2025

There will be increased complexity around the taxation of international athletes following the Autumn Budget 2024.

Key Points

What is the issue?

The tax environment for UK tax resident international athletes is evolving this year in a number of key areas.

What does it mean for me?

International athletes, including professional footballers, will potentially be affected by the abolition of the remittance basis and the introduction of a new regime for those newly in the UK (which, however, excludes ‘performance income’) and a

reformed version of the overseas workday relief. These changes follow a period of HMRC scrutiny of such aspects as image rights and agent fees.

What can I take away?

Tax advisers should review the impact of the changes and ensure that they are abreast of the implications for UK tax liabilities and reporting, as well as ensuring that they continue to engage with HMRC on agreeing any complexities in their historic positions.

Given the scale of the sector and its contribution to the UK economy, this article looks in particular at UK tax resident international footballers. Football, particularly the Premier League, has become a major activity in the UK with significant earnings (and hence tax obligations) for players. For most UK tax resident footballers, their primary source of income is their club salary, and these earnings are ordinarily subject to UK income tax and NICs under the PAYE system. However, as they build their careers, players may also develop other business interests, investment income and gains, as well as a variety of other income related to football and their personal ‘brand’.

Despite being taxed at source on their employment income, many professional footballers will have an obligation to file a UK Self Assessment tax return by 31 January following each tax year. It is therefore important that footballers receive timely advice to ensure they are abreast of their obligations and keep up to date with filing and payment obligations. It can be surprising to players that they have these additional obligations when their main source of income is already taxed at source under PAYE.

For a UK tax resident, the default position is that an individual will be taxed in the UK on their worldwide income and gains on an arising basis. This means that all income and gains, regardless of where they are generated, are subject to UK tax in the year they arise.

There are often further complexities in practice. For example, benefits in kind can arise out of what may appear to be normal sports related activity (e.g. when an agent’s invoice has been paid by the player’s club) and the receipt of payment for image rights or sponsorship income which would not have tax deducted at source.

With the increase in international mobility and overseas tours, the impact of split year tax treatment or any double taxation agreements associated with players performing duties in overseas jurisdictions also need to be considered. Additional complexity would exist where assets are owned in companies or other entities which may have their own filing requirements or need to be considered for inclusion in the individual’s returns.

Players with more complicated financial affairs are also likely to need professional assistance with preparing statutory accounts for companies and ongoing company secretarial filings with Companies House. It can readily be seen that the most successful and high earning athletes will need support comparable to a small business.

Historic areas of complexity

HMRC has recently issued revised guidance on the taxation of image rights and agent payments, which have been two areas of historic complexity. The revised guidance sets out HMRC’s view that the tax treatment of these payments is determined by the commercial substance of the underlying arrangements. For payments to agents, that includes the scope and extent of the services provided by the agents (including player negotiations); for payments to image rights companies, that includes the arm’s length commercial value of those image rights to the paying club.

HMRC has also indicated the contemporaneous commercial evidence (club records and other documents) that it expects to be retained by clubs, players and agents to support the commercial substance and value of the payments.

It will be important for affected players to have regard to HMRC’s views. Those historically within these areas will want to bring their affairs up to date and agree their basis of taxation with HMRC.

The remittance basis and non-domiciled individuals

Although UK taxation might not be the foremost concern for an international footballer who has the opportunity to play in the UK, to date the remittance basis of

taxation has been available to those who are in the UK for a specified purpose and who remain non-domiciled. Under the current rules, an individual who is UK tax resident but non-domiciled can elect to be taxed on the remittance basis. Under this basis of taxation, non-UK income and gains will only be taxed in the UK when they are remitted to the UK. The remittance basis provides no relief in respect of UK-source income and gains – a UK-resident is taxable on their UK-source income and gains on an arising basis, regardless of whether they are UK or non-UK domiciled.

This beneficial tax treatment is typically available for the first 15 years of UK tax residence, with years eight to 15 incurring an annual charge ranging from £30,000 to £60,000, depending on the duration of their stay in the UK. Given that most international footballers have careers lasting fewer than 15 years in the UK with their UK-sourced income covering their UK spending needs, historically it was possible for the remittance basis to apply for their entire time in the UK. This ensures efficiency and simplicity in their UK tax affairs.

Non-domiciled individuals could also benefit from the statutory overseas workday relief for up to three years. This means that duties performed abroad while working for their UK employer could be exempt from UK taxation, provided certain conditions are met, and the income is not remitted to the UK. This relief could apply for footballers in their early years in the UK for such activities as summer tours, warm weather training camps and European competitions. Essentially, no distinction is currently made between footballers or other athletes and taxpayers coming to work in the UK in any other type of job. There is also currently no restriction on the amount of the relief.

Under the current rules, non-doms who have spent fewer than 15 years in the UK are only subject to UK inheritance tax on their UK situs assets, such as UK land or property retained by a footballer after they have left the UK. In contrast, UK domiciled or deemed domiciled individuals are liable for inheritance tax on their worldwide assets. For those moving internationally and with a relatively short career in the UK, these provisions may have had less of an impact.

Impact of the new regime

From 6 April 2025, the current remittance basis regime will be abolished and a new foreign income and gains (FIG) regime will be introduced. As outlined in the February

edition of *Tax Adviser* in ‘Reform to the taxation of non-doms: the new FIG regime’, from 6 April 2025 the UK tax rules will now focus on an individual’s residence rather than their domicile. There are also specific changes affecting ‘performers’ and overseas workday relief which are being reformed. The key changes for UK tax resident non-domiciled footballers are set out below.

Replacement of the remittance basis: The current remittance basis of taxation will be replaced by a new four-year FIG exemption applicable to foreign income and gains from 6 April 2025. However, this will not apply to performance income earned by sports persons (see below).

Reform of overseas workday relief: The revised overseas workday relief will be based on an individual’s residence and will provide an exemption for non-UK duties for up to the first four years of UK tax residence. There will also be a removal of the requirement for the income to be received into an overseas bank account and not remitted. However, overseas workday relief will now be subject to an annual financial limit, being the lower of 30% of the qualifying employment income or £300,000 per tax year.

Availability of the Temporary Repatriation Facility: The Temporary Repatriation Facility will allow players who have previously claimed the remittance basis to bring previously unremitted foreign income and gains into the UK at a reduced tax rate of 12% for 2025-26 and 2026-27 (or 15% if brought in during 2027-28). Given that international players typically do not stay in the UK long term nor remit significant funds due to their access to UK-sourced income, there may be no need to take advantage of this relief.

The opportunity to rebase: Players who have previously claimed the remittance basis will also be able to rebase their capital assets to their value as of 5 April 2017. However, given the length of a typical sporting career, this may be a less impactful change.

Residence-based system for inheritance tax: Inheritance tax will now be based on the duration of an individual’s residence in the UK. For the first ten years of UK residence, only UK-based assets will be subject to inheritance tax. After this period, the scope of inheritance tax expands to include worldwide assets. Even after leaving the UK, players may continue to be liable to UK inheritance tax due to the inheritance tax ‘tail’, which increases by one year for every additional year of UK tax

residence, up to a maximum of ten years but with a minimum of three years. The ten year rule will need monitoring, given the impact on any overseas assets and the ‘tail’ on leaving the UK.

Performance income

Effective from 6 April 2025, Income Tax (Trading and Other Income) Act 2005 s 845H will define performance income as any income chargeable to income tax (however that charge arises) that results directly or indirectly from the performance of a relevant activity, whether performed in the UK or not.

Relevant activities include: the performance of sport; participation in any sound or video recording; and any activity in connection with a commercial occasion or event. This broad definition means that income derived from match fees, media appearances and sponsorship or image rights deals will, in almost all instances, be subject to UK taxation without the benefit of the FIG regime.

The basis of the FIG regime is that it will offer a four-year exemption for foreign income and gains for individuals who have been non-resident for ten years, without the need for foreign income and gains to remain outside of the UK. Whilst performance income is unable to benefit from this regime, it will be important not to forget the wider sources of income and gains that can arise for international sportspeople from their broader investment or business activities.

Key actions to take

The new tax rules for performers, the changes to the non-domiciled regime and the increasing and historic complexity of the international sports arena necessitate an enhanced focus on assessing the changes and ensuring that all issues are appropriately identified, documented and the right amount of tax paid.

Together with their advisers, players need to review their tax status in the light of their current personal, business and investment activities, plans and objectives and assess how their position may change from 6 April 2025 under the new FIG regime. For example, they could determine whether they will be eligible for overseas workday relief concerning their overseas workdays, if the FIG regime will apply to

their passive income and gains, or even consider the double tax treaties which may now be relevant. Equally to the extent reliefs currently relied on are going, the impact of this and whether any positive steps need to be taken should be assessed.

The upcoming changes to the non-dom regime in the UK will have a significant impact on UK tax resident international footballers and other UK tax resident international athletes, making it essential to thoroughly understand the new rules. There is no sign that the international complexity of the sporting arena will diminish in the future. The increased complexity of the new rules highlights the importance of seeking professional advice to navigate the evolving tax landscape effectively, which remains a key focus area for HMRC. Those currently in the UK will need to manage the transition to the new regime; advisers will need to adapt to a new set of rules going forward and some of the steps that historically might have made sense may be less attractive to the next generation who will be wholly in a substantially reformed environment.