



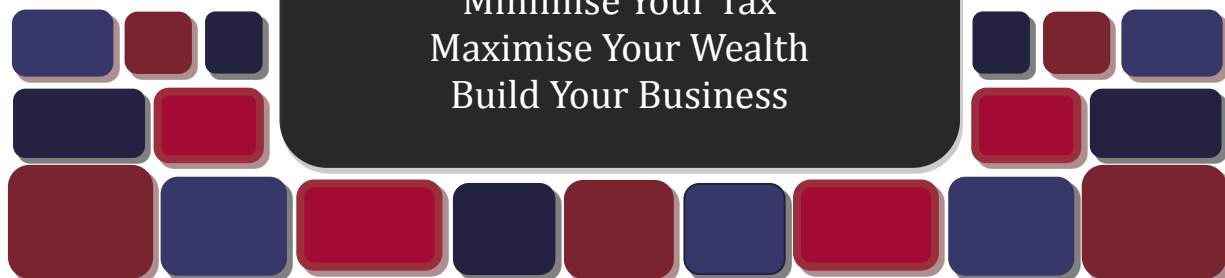
Taxation Guide

Professional Footballers

TAKE THE
STRESS
OUT OF TAX

OUR MISSION STATEMENT

Minimise Your Tax
Maximise Your Wealth
Build Your Business



Preparing Your Tax Return

If you prepare and lodge your own tax return you must do so by 31 October each year. If you use a Registered Tax Agent then you get an automatic extension to May the following year.

Due to the potential complexity of a Professional Footballers tax return and to reduce the chances of an ATO audit we strongly recommend the use of a Registered Tax Agent

DISCLAIMER

This Guide is just that, a guide. It should not be relied upon only and you should always seek the advice of your Tax Agent.

Tax regulations change regularly and although all effort has been made to ensure it is accurate at the time of printing, your tax agent will have current and up to date knowledge of changes related to property investment.

Please seek the advice of a Taxation Professional at R J Sanderson & Associates Pty Ltd.

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This document has been created from information in the legislation and various guides, rulings determinations as supplied by the Australian Taxation Office.

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Income

All earnings from professional sport are taxable, including:

- Base salaries
- Match payments
- Clinic payments and appearance fees
- Club, league and media awards
- Sponsorships and endorsements
- Royalties from product endorsements
- Sportsman's nights
- Television and media appearance money
- Transfer fees
- Signing fees
- Income protection insurance payments received due to injury
- Other payments received from any other sports related sources
- Prize money or non-cash prizes from sport

Non-Cash Benefits

Non-cash benefits received by a sports-person from their employer in respect of their employment is subject to Fringe Benefits Tax. The Fringe Benefits Tax is payable by the employer. However, other non-cash benefits received from a personal sponsor or via an endorsement contract (e.g. use of a car or free goods) will generally be assessable to the player with the tax referable to the value of the benefits received.

If you receive non-cash benefits from non-club sources you may need to include the value of these in your tax return as income.

Discuss these with your accountant to determine the best way to treat these.

Income Averaging

Professional sportspersons may qualify for the tax concessions available from "income averaging".

These tax concessions aim to protect the sportsperson who is pushed into a higher tax bracket as a result of sports earnings being higher than normal.

These provisions effectively even out the tax payable on your sporting income over five years.

Averaging of sporting income can be of particular benefit to players who have minimal non-sporting income and their sports remuneration fluctuates considerably between years.

In addition it will be of benefit for those sportspersons who have just commenced their professional sporting career.



Tax Deductions

Many expenses incurred in earning your sporting income are allowable deductions

Examples of such expenses include:

- Equipment/training gear
- Work related Memberships
- Work related telephone calls including Mobile Phone
- Income Protection insurance premiums
- Home Office expenses
- Internet
- Cleaning expenses relating to your income producing activities
- Motor vehicle expenses
- Player Agent's fees
- Costs incurred in re-negotiating contracts (see more detail below)
- Travel costs incurred between a player's place of employment and official training. Travel costs incurred between a player's residence and official training or games will generally be deductible where the player's residence is considered a 'base of operations'. (See details below about log books and substantiation)

Self Assessment

- Tax Agent Fees
- Donations
- Medical Expenses incurred personally with respect to sports related injuries or to prevent or reduce the effect of sports related injuries.

These deductions are discussed in more detail

Note: Any expense which is paid or reimbursed by your employer cannot be claimed.

- Expenses which are generally not deductible include:
 - Personal Grooming
 - Attendance at Social Functions (e.g. tickets to a club function, cost of hiring formal clothing)
 - Cost of Ordinary Meals (i.e. not undertaken whilst travelling), even where additional food is purchased on advice of the coach in order to maintain or increase weight.

It is important that players understand the way the tax return process works.

Under the current system, tax returns will not be subject to detailed examination when lodged. A Notice of Assessment will be issued on the basis of the return lodged. However, taxpayers may be "audited" by the ATO at a later date. This means that a Tax Officer will check your tax return. The ATO will continue to focus on employment related expense deductions and sportspersons generally.

Where taxable income is increased as a result of a tax audit, severe penalties may be imposed. The maximum additional tax penalty is up to 75% of any extra tax found to be payable, plus late payment penalties and interest.

Substantiation Rules

No tax deduction will be allowed unless documentary evidence, (usually a receipt), is available to support expenses so claimed if requested by the ATO.

This documentary evidence must be made available to the ATO on request, but is not required to be lodged with the taxpayer's return.

The documentary evidence must contain the following:

- date on which the expense was incurred;
- name of the person or business who supplied the goods or services and ABN;
- the amount of the expense;
- the nature of the goods or services provided;

Where money spent on total work related expenses (excluding motor vehicle expenses) does not exceed \$300 a year, the substantiation provisions will not apply. Where, however, the total expenses exceed \$300 the substantiation provisions will apply to the entire amount, not just the amount above \$300.

For individual items costing less than \$10 and totalling \$200 or less (i.e. where the nature of the expense makes it impractical to insist upon a receipt), it is sufficient to keep a diary of the expenses. The diary should state the date, amount, supplier and description of items purchased and each entry should be signed.

Separate substantiation provisions apply for motor vehicles.

Substantiation - Made Easy

R J Sanderson & Associates Pty Ltd have access to an online program through Xero which allows your bank and credit card transactions to feed automatically into the bookkeeping program.

The program allows you to record your expenditure into various categories, like motor vehicle costs, memberships, clothing, equipment, etc.

This allows us with you to automate your recording of expenses that have taxation impacts or deductions. It also allows you to record what you spend money on in relation to other expenses, such as food, restaurants, music, entertainment, shoes, clothing etc.

Receipts can be photographed and uploaded into Xero. The ATO accepts photos of receipts so the original will not need to be kept..



Frequent Flyer Benefits

Air travel received as a result of membership in a frequent flyers scheme where frequent flyer benefits arose out of employer paid travel will not be assessable to players. This will be the case if, broadly, the player's flight rewards arose under a personal contractual relationship between the player and the reward arranger, i.e. totally independent of their employer (e.g. the Qantas frequent flyer membership is held by the Player and not the Club).



Tax Deduction Details

Expenses incurred in earning sports related income are allowable deductions if they can be substantiated.

Since the High Court of Australia Decision in **Riddell v FCT and Spriggs v FCT**, AFL Players are considered to be carrying on a small business. As such, (assuming the Player earns less than \$2 million per annum) AFL Players are entitled to claim deductions as Small Business Taxpayers.

1. Equipment

Equipment used in earning sports income is generally considered to be a depreciating asset.

Equipment acquired after 2 April 2019

As a Small Business Taxpayer, AFL Players are entitled to an immediate deduction for the cost of acquiring equipment that cost less than \$30,000 if acquired after 2 April 2019 and installed ready for use by the end of the income year (i.e. 30 June 2019).

An immediate deduction would typically be available for the cost of weights, fitness equipment, bicycles and other pieces of equipment used exclusively for the purpose of producing sporting income that cost less than \$30,000. Assets that cost \$30,000 or more will need to be allocated to the general small business pool and written off over time. Assets allocated to the pool will be written off at 15% in the first income year with a 30% per cent deduction on the opening pool balance allowed for the current year and each income year thereafter.

Equipment acquired between 12 May 2015 and 2 April 2019

AFL Players are entitled to an immediate deduction for the cost of plant and equipment that cost less than \$20,000.

Equipment acquired on or before 12 May 2015

AFL Players are entitled to an immediate deduction for the cost of plant and equipment that cost less than \$1,000.

Small Items acquired during the year ended 30 June 2019

Small items such as non-conventional clothing, for example, runners, sports socks, sports shorts, sports jerseys, track-suits, tape, liniments, gloves, thermal wear, as well as other small miscellaneous items not supplied by your employer are also 100% tax deductible in the year of purchase.

2. Memberships

Membership to the AFL Players' Association is 100% tax deductible.

Membership to gyms to maintain fitness may also be deductible.

Costs incurred in playing other sports (e.g. squash) in order to maintain fitness will be deductible where the sport is played as part of a regular training program drawn up and directed by a club coach.

3. Income Protection

Premiums on disability insurance for the loss of income due to injury are generally fully deductible. Where the policy of insurance includes a component to compensate for permanent disability only a portion of the premium is deductible.

4. Cleaning Expenses

Cleaning expenses incurred in maintaining your equipment or sports attire are fully deductible. When cleaning is done at home, a tax deduction is allowable according to a usage pattern. A player would have to substantiate the percentage of total laundry costs associated with professional sports purposes. Laundry expenses (excluding dry cleaning) up to \$150 per annum does not have to be substantiated.

5. Motor Vehicles

There are several methods for deducting the running costs of motor vehicles. You may use a different method each year to obtain the maximum allowable deduction. Below are the 2 most common methods used by Professional Footballers and from 30 June 2016, the only methods available.

Where a Player Travels More than 5,000 Business KM in a Year

Where you travel more than 5,000 business kilometres a year on an annualised basis, you can claim motor vehicle expenses using any of the following methods:

(a) Actual Business Expenses Method

A log book must be kept for at least 12 continuous weeks to establish the appropriate portion of travel which is business related. This business percentage, established with reference to the log book and any variations in the pattern of the use of

the car, is then multiplied by the actual motor vehicle costs incurred for the year to calculate the appropriate tax deduction. Care must be taken in ensuring Players document their business versus private travel. Opening and closing odometer records need to be maintained.

Having kept a 12 week log book in the first year, the taxpayer is generally able to apply the business percentage established in calculating motor vehicle costs in each of the following four years.

(b) Cents per Business Kilometre Method

Players can claim a flat rate per business kilometre travelled as a tax deduction. The rate per business kilometre is \$0.66 per kilometre regardless of your engine capacity. A reasonable estimate of the business kilometres needs to be made by the player. The maximum business kilometres claimable under this method is 5,000. Any business kilometres travelled in excess of this are disregarded when calculating your claim.

Player Agent and Player Management Fees

Where a Player Travels More less than 5,000 Business KM in a Year

For players who have travelled less than 5,000 business kilometres in the year they are still free to claim motor vehicle expenses under the "Actual Business Expense" method or the "Cents per Kilometre" method.

6. Medical and Rehabilitation

Where you sustain an injury or other condition that is caused, aggravated or accelerated by the activity of playing sport professionally, we regard costs incurred to treat such conditions as tax deductible. Such costs which would generally be tax deductible include costs personally incurred with respect to personal trainers, massages, vitamin supplements and other related medical type expenses. It is important to claim such costs only where:

- they are incurred personally and not reimbursed by your employer;
- you maintain documentary evidence to substantiate the expense.

The High Court of Australia in the Case of **Spriggs and Riddell v FCT** found that AFL and NRL Players are eligible to claim a tax deduction for Player Agent Fees incurred for the purpose of obtaining a Playing Contract.

The High Court Decision overturned the Australian Taxation Office's (ATO's) practice for denying tax deductions in respect of Player Agent Fees incurred for the purpose of obtaining a new Playing Contract. As an aside, the ATO had accepted that a tax deduction is also available for Player Agent Fees if they were incurred for the purpose of obtaining sponsorship, endorsement and appearance fees.



Other Deductions

- Tax agent fees
- Donations over \$2

MOTOR VEHICLE (With a logbook)

- Fuel and oil
- Insurance
- Registration
- Loan Interest payments
- Lease payments
- Repairs and Maintenance
- Services
- Motor Vehicle Purchase (purchase date and purchase price)

TRAVEL

- Parking
- Tolls
- Car hire

CLOTHING AND PROTECTIVE GEAR

- Sun protection; sunglasses, hat, sun-screen
- Protective gear; mouthguard, head-gear, skins
- Uniform with club logo; shirts, shorts, hats, jumpers, suits.

OTHER BUSINESS RELATED

- Mobile Phone
- Internet
- Home office; average hours per week spent working at home in the study.
- Health and fitness; gym fees and gym equipment
- Printing and postage
- Stationery
- Seminars/education workshops
- Advertising and promotion
- Computer Equipment and software
- Laptop, iPad, etc.



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