



Information to Athletes on Tax and Finance

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1. Introduction

The Entourage Commission has put this information package together to help you understand the different elements in regards to finances. The various areas you should be aware of, who can help you and the best steps to move forward in this area.

Information in this document covers the following areas:

- [Income](#)
- [Expenses](#)
- [Tax](#)
- [Budget](#)
- [Financial Planning](#)
- [Insurance](#)
- [Retirement Savings](#)
- [Other Responsibilities](#)
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The diverse nature of an athlete's income is quite unique compared to the general public. Athlete's income is often sporadic and can be received from many different sources.

This information within this document has been put together to help you understand why an athlete's income is unique and how to best to understand and manage it accordingly.

We trust you find this information helpful, please remember this is a guide and it is important to check with your local accountant for your specific government regulations.



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2. Income

As an athlete you can be exposed to different types and sources of income. Outlined below are some of the key income streams you may be exposed to.

Different types of Remuneration

- **Salary.** Fixed compensation for services, paid to an athlete on a regular basis defined by a contract
- A **signing bonus** is a sum of money paid to a new athlete by a club as an incentive to join that club. Signing bonus are often given as a way of making a [compensation](#) package more attractive to an athlete e.g., if the annual salary is lower than he or she desires. Signing bonuses are often used in professional sports.

Fees for changing Club

- **Performance bonus**
Mostly linked to contracts with a team or sponsor. . A form of additional compensation paid to an athlete as a reward for achieving specific performances hitting predetermined goals (Game wins, placing or time/score specific). A performance bonus is compensation beyond normal wages and is typically awarded after a performance appraisal completed by the athlete over a specific period of time.
- **Sponsoring**
Monetary payment, services or other support from different entities, with the expectation of advantageous influence through name recognition, affiliation and marketing.
- **VIK (value in kind)**
Mostly linked to a sponsoring contract and referring to payment, distribution, or substitution of things in lieu of money. It allows distribution of furniture, automobiles, watches, prizes or even real property etc. Example: Appearance Fee Payment received by an athlete for attending events. (competition events, promotional events or other)
- **Prize Money**
A payment made in appreciation to athletes and/or teams for results at competitions
- **Scholarship**
Financial support from different entities eg, sport-federations, NOCs, governments or organisations. Paid directly to the athlete or on behalf of the athlete to supplement the athlete's education or training expenses.
- **Government grants**
Amount of money, mostly paid directly to athletes through government departments.

For Tax and social security purposes, the transition to becoming a professional athlete can often be a fine line.

Earning income from several different sources places you in a unique situation in regards to accounting, filing tax returns and social security contributions. Knowing if your income is subject to tax, social security and/or other contributions depends on individual circumstances. Therefore we strongly encourage you to contact your NOC or you are deemed to be carrying out a trade or profession and will be subject to income tax.



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3. Expenses

Expenses are classified as anything where money is being paid out. Expenses can be divided into different categories.

For tax purposes it is important to know which of your expenses can be claimed back as a tax deduction and making sure you **keep a record and relevant receipts for these**.

Living Expenses: include all the costs associated to everyday living.

- Rent/Mortgage
- Education/School
- Nutrition/Food
- Bills- Electricity/Water/Gas/Internet
- Clothes
- Hairdresser/Personal Care/Hygiene
- Doctor/Dentist/Optometrlist
- Phone
- Car
- Pocket Money
- Holidays
- Taxes
- Social security contributions
- Insurances
- Etc...

Training/competition Expenses: include things you pay to perform as an athlete.

- Coaching fees
- Training facilities
- Physiotherapy
- Massage
- Supplements
- Competition entry fees
- Travel- Flights and Accommodation
- Equipment
- Etc...

Most training expenses can be classified as tax deductions, but there is often a fine line between training costs and living costs. Each athlete's circumstance is unique; it is important for you to get professional advice on your individual situation and find out what you are and are not able to claim as a tax deduction.

4. Tax

What is tax?

Tax is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or government and a failure to pay is usually punishable by law. Depending on the legislation of the countries, it can be:

- Personal income tax; or
- Corporate profit tax; or



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- VAT; or
- Others.

Tax rates vary, depending on where you are living, how much you are earning and how your situation is qualified depending on the tax Law (i.e.: dependent, free-lance worker, other).

Athletes and tax

Athlete's incomes are often very different to many other people within the tax system. Because of this, we are treated quite specifically and the rules can be very complex.

Athletes may or may not be subject to paying tax. The income of an athlete who is profiting from their sport (making a living out of what they do) is generally fully taxable. Athletes with other forms for income outside of sport can fall into a complex middle ground. It is very important to understand the specific rules and tax laws for your country and make sure you keep in line with these as your career progresses.

In almost all countries prize and appearance fees (part of the athletes income) are subject to income tax. Professional athletes participating in an event abroad are subject to the withholding tax in the hosting (organising) country. Organisers who pay appearance and prize money have special regulations concerning remuneration calculations, deductions and payment of fees. The athlete is responsible and should consult the organiser or the organising federation. The athlete's residence country has its own tax and financial regulations which need to be understood.

When you receive a payment, you need to know if tax has been paid before you have received it or if you are required to pay the tax.

Tax deductions

If your income is taxable it also means you may be eligible to claim tax deductions. Tax deductions are costs associated with producing your income, for example, as an athlete, your training and competition expenses. Again this is very specific to local tax laws in regards to what you are allowed to claim, and you will need to obtain local advice.

Often you can reduce your taxable income by offsetting it against your sporting expenses. For example; your income minus your tax deductions = your taxable income.

Keeping records

It is important to keep receipts and records of your expenses so you are able to claim them as a tax deduction.

Advice

Financial advice and accounting is typically a tax deduction, so getting professional advice is generally worth the costs associated. Ask fellow athletes, your coach, and your local/national sporting federation to help guide you to find an appropriate accountant or financial advisor.

5. Budget

Once you understand your income, your expenses and what tax needs to be paid, it is a good idea to put together a budget. Depending on your income, there are different ways to plan a budget; we have provided some examples below.

Know your income and then plan how you spend it.



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If you know what your income is going to be, planning your budget and knowing how much you can allocate to different expenses is all part of good financial management. You may have to cut back on certain areas or you may be able to afford to spend more in certain areas or invest. The key is to understand what you can afford and also planning for the future.

Know your expenses and then plan how you will raise the money to cover costs.

If you know how much it will cost to execute your living and sporting costs required to get your best performance, then you can look for sponsorship, work opportunities or calculate possible prize money etc to fit with your requirements. Knowing your budget also gives you a good understand of where you may be able to cut costs or areas that it may be beneficial to spend more on if you receive extra income.

It is always good to look ahead and know what income and expenses are coming in the future. It is important to have a good understanding of your finances so you are able to deal with all situations. Planning and understanding how you would manage financially in the event of an injury or in the event you sign a lucrative sponsorship deal.

Do you know your weekly/monthly or yearly expenses? The IOC has a great tool to help you calculate this. Click here to use the [Budget planner Calculator](#).

6. Financial Planning

An athlete's career has a life span. We all know there are limits on how long you can be a professional Athlete, depending on your sport this can vary but it is important to understand there is life beyond your professional athletic career and it is important to plan ahead. This includes continuing your education and areas for future income and financially planning ahead during your career.

Setting up your finances and getting professional advice can be very worthwhile. There are many options when setting up a business as an athlete and these can be looked into until you find what best suits your individual situation. Getting professional advice can also save you money in the long run as they will know exactly what you are able to claim as a tax deduction and how to best manage this.

When planning ahead, there are different options in managing your money and seeking independent financial advice is recommended to tailor it to your individual circumstance. A financial planner can help you with the following areas:

- Investing – Shares, Property, business,
- Loans
- Pension plans

7. Insurance

In order to protect yourself from unexpected financial problems, it is necessary to insure yourself against the unexpected. Your need for risk protection and prevention is ever changing. An athlete must make the best decisions concerning insurance, such as:



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- **Illness and Injury**

A lack of medical and rehabilitation expenses in the case of serious illness or accident could result in a huge financial burden to an athlete. Many times this insurance, in whole or in part, is paid by your employer, so be certain to consult your contract.

- **Disability**

In the event you should become disabled, this insurance will provide you with a stable monthly income.

- **Loss of income**

This insurance is customarily very expensive and should be discussed with your club or your employer.

- **Theft insurance**

There are three major types of theft insurance: Burglary, Robbery and Other Theft.

- **Liability Insurance**

Covers damage or injury you might cause to someone else

- **Travel insurance**

For medical costs abroad, for evacuation, luggage, etc. The selection of the suitable travel insurance can help you avoid travel worries.

- **Retirement insurance**

Solutions can be offered in order to, for example, face up to a gap in your old age pension and/or keep your life style at retirement age.

Insurance companies offer a multistep consultancy, e.g.:

1. Goal setting
2. Analysis of the actual situation
3. Identify personal possibilities
4. Define targets
5. Realisation and adaptation to changed life situations

8. Retirement Savings

Retirement just kind of happens. Whatever your age or stage in life, it is never too early or too late to start saving for retirement. As you can imagine, the secret to a good retirement is saving early and often. If you do not, don't be discouraged, it is always time for action.

It is up to the individual to create a comfortable retirement for him or herself but speaking with a certified financial planner can certainly help. In any case, there are steps you can always take to help create a bright future after your sporting career and working life ends.

Make a plan

Saving for retirement can be a bit difficult when you start from scratch so the first thing you need to do is to start with creating a plan. You can do one on your own, but including a professional financial advisor is often worth the fee as the plan is the first step towards a good retirement.

Create a budget

You will also need to create a budget of your recurring expenses and include your savings contributions as a monthly expense as much as possible given the irregularity of your income. Keep in mind that a budget will show you where your money is going and should



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also provide some insight into what debts should be dealt with first. For more information on creating a budget, refer to the [Budget](#) section.

Investments

Once you managed to get a better overview of your financial situation and have a good understanding of your budget, try to diversify your investments. If you are heavily involved in just one type of investment (e.g.: only stocks), you will be more vulnerable to financial problems than if you invested in a broader range of investments, e.g., investing in both stocks and bonds. By diversifying your investments, you will have better stability and lower risk. Additionally, try to cut investment fees as much as possible without putting your investments at risk – part of what you are paying for in an advisor is expertise.

9. Other Responsibilities

Remember your career can come to a sudden end. Not many athletes retire on their own terms; many are forced to retirement through injury or missed selection. How would you cope with this sudden change? Do you have good support around you and do you have a clear understanding of your finances? It can be important to have a clear view of all parts of your career; this includes your financial situation. Once you understand your situation it can become less daunting.

10. Final Remarks

Ask Questions

If there is something you do not understand, remember to ask questions. It is better to ask and be sure about something that to find out down the track.

There are many opportunities and options for your money and athletes should have their finances under control at all times!

In order to communicate on the right level with agents, planners, financial institutions etc. it is important to be fully informed of your own financial matters, goals and expectations now and in the future!

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