

Footballers take on tax office in court over fees

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TWO footballers will take on the tax office in the High Court tomorrow as part of a test case on whether professional athletes can claim management fees as a tax deduction.

Mark Riddell and David Spriggs have been used as the public faces of a campaign by the Australian Athletes Alliance to overturn a 37-year-old ruling that says the cost of obtaining employment is not an allowable deduction.

Riddell played rugby league with St George Illawarra and Parramatta before moving to British club Wigan this year.

Spriggs was an AFL footballer who had stints with Geelong and Sydney before joining the Port Melbourne club in the Victorian Football League two years ago.

For 2004-05, Riddell claimed \$21,175 for the services of agent Daryl Mather of SFX Sports Group.

It covered the 7 per cent fee for negotiating his move from St George Illawarra to Parramatta - which boosted his pay from \$100,000 plus match fees in 2004 to \$275,000 in 2005 - and a 20per cent fee on promotional work that earned Riddell \$11,394.

Spriggs claimed \$2310 for the work of Connors Sports Management in arranging his switch from Geelong to the Swans.

Jamie Barrington, a spokesman for the Rugby League Players Association - which has 88 accredited agents - and a member of the tax committee of the AAA, said Riddell and Spriggs had been chosen because they were trying to build a profession and were not in the superstar category.

Mr Barrington said most employers paid a job agency direct and claimed the fee as a deduction. "Because of the salary cap, a player might have to seek employment with another employer but he has no right to claim that as an expense," hesaid.

When the case came before Federal Court judge Michelle Gordon, she ruled Riddell and Spriggs were entitled to the deductions because of the direct relationship "between the management fee and (their) income-earning activities".

However, the Full Federal Court agreed with the tax office that the fees were incurred in negotiating the contract that produced the income - not in the course of earning income under the contract. They would have allowed the deductions for the promotional work.

The FFC applied the rules laid down in the 1971 High Court case involving rugby league player Alan Maddalena, who claimed legal and travelling costs related to his new contract.

They said Maddalena would not have been able to claim such expenses for changing his "day job" as an electrician.

David Bloom QC, for the tax office, told a recent special leave application before the High Court that the case was "not limited to sports people", implying it covered anyone who used a third party to negotiate an employment contract.

However, Mr Bloom conceded there had been huge changes in how sports people earn income over the past four decades.

High Court judge Dyson Heydon told Mr Bloom it was "of general public importance whether Maddalena is correct or not" and that "a lot has happened in the last 37 years."

The case follows a 2005 decision in which the High Court said javelin thrower Joanne Stone had to pay tax on \$136,000 in prizemoney and grants because she had "turned her athletic talent to account for money".

At the special leave hearing, judge Susan Crennan said Stone "did not deal with the next obvious proposition, which is issues of deductibility in relation to that finding that a business was being carried on".

The AAA comprises swimmers and players in AFL, rugby league, rugby union, soccer, cricket and netball.