

French court upholds 75% tax rate, will likely mean a very busy Ligue 1 transfer window

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France's Constitutional Council has ruled that the imposition of a 75% tax rate on high incomes is constitutional. This will likely have a significant effect on the upcoming transfer window.

You may be asking yourself why we at WAGNH are so callously subjecting you to an article on French constitutional law and tax policy.

Why couldn't we ring in the new year with some lighter fare, you ask, such as crossaints lovingly served with warm GIFS of the best goals of 2013? No doubt, a hearty quiche lorraine stuffed with scouting reports from our upcoming list of top ten prospects would surely cure the hangover you're still nursing from last night. Why then, are we plopping a heaping portion of fromage de tête and oursin into your lap?

Well, what if I told you that recent developments in those, ahem, exciting fields may lead to a Ligue 1 fire sale during the transfer window which, as of today, is open for business?

On Sunday night, France's Constitutional Council ruled that [the proposed 75% tax on employees earning over £832,000 annually is constitutional](#). The tax policy had previously been ruled unconstitutional when the tax was imposed on individuals, but when the policy was changed to impose the tax on employers, it passed constitutional muster.

Robert Wood at [Forbes](#) and [The Economist](#) have you covered on the history and details of the controversial tax, and there has been long-term speculation as to what effect this tax will have on football in France. While the measure is temporary and applies only to FY2013 and FY2014 (for

now, at least), and the tax is capped at five percent of the employer's total revenue (meaning that an employer cannot be forced to pay more than five percent of what it earns towards this tax, even if the total income tax would otherwise be greater than this amount), there is a growing consensus that Ligue 1 will suffer an enormous blow as a result.

LFP (French FA) President Frédéric Thiriez claims that the tax will affect fifteen out of the twenty Ligue 1 clubs and will increase clubs' wage expenses by an average of 30%. This is a significant burden, especially when you consider that, despite broadcasting revenue reaching record highs just about everywhere else in Europe, Ligue 1 broadcasting revenue will actually decrease by around £33m next season. Thiriez admits that "[French football is in a recession.](#)" and simple economics tell us that crippling taxes is not the way back to prosperity.

Thiriez actually goes as far as to say that the tax will be "[the death of football in France.](#)"

Well then. Who are we to argue with the president of French football on the state of football in France? Let's take a look at what juicy morsels [Chelsea](#) might be able to pick off the carcass.

First, any thoughts of Radamel Falcao or anyone else currently at Monaco wearing blue anytime soon need to be put to rest immediately, as Monaco is currently exempted from French tax law.

The French government and the LFP are certainly trying to subject Monaco to the 75% income tax, but they have so far been unsuccessful. As you might be aware, Monaco plays in Monaco. You may also be aware that Monaco is not in France. Rather, it is its own 500-acre principality. I'll spare you the details, but there is certainly a strong legal argument to be made by both the league and the French government for imposing this tax on Monaco (of course, Monaco has a solid case as well, and from a legal perspective, it will be interesting to see how things play out). Where the government is concerned with collecting taxes, the LFP is concerned with ensuring competitive balance, as Monaco will find itself at a distinct financial advantage if it is the only Ligue 1 club not subject to the tax.

Prior to the Constitutional Council hearing the revised version of the proposed tax policy, [the French government voted to omit an amendment that asserted jurisdiction to tax Monaco](#) (we're just talking about the club, of course, not the entire principality) for fear that it would get struck down as unconstitutional.

Further, the likes of [Zlatan Ibrahimović](#), [Edinson Cavani](#), [Thiago Silva](#), Marquinhos, or even Marco Verratti are extremely unlikely to leave the Parc des Princes. PSG has thus far made little effort to try and comply with UEFA's Financial Fair Play regulations, and I would be surprised, to put it mildly, if they suddenly changed course. PSG seems content to overspend and engage in what I believe is likely to be ruled financial doping. A pesky 30% increase in their wage bill probably isn't going to deter them from carrying out business as usual, and they appear confident that UEFA's Club Financial Control Body (CFCB) won't impose harsh sanctions on them this spring (I am far less confident, but to be fair, no one really knows yet how the CFCB is going to interpret certain language and accounting practices. While I think that a reasonable interpretation of the issues in question can only lead to the conclusion that PSG engaged in financial doping, I am not on the CFCB, so my opinion matters little).

Despite what the club's crest would lead you to believe, Chelsea is unlikely to get the lion's share of the bounty that the (apparently) recently deceased French football carcass can offer. With the highly sought-after strikers and Brazilian centre-backs unlikely to leave France, I'm not sure that there is much that Chelsea will find particularly appetising (though Lyon's Maxime Gonalons might be a cost-effective depth signing if [Fredy Guarín](#) doesn't make his way to Stamford Bridge). Rather, with their discerning French palates, it seems like the Arsenal and Newcastle would be trying to get their fill of Ligue 1 bargains.

Further, the [perpetually-linked Kurt Zouma](#) likely doesn't earn enough for St. Etienne to be particularly influenced by the new tax policy.

That said, Chelsea has done fairly well for itself in its limited forays into the Ligue 1 transfer market (see Drogba, Didier, Essien, Michael, and Hazard, Eden), and if Michael Emenalo and the scouting department has their eye on anyone in Ligue 1, now seems like a great time to buy. Even if Chelsea does not take advantage of the situation, at the very least, the transfer activity involving Ligue 1 will be worth following to see how much the new tax policy affects European football this winter.

[Oh, those crossaints are ready? Please enjoy!](#) (our compliments to the chef, [Swederman](#))

