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Soccer Star Lionel Messi's Tax Prosecution: Argentina, Barcelona, Now Jail?

Talk about messy. [Lionel Messi](#), the [Barcelona](#) star footballer and his father are accused of scamming \$5.3 million in taxes from Spanish authorities. Along with his father, Jorge Horacio Messi, the high income player is accused of fraudulent tax returns for 2007, 2008 and 2009. It's clear this won't be a simple case. A judge must accept the prosecutor's lawsuit before any charges could be brought.

This is bad press for the World Star player but centers on companies and endorsement deals. Tax advisers can be expected to contend that this is no more than tax planning, not unlike aggressive football play. According to [Forbes](#), Messi earns \$41.3 million per year, making him the 10th highest-paid athlete in the world. But not all of it is for actual play.



Lionel Messi, Futbol Club Barcelona's player, during the match FC Barcelona-Deportivo de La Coruña. (Photo credit: Wikipedia)

He is said to collect \$21 million from endorsement deals, including Adidas. He makes about \$20 million from Barcelona. Only [David Beckham](#) and [Cristiano Ronaldo](#) had higher earnings from soccer. In a statement [released via his Facebook](#) page, Messi said:

“We have just known through the media about the claim filed by the Spanish tax authorities. We are surprised about the news, because we have never committed any infringement. We have always fulfilled all our tax obligations, following the advice of our tax consultants who will take care of clarifying this situation.”

Messi’s contract is understood to pay [€11 million \(£8.5 million\) a year net](#). But the issue is beyond salary. Barcelona’s [El Periodico](#) newspaper says it involves commercial revenues from the Spanish authorities from 2006 through 2009 by directing the income to companies in tax havens. Much remains unclear, but if the reports are to be believed, the image and license deals are assigned to companies domiciled in tax havens.

That’s not atypical in the world of athletes and entertainers. In fact, sourcing of income is often something on which even experts disagree. That is especially true for non-Americans. Athletes and entertainers have complex tax compliance jobs that at times can feel like a scrum.

The IRS has even launched a [special program](#) to target foreign athletes and entertainers. Americans must pay U.S. tax on worldwide income. But even foreigners generally must pay U.S. income tax on their U.S.-source income. That includes compensation for performances, endorsements, the sale of merchandise, and royalty or other income closely related to the event. See [Taxing Blue Jays, Marlins And Other Pro Athletes](#).

Foreign athletes and entertainers are required to file U.S. income tax returns and are subject to [special withholding rules](#). Some qualify for special tax treaty benefits depending on their home country. Still, disputes about how much is allocated to a particular country and where endorsement earnings should be taxed are common.

Consider the tax battle by South African golfer, [Retief Goosen](#). Goosen twice won the U.S. Open (in 2001 and 2004), but didn’t fare as well in U.S. Tax Court. See [Goosen v. Commissioner](#). His case concerned what was U.S.-source income subject to tax by the IRS. See [IRS Sand Trap For Pro Golfers](#).

For Messi, although the accusations seem daunting, it may be overkill to be brought as a criminal prosecution. In Spain and worldwide, Messi is a high profile target. Perhaps that could mean some tax officials are hoping to scream out a big “G O A L!”

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.