



Robert W. Wood

THE TAX LAWYER

Tax Lessons From Soccer's Messi & Ronaldo Tax Evasion Cases

Taxes 6/16/2017

Cristiano Ronaldo is now the [world's highest paid athlete](#). He has also been [accused of tax evasion](#). His team, Real Madrid, has rushed to his defense, saying that it has confidence that the star did nothing wrong and will be vindicated. But much has yet to unfold. Like fellow soccer star [Lionel Messi](#)—who was already convicted of tax fraud—Ronaldo's tax case is mostly about image rights and allegedly using shell companies to [divert income away from tax authorities](#). In the case of both stellar athletes, these might sound like unique, multi-million dollar issues having nothing to teach regular-old taxpayers. Actually, though, there are surprisingly universal lessons in these cases.

One is about transparency and good documentation. Hiding things nearly *a/ways* looks bad. Spanish prosecutors wisely focused on the Messis' secrecy. The names of the beneficial owners of companies were hidden. The Messis had companies registered in the UK, Switzerland, Uruguay and Belize. Some of the primary charges against Messi and his father involved their use of these shell companies. They were designed to avoid taxes on 4.16 million euros of Messi's income from image rights. It did not help that Messi's name came up in the Panama Papers. Similarly, prosecutors allege that Ronaldo refused to provide Spanish tax authorities with complete accountings of earnings associated with his image rights.

Prosecutors contend that Ronaldo [used an off-shore company, Tollin](#), to hide his income from tax authorities. They allege that Ronaldo filed tax returns that understated his income and his taxes due. They claim he [defrauded the Spanish government out of 14.7 million euros](#) (about \$16.5 million) between 2011 and 2014. Ronaldo's agency, Gestifute, released a [statement](#) saying that using off-shore structures is common among soccer players, and that Ronaldo's intent has always been to comply with Spanish tax laws.

Some athletes, entertainers, and high income individuals have faced similar claims. For Americans in particular, transparency is becoming a necessity. The IRS requires worldwide reporting and disclosure, and the consequences of noncompliance can be quite severe. [FATCA](#), the Foreign Account Tax

Compliance Act, requires foreign banks to reveal American accounts holding over \$50,000. With a treasure trove of data, the IRS now has the ability to check. The resources of the U.S. government are vast, and using entities that look secret can make innocent activity [willful](#).

A key element in Messi's case was the clandestine nature of the tiered entity arrangement. The Spanish prosecutor made it clear that the opaqueness of the deal was key. Advisers and accountability matter too. Messi's father Jorge may have had a much larger role than his son in setting up the chain of shell companies at the root of the criminal charges. The athlete's [prison term was upheld at 21 months](#), but, his father's was reduced to 15 months for his cooperation. 'Be accountable, and be transparent,' are surprisingly universal lessons, and certainly apply to America's tax system. One of the biggest themes is bottom line accountability. Signing a tax return requires some accountability.

One of Messi's primary defenses in the trial was that he *did not understand*. He said he signed many documents without reading them. Such a defense may not work in the U.S. either. According to the IRS, willfulness is a voluntary, intentional violation of a known legal duty. It is shown by your knowledge of reporting requirements and your conscious choice not to comply. Even willful blindness, a conscious effort to *avoid* learning about reporting requirements, is enough. Prosecutors suggested that fit Messi. As the steps that led Messi to be convicted and Ronaldo to be accused are picked over by commentators, accountability and transparency are likely to be universal lessons.

If there is a good reason to hide ownership from the public, make sure the ownership is not hidden from the *government*. Finally, be careful about deals that look tax motivated. For Ronaldo, prosecutors point to a large payment for image rights days before a Spanish tax law named for David Beckham Law was repealed in December 2014. The deal was so slick—with money for Ronaldo's image rights from 2015 to 2020, that it may be hard for Ronaldo to say that he is ignorant of tax laws.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.