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# Summer Transfer Window 2023 in Italy and Portugal

## Key tax considerations for athletes



# Tax residency rules

When does an athlete become a tax resident?

## Italy

Under Italian law, a person is considered to be resident in Italy for tax purposes if, for the greater part of the tax year (183 days in the calendar year or 184 days in the leap year), he is registered in the Civil Registry of the Resident Population, or his residence (the place where is located the habitual abode) or domicile (the place where the individual has established the center of vital interests) is in Italy. If only one of these conditions is met, the person is considered to be resident in Italy.

In view of the above, athletes who move to Italy in the second half of the calendar year (e.g., football players who sign with Italian clubs in the current summer transfer window) will be tax resident in Italy from the 2024 tax period.

## Portugal

An individual is deemed to be tax resident in Portugal if one of the following conditions is met:

- a) He/she spends in Portugal more than 183 days, consecutive or not, in any 12-months' period starting or ending in the year at stake; or
- b) If he/she spends less than 183 days in Portugal, he/she has herein his/her a home in such conditions that it can be assumed it is his/her habitual residence in Portugal in any day if the mentioned 12-months' period.

Portugal has partial tax residence rules in place. Thus, an individual will be considered a tax resident in Portugal as of the day he/she arrives on the first year of residence and as of the 1st of January only in subsequent years.



# Tax and Social Security for employment income

How is the income taxed?

## Italy

For Italian tax purposes, residents are taxed on their worldwide income.

Income from employment, consisting of all remuneration, in cash or in kind, received during the tax year under the employment relationship, is subject to Personal income tax (IRPEF – Imposta sul Reddito delle Persone Fisiche) plus local surcharges.

The current IRPEF tax rates are as follows:

- 23% on net income up to EUR 15.000;
- 25% on net income from EUR 15.000 to EUR 28.000;
- 35% on net income from EUR 28.000 to EUR 50.000;
- 43% on net income exceeding EUR 50.000.

Athletes pay around 9% of the social security burden on employment income and employers pay around 24% on top of that. The athlete's contributions are deducted directly from their wages by the club and paid to the National Institute for Social Security.

## Portugal

Individuals who are tax resident in Portugal are liable to Personal Income Tax on their worldwide income. Thus, irrespective of the source country of the income and jurisdiction where the funds are held, it must still be reported and pay taxes in Portugal.

Employment income is subject to Personal Income Tax and Social Security. For **Personal Income** Tax purposes, income will, is subject to the progressive tax rates which, with additional surtaxes, may go up to a maximum of 53% in 2023.

Progressive rates go up to 48%, but an Additional Solidarity Rate of up to 5% apply to income exceeding € 78,834. Athletes bear a 11% **Social Security** burden on employment income and employers bear themselves 22.3% on top. However, these rates apply only on 1/5 of the value of the effective remuneration with the minimum threshold of € 480.43.

# Tax compliance

What obligations do athletes have?

## Italy

Athletes who are tax resident in Italy must file a tax return by 30 November of the year following the relevant tax period (e.g., by 30 November 2023, tax returns for the 2022 period must be filed).

Taxes are payable in two instalments (by 30 June and 30 November of the current tax year), with the balance (if any) due by 30 June of the year following the relevant tax period.

In addition, for the purposes of tax monitoring, sportspersons resident in Italy are required to declare financial assets and real estate investments held abroad and to pay the corresponding wealth taxes.

## Portugal

Athletes must comply, at least, with the following obligations:

- a) Obtain a Portuguese tax number;
- b) Become a Portuguese tax resident;
- c) File a yearly tax return on the year subsequent to the one the income relates to;

Eventually apply for any applicable tax benefits, such as those described in the following question.

# What tax benefits are available to a player moving?

How can the athlete qualify for these benefits?

## Italy

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Italy is well positioned to offer favourable conditions to attract athletes.

### **Forfait Tax Regime**

It is aimed at attracting high net-worth athletes by offering advantageous conditions for the taxation of foreign income sources. In order to benefit from the regime, the athlete must have been a non-Italian tax resident for at least 9 out of the 10 years preceding the first year in which the option becomes effective.

Access to this regime allows them to split the taxation of their worldwide income by paying a flat-rate substitute tax of Euro 100.000 per year on their entire foreign source income, while applying the IRPEF tax to the portion of the income derived from Italian sources. In addition, this regime provides for exemption from wealth, inheritance and gift taxes on assets and properties located abroad. The regime is elected in the personal tax return.

### **Regime for Inbound workers**

It grants a 50% exemption from taxation on income from employment (or self-employment) deriving from sporting activities carried out in Italy. To benefit from the regime, the athlete must have been a non-Italian tax resident for the last 2 tax periods prior to the first year of relocation and must undertake to remain Italian tax resident for at least 2 tax periods from the first year of the option coming into effect. Currently, in order to enjoy of the special regime, football players must be at least 20 years old and must also agree with the club a minimum total salary of Euro 1.000.000 per year. Athletes can qualify for the regime either by informing the payer that all the conditions required by law are met and that a reduced withholding tax must be applied to the lower taxable income, or by recovering the major withholding taxes in the personal tax return.

# What tax benefits are available to a player moving?

How can the athlete qualify for these benefits?

## Portugal

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Portugal has two different Personal Income Tax schemes in place:

### **Non-Habitual Residents (“NHR”) regime**

During a tax 20-year which grants tax exemptions and reductions on foreign sourced income (such as potentially income paid by the national teams), as well as some benefits on domestic income but the latter do not generally apply to athletes. Athletes must expressly apply for this regime after becoming Portuguese tax resident and complying with some additional steps.

### **Return Program**

Individuals who lived in Portugal before 2020 and return to the country until 31 December 2023 may benefit from a 50% reduction on the tax base during 5 years. These regimes apply irrespective of the athlete’s nationality and level of income.

The specific conditions for eligibility for each scheme must be verified on a case-by-case basis.



# How are Image Rights treated for tax purposes?

## Italy

They are treated as employment income if the player's image rights are transferred to the football club.

An example could be the professional football player who enters into a contract with his employer under which both the performance of the sporting activity and the disposal of the commercial rights to the use of his image for promotional purposes are agreed.

If the remuneration from the commercial exploitation of the image rights is unrelated to the employment, it would generally qualify as Other income.

However, a case-by-case analysis would be required to determine the correct tax treatment.

## Portugal

Image Rights in Portugal are divided between the Club's "corporate" Image Right and that of the athlete individually:

- Income from the assignment of the Image Rights to exploit the image right to a Portuguese Sports Company requalifies as employment income and is subject to the tax rates above mentioned.
- When the assignment is made to an entity with which the athlete does not have an employment contract, the income shall qualify as capital income and be subject, as a rule, to a flat 28% rate.

# What specific aspects should an athlete bear in mind?

## Italy

Before moving to Italy and benefiting from one of the special tax regimes, it is important to assess the athlete's residence status and the qualification of the worldwide income for Italian tax purposes.

In general, athletes (as well as their sports agents) should be aware of the various tax compliance obligations required by law and the penalties that may apply in the event of failure to file tax returns or pay taxes.

## Portugal

Any required registrations and submissions of tax returns before the Portuguese administration (e.g. Tax Authorities, Social Security) must be proactively made by athletes.



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