



Sports Industry

Research and Development (R&D) tax relief is often not thought of by those operating sports clubs. However, many of the activities undertaken to improve player performances could qualify as R&D and lead to cash savings.

Any scientific work, such as nutrition, injury inhibition and fitness improvements, where knowledge and player performance are being improved, has the potential to qualify for the enhanced tax relief. With improved technologies and detailed statistics available, such as distance run by each player in a match, speed of bowling or serving, and length of kicks, it is now possible to measure improvements in performance.

Benefits

For small and medium sized businesses (SMEs) this takes the form of an additional tax deduction calculated as 130% of qualifying costs and provides an effective cash tax benefit of c25% for profitable companies. For loss making companies, a cash credit of up to 33.35% is available.

For larger companies (over 500 employees and either €100m turnover or €86m gross balance sheet) the benefit is reduced, but is recognised above the line, i.e. as an increase to operating profit. The effective cash tax benefit is 9.72% of the spend. For loss making companies, the 9.72% is available as a cash credit.

Capital spend on R&D (for example on new fitness rooms or training facilities) should also not be overlooked as there is an immediate deduction available for capital R&D expenditure. This gives a significant cash-flow benefit when compared to other allowances where, at best, the relief is given over more than 10 years, and in many cases, not at all.

Qualifying Costs

You can claim relief on costs that have been expensed through the Profit & Loss account and in certain circumstances you can also claim expenditure capitalised as intangible assets). The main areas of costs that can be claimed are:

- Staff costs (gross pay, employer's NI, employer's pension contributions and certain reimbursed expenses) of employees directly and actively involved in the R&D and also where undertaking certain supporting activities.
- Agency workers.
- Subcontractors/freelancers.
- Software license costs.
- Consumable items (including a proportion of heat, light and power).

Understanding your Industry

While some countries have centralised injury, fitness and nutrition centres, the UK does not and this is generally in the hands of individual clubs.

As an example, for a number of years football clubs have become increasingly sophisticated in their use of sports science and many have dedicated sports science teams including leading specialists and often collaborate with local universities.

Activities that qualify for R&D tax relief must relate to a trade, which includes "medical research that has a special relation to the welfare of workers employed in that trade". As such many activities could be eligible for R&D tax relief, in particular in four specific areas:

Nutrition optimisation – work by the club's nutritionists

- Effects of nutrition on fatigue perception, performance, muscle damage and immunity.
- Food, drink and vitamin supplements and the effect of body composition.
- The key in any case is tailoring the diet and hydration to the individual player to optimise their performance.

Fitness improvements – work by the fitness and condition coaches

- Physiology and training methods to improve speed, stamina, recovery etc.
- Methodologies to reduce muscle metabolites and pH levels and increasing oxygen uptake without impacting performance.

Injury inhibition – work by the club doctors, medical staff and sports scientists

- Injury inhibition without loss of performance.
- Work on prevention of specific injuries, such as those to the anterior cruciate ligaments.
- Treatment of injuries on the field (the "magic sponge") to enable continued playing but without any longer-term risk.

Talent identification – work by the scouts and academy staff

- Studying the impact of genetics on performance and the influence of systematic training and development.
- Identifying, monitoring and nurturing talented players.