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Cristiano Ronaldo Says No To Paying Disputed Taxes, Why You Should Say Yes

Taxes 6/23/2017

Cristiano Ronaldo, the [world's highest paid athlete](#), stands [accused of tax evasion](#) in Spain. His team, Real Madrid, rushed to his defense. Some sources even suggested that his team would pay the \$16.5 million in taxes for him. But the athlete is unhappy, even suggesting that he might leave the team and Spain. It now appears that [Real Madrid may not pay his tax bill](#) after all, which stands at more than \$16.5 million.

Reports have swirled that Ronaldo would pay the disputed taxes to reduce the severity of the charges, and to keep the size of the tax bill and penalties from growing. Then, reports bounced back that no, he would not pay after all. Big tax evasion cases involving celebrities are big news, and Spain and big soccer have had a nice run of them.



But despite the outsized dollars at stake, there are lessons for most taxpayers even at this stage of the case. One question is in a tax dispute, do you pay, or do you refuse? Opinions vary, but the optics and dynamics of a criminal case are especially sensitive. Given that this is a criminal case, Ronaldo's advisers are probably telling him to pay.

After all, it can help with the public, and more important, it can help ease the tension of the criminal proceedings. If the case ever ends in a plea bargain or a conviction, it can certainly help at sentencing. So in a criminal case, nearly all indicators point toward making the payment if you can

afford it. Clearly, Ronaldo can afford it.

Moreover, there would be no admission of guilt associated with the payment. It would normally also be possible to make the payment conditional. That way it could be recouped if Ronaldo defeats the charges and the additional taxes. All of this suggests payment is wise, even though paying the bill would not eliminate the pending criminal charges.

In a criminal tax case, paying is usually wise, no matter how much you think the government is wrong. Here, 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.

In a regular civil tax case, whether to pay is a tougher call. When [disputing a tax bill](#), are you better off refusing to pay until you get it resolved, or paying to stop interest from running while you disagree? Interest is one point of debate. When the IRS proposes adjustments to your account, interest on the liability runs from the date the tax return was due to the date the IRS receives your payment of the entire amount including taxes, penalties and interest.

Of course, if you convince the IRS they are wrong and no tax is due, there is no interest due. But if you turn out to be wrong in whole or in part and owe taxes, interest mounts quickly. Interest on tax deficiencies is not tax deductible (except for corporations), so that makes interest payments even more painful. The interest compounds daily and runs at the short-term federal rate plus 3%. See [IRS Topic 653 IRS Notices and Bills, Penalties and Interest](#). The IRS adjusts the federal short-term rate quarterly based on market rates.

Some taxpayers want to stop the bleeding and pay up but still fight the underlying tax. Who is holding the money is not supposed to impact your dispute, but some worry the IRS will be more motivated to resolve your case favorably if they don't have possession of your money. Get professional advice about your particular dispute if you're in doubt.

To completely stop interest from running, you must pay it all, including all interest that has accrued up to that point, as well as penalties. Otherwise interest will continue to build on any excess tax, penalties and interest that may be assessed. If you win your tax dispute you'll get it back.

If you pay to stop the interest, you must specifically call it a deposit and follow IRS procedures or the IRS may think you're agreeing. Make your check payable to "United States Treasury" and send a written statement designating it as a "DEPOSIT." Also include the tax year, type of tax, and why you disagree. The nature and grounds of your disagreement should be specific.

The fact that you call it a DEPOSIT is important. For one, it allows you to withdraw it upon request if you later determine you want or need the money back. But note that if you do withdraw your deposit and it later turns out you owe the tax, the IRS will charge you interest from the *original* due date of the tax return as if you never made a deposit. See [IRS Revenue Procedure 2005-18](#). No matter what, weigh your options and consider the dollars, the impact on your tactics, and even the optics.

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