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Tax and the amateur sports club

Since April 2002, many local amateur sports clubs have been able to register with HMRC as Community Amateur Sports Clubs (CASCs) and benefit from a range of tax reliefs including Gift Aid. In 2014, the tax benefits have been enhanced to encourage more clubs to register and some of the registration requirements have been amended in order to clarify the conditions that clubs will have to satisfy.

The changes may mean that a wider range of clubs will find the benefits of registering as a CASC sufficiently attractive. The Government certainly thinks so. To date there have been 6,000 clubs which have registered as CASCs. The Government has stated that over 40,000 clubs have the potential to benefit from the rules.

Some of the changes mean that larger clubs may now be able to benefit. Other changes mean that smaller clubs will find the registration process is easier as the rules have clearer tests.

What kind of club can register?

There are five key conditions for a club to qualify for registration.

Broadly a club seeking to register must:

1. be 'open to the whole community'
2. have as its main purpose providing facilities for, and promoting participation in, one or more eligible sports
3. be organised on an amateur basis
4. be located in an eligible area, primarily the EU
5. be managed by 'fit and proper' persons.

Amendments have been made to the first three of these conditions which are considered further below. There is also a new condition – an income condition – which may affect larger clubs.

1 Open to the whole community

A club is open to the whole community if:

- membership of the club and the club's facilities are open to people without discrimination
- any fees are set at a level that does not pose a significant obstacle to membership or use of the club's facilities.

1a - Discrimination

There are no changes to the discrimination condition. As may be expected, a club cannot discriminate on various grounds including sex, nationality, religion or disability - except as a necessary consequence of the requirements of a particular sport.

1b - Costs associated with membership and participation

New regulations have been introduced here which clarify what it means for a club to be open to the whole community and to allow a club to charge a higher amount for membership and participation in the club's activities.

- A club where membership and participation costs total £520 or less a year will considered to be open to the whole community.
- A club where membership costs (excluding participation costs) are above £1,612 a year will not be eligible.
- A club where membership and participation costs total more than £520 a year must make special provisions for members on a low or modest income to participate for £520 or less. For example, it may be acceptable to charge a lower fee for a membership class in return for reduced access to the club's facilities. However, clubs that are open seven days a week will need to provide a member with full access at least three days a week on days that suit a member, including weekends.

The costs associated with membership will include all the mandatory costs that arise and not just the annual subscription. For example if a member of a golf club is required to provide their own equipment, these costs need to be taken into account (but if a second hand set of clubs is acceptable, it is only the typical cost of such a set which needs to be included).

2 Main purpose

The main purpose of the club must be to provide facilities for an eligible sport and to encourage participation in that sport. To qualify as a CASC at least 50% of all members must be participating members, that is they must participate in the sporting activities of the club on a regular basis (regular means at least 12 times a year).

Eligible sports are defined in the legislation by reference to the Sports Council's list of recognised activities. Examples include cycling, golf, rambling, tennis and snooker.

http://bit.ly/cascinfo

3 Organised on an amateur basis

A club is organised on an amateur basis if:

- it is non-profit making
- it provides for members and their guests only the 'ordinary benefits' of an amateur sports club
- it does not exceed the limit on paid players
- its governing document requires any net assets on the dissolution of the club to be applied for approved sporting or charitable purposes.

3a - Non-profit making

A club is non-profit making if its governing document requires any surplus income or gains to be reinvested in the club. Surpluses or assets cannot be distributed to members or third parties. This does not prevent donations to charities or to other registered CASCs.

3b - 'Ordinary benefits' of an amateur sports club

Some of the rules as to what constitutes an 'ordinary benefit' have been amended.

The ordinary benefits of an amateur sports club include:

- provision of sporting facilities
- reasonable provision and maintenance of club-owned sports equipment
- provision of suitably qualified coaches
- provision or reimbursement of the costs, of coaching courses
- reimbursement of certain travel expenses incurred by players and officials travelling to away matches
- sale or supply of food or drink as a social adjunct to the sporting purposes of the club.

3c - Payments to members

A club is allowed to:

- enter into agreements with members for the supply to the club of goods or services or
- employ and pay remuneration to staff who are club members.

So a CASC could pay members for services such as coaching or grounds maintenance but would not, for example, normally pay members to play. However, under the new regulations clubs will be allowed to pay a maximum of £10,000 a year in total to players (but not officials) to play for the club.

A new income condition

All CASCs must meet a new income condition which aims to ensure that CASCs are mainly sports clubs rather than mainly commercial clubs with sports activities. The income condition will apply to the turnover received from broadly commercial transactions with non members, where the club is offering a commercial service or supply, for example sales of food and drink. The maximum amount of turnover that a club may receive under the income condition will be £100,000 a year, excluding VAT.

However as we explain below, there are organisational structures that can be put into place to ensure the income condition is satisfied.

Clubs will be able to generate unlimited income from transactions with their members. Investment income and donations received will also be excluded from the income condition.

Tax reliefs

There are tax reliefs available to:

- CASCs
- individuals who make donations to CASCs
- companies who make donations to CASCs.

The third category is new.

Tax reliefs for CASCs

CASCs can reclaim basic rate tax on Gift Aid donations made to them by individuals but CASC subscriptions are not eligible as Gift Aid payments.

CASCs are treated as companies for tax purposes. Therefore, their profits may be chargeable to corporation tax.

CASCs can however claim the following tax reliefs:

- exemption from Corporation Tax on profits from trading where the turnover of the trade is less than £50,000 (formerly £30,000)
- exemption from Corporation Tax on income from property where the gross income is less than £30,000 (formerly £20,000)
- exemption from Corporation Tax on interest received
- exemption from Corporation Tax on chargeable gains.

It should be noted that if trading turnover or property income exceed the thresholds, all the income is assessable to corporation tax.

Non-domestic rates relief

CASCs in England, Wales and Scotland get the same relief that would be available to a charity (80% mandatory relief) where the CASC property is wholly or mainly used for the purposes of that club. The mandatory relief is also available in Northern Ireland but only on the qualifying portion of the property used for prescribed activities.

Tax reliefs for individuals

As noted above CASCs can reclaim basic rate tax on Gift Aid donations made to them by individuals. If the individuals pay income tax above the basic rate of tax, they will be able to claim relief from the higher rates of tax.

Gifts of chargeable assets to CASCs are treated as giving rise to neither a gain nor a loss for capital gains purposes.

Individuals also obtain relief from inheritance tax on gifts to CASCs as they are treated as exempt transfers in the same way as gifts to charity.

Tax relief for companies

The Finance Act 2014 extends corporate Gift Aid to donations of money made by companies to CASCs. This allows companies to claim tax relief on qualifying donations they make on or after 1 April 2014.

The potential attractions of corporate Gift Aid

It is expected that the corporate Gift Aid provisions will not only encourage companies to make donations to clubs which are registered as CASCs but will also encourage clubs with high levels of commercial trading to potentially benefit from CASC status. A club with significant trading receipts may well not qualify for CASC status because of the income condition. It could however set up a trading company and donate the profits to the club. The donation received by the club will not be treated as trading receipts and thus the club could apply for CASC status. The new Gift Aid relief will eliminate the corporation tax charge on the profits of the company.

Businesses (unincorporated as well as companies) that donate goods or equipment that they make, sell or use get relief for their gifts. They do not have to bring any disposal amount into account, but can still obtain relief for the cost, for tax purposes.

Existing CASCs

All existing CASCs will retain their CASC status in the short term but all will need to review the new rules to consider whether they need to make any changes and to put those changes into effect.

Clubs will have 12 months from the date the regulations come into force to consider their position.

How we can help

The tax benefits to CASCs and donors to CASCs are potentially very attractive but need to be compared to the potential constraints that may need to be introduced on the club's activities and the way it is run.

We can help you to decide whether the club you are involved in will benefit overall from CASC status.

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