

Tax Breaks for Sports Clubs

Introduction

The Chancellor of the Exchequer announced in his 2001 Budget statement that the Treasury would consider the best way for the tax system to give community amateur sports clubs further support and to recognise their contribution to community life.

On 30 November 2001, the Charity Commission announced that it would now recognise as charitable “the promotion of community participation in healthy recreation by the provision of facilities for the playing of particular sports”. The Charity Commission’s remit extends only to England and Wales. In Scotland (and Northern Ireland) organisations apply to the Inland Revenue for recognition as a charity. The Inland Revenue has stated that its approach to charitable status for sports clubs in Scotland will run in parallel with that of the Charity Commission. **Whilst there is no doubt that this development was an attempt by Government to help the financial position of sports clubs it is the view of sportscotland and the Scottish Sports Association that it is not yet clear how charitable status for sports clubs in Scotland will operate. It is our current view therefore that the best way forward for clubs is to explore registering as a CASC (see below), and the tax breaks that brings, rather than pursuing the charitable status route.**

On 17 April 2002, in his Budget, the Chancellor of the Exchequer introduced a package of tax relief to support Community Amateur Sports Clubs (CASCs) as an alternative route for those CASCs unable or unwilling to apply for charitable status. Sports clubs in Scotland are now free to choose to apply to the Inland Revenue either for charitable status, and the tax treatment that accrues with it, or for Community Amateur Sports Club registration and the tax reliefs specifically for CASCs.

For detailed guidance, you will need to approach the Inland Revenue’s Sports Clubs Unit on its CASC information helpline (Tel: 0131 777 4147, Fax 0131 777 4045). Alternatively you can write to the Sports Clubs Unit, Inland Revenue, Meldrum House, 15 Drumsheugh Gardens, Edinburgh EH3 7UN or email sportsunit@gtnet.gov.uk. Application forms and further details of the scheme can be obtained from the Inland Revenue’s website at www.inlandrevenue.gov.uk.

sportscotland is pleased to offer the following information about the two options and related issues. A detailed information pack has also been issued to Scottish Governing Bodies of Sport and Local Sports Councils under cover of a letter from **sportscotland** on Tuesday 27 August. But please note, whilst every effort has been made to verify its accuracy, **sportscotland** cannot be held liable for any loss or costs arising directly or indirectly from reliance on this information.

Questions and Answers

What kind of club is eligible to be a CASC?

Community Amateur Sports Clubs (CASCs). The club must be properly constituted as a not-for-profit organisation, with no provision for payment to members during the life of the club or upon dissolution. It can be either unincorporated (i.e. an association of members with unlimited liability) or incorporated as a company limited by guarantee (not shares). Proprietary and private members clubs would not be eligible.

The club must operate an open membership policy that allows anyone, within reason, to join and use its facilities.

What sports are eligible?

The Inland Revenue is constrained by current charity law and can only grant charitable status where the sport in question is capable of improving physical health and fitness. The Charity Commission identify nine sports that appear not to meet their criteria:

Angling

Ballooning

Billiards, Pool and Snooker

Crossbow

Rifle and Pistol Shooting

Flying

Gliding

Motor Sports

Parachuting

Applications to become charities from clubs promoting these sports will, however, be considered if they demonstrate clear benefits to a participant's physical health. The Charity Commission also has serious reservations about the sports that may be regarded as dangerous. The Inland Revenue will regard as eligible for CASC status, and therefore able to apply for the tax breaks route, those sports, including those listed above, recognised by the four home countries sports councils and UK Sport.

Can the club operate exactly as it does now?

In many cases, yes. But if a club wants to become a charity, the club constitution may well have to be amended so that its stated purpose is specifically and exclusively charitable. And that would mean that the promotion of either an individual sport or sport in general could not be one of the main purposes of the club, as set out in its constitution. If the club wishes to become a CASC, then a

constitution that provides for the promotion of one or more sports is acceptable. Scottish governing bodies of sport will want to work with the Scottish Sports Association to develop model constitutions acceptable to the Inland Revenue.

Can the club still select its best players for competitive leagues and tournaments?

Yes, so long as those members who choose not to play competitively, or are not selected, are not then prevented unreasonably from participating when and how they want to. Similarly, any coaching that is available should be offered to all members, not just the most talented or skilful.

Are there any rules about trading activities?

Refreshments provided in connection with playing activities (e.g. during and after matches or training) are acceptable, but purely social activity would need to be accounted for separately, as it is not 'charitable' (although tax relief would be available on profits covenanted to the club). For Community Amateur Sports Clubs, the Inland Revenue accept social activities as an adjunct to playing sport, provided that the main emphasis of the club is on playing rather than spectating or socialising. But any trading activity by an approved CASC, up to a £15,000 turnover limit, will not be treated as taxable by the Inland Revenue.

Does this mean the club cannot have social members?

For clubs that become charities 'non-playing' volunteers and helpers are acceptable, but people intending only to take advantage of the club's social facilities are not eligible for the benefits of charitable status, so the club should not have a 'social' membership category. Strictly social activities, unrelated to participation in sport, would need to be organised separately (although tax relief would be available on profits covenanted to the club).

Is it easy to register as a Community Amateur Sports Club?

Relatively so. The Inland Revenue has tried to minimise the bureaucracy, within the constraints of legislation and accountability. Application forms are readily available and not difficult to complete. Some clubs may need to amend their constitution to meet requirements

Will the club get rates relief?

One of the benefits of becoming a registered charity is entitlement to mandatory rates relief. This is currently available at a rate of 80% with individual local authority discretion to increase this to 100%.

What about VAT?

VAT falls under European Union jurisdiction and is no respecter of charitable or fiscal status. It is a tax on goods and services rather than supplier or receiver, and even charities are liable for VAT (with a few exceptions).

So what exactly are the benefits of charitable status compared with the Inland Revenue scheme?

In general terms, the range of tax benefits available to charities is broader than that available to Community Amateur Sports Clubs. Equally, the regulatory responsibilities of becoming a charity are greater than those relevant to CASCs. The 2002 Finance Act introduced an alternative package of tax relief via the Inland Revenue. Details of the scheme are now available from their website.

The table below makes a broad comparison of the two schemes:

	Charitable Status	Inland Revenue proposals
Direct taxes	Primary purpose trading income exempt from tax if carried out in a separate subsidiary company and then donated to the charity.	Gross income from fundraising and trading exempt from tax where turnover is less than £15,000 (all such income is taxable if the threshold is exceeded)
	All rental income exempt	Gross income from property exempt from tax where less than £10,000 (all such income is taxable if the threshold is exceeded)
	80% mandatory relief from uniform business rates	Under separate legislation not likely to take effect until 2004, mandatory rates relief at 50% for clubs with a rateable value of less than £3,000 reducing to no relief for rateable values more than £8,000
Incentives to give	Gift Aid on individual donations.	Gift Aid on individual donations.
	Payroll giving	No payroll giving
	Income tax relief on gifts of shares	No income tax relief on gifts of shares
	Inheritance tax relief on gifts	Inheritance tax relief on gifts
	Gifts of assets on no-gain no-loss basis for capital gains	Gifts of assets on no-gain no-loss basis for capital gains
Fundraising	Business: relief on gifts or trading stock	Business: relief on gifts or trading stock
	Grants available from other charities, eg. community foundations, and other bodies supporting charities	Will not attract charitable sources of funding
Regulation	Charity Commission regulation and audit in England and Wales. Charities are regulated by the Inland Revenue and Scottish Charities Office in Scotland	Inland Revenue regulation and audit
	Public recognition of and trust in	Public awareness of CASC "brand" to be developed

"charity" and "Gift Aid" concepts though still using the gift aid concept.

Charity Commission definition based on health benefits of physical recreation

Inland Revenue definition based on the value of sport as a factor in community cohesion, as well as health benefits.

Sports must be capable of improving **physical** health and fitness

Uses Sports Councils' list of recognised sports and so a broader range of sports eligible.

Significant social activity to be kept separate from charitable activities

Social membership permitted as an adjunct to the sporting activities.

Is there a Helpline?

Yes. Sports clubs wishing to apply to register as a CASC should contact the CASC information helpline administered by the Inland Revenue (Tel: 0131 777 4147, Fax 0131 777 4045). Alternatively you can write to the Sports Clubs Unit, Inland Revenue, Meldrum House, 15 Drumsheugh Gardens, Edinburgh EH3 7UN or email sportsunit@gtnet.gov.uk . Application forms and further details of the scheme can also be obtained from the Inland Revenue's website at www.inlandrevenue.gov.uk .