

COMMUNITY AMATEUR SPORT CLUBS

Local amateur sports clubs may wish to register with HMRC as Community Amateur Sports Clubs (CASCs) and benefit from a range of tax reliefs including Gift Aid. This factsheet considers the tax benefits and the registration requirements that clubs have to satisfy.

What kind of club can register?

Broadly a club seeking to register must:

- be open to the whole community
- be organised on an amateur basis
- have as its main purpose providing facilities for, and promoting participation in, one or more eligible sports
- not exceed the income limit.

Open to the whole community

A club is open to the whole community if:

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

Discrimination

Discrimination includes:

- discrimination on grounds of ethnicity, nationality, sexual orientation, religion or beliefs
- discrimination on grounds of sex, age or disability, except as a necessary consequence of the requirements of a particular sport.

Costs associated with membership and participation

Some objective tests have been introduced in order to determine whether costs of membership pose a significant obstacle:

- clubs where membership and participation costs total £520 or less a year will be considered to be open to the whole community
- clubs where membership costs (excluding participation costs) are above £1,612 a year will not be eligible

- clubs 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.

HMRC examples of how to compute membership and participation costs in their guidance at: www.gov.uk/government/publications/community-amateur-sports-clubs-detailed-guidance-notes/community-amateur-sports-clubs-detailed-guidance-notes

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.

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 other clubs that are registered as Community Amateur Sports Clubs.

'Ordinary benefits' of an amateur sports club

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 necessary and reasonable travel expenses and subsistence 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.
- HMRC, in their guidance provide examples of what are necessary and reasonable travel and subsistence expenses.

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 new regulations clubs are allowed to pay a maximum of £10,000 a year in total to players to play for the club.

Eligible sports

Eligible sports are defined in the legislation by reference to the Sports Council's list of recognised activities. This can be accessed using the following link: www.sportengland.org/our-work/national-work/national-governing-bodies/sports-that-we-recognise/

Promoting participation in an eligible sport

A club must promote participation in an eligible sport and also provide facilities for playing the sport. To meet this objective, a club must ensure at least 50% of the members are 'participating members'. To be a participating member they must participate in the sporting activities of the club on a number of occasions that is equal to or more than the club's 'participation threshold'. The participation threshold is based on the number of weeks in the club's accounting period.

Some clubs have the main purpose of providing social leisure facilities. If this is the case they will not be able to register as CASCs, because these clubs are principally places for people to meet for social purposes even though some sporting activities take place.

The income limit condition

All CASCs must meet an income condition which aims to ensure that CASCs are mainly sports clubs rather than mainly commercial clubs with sports activities. The income condition applies 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. Any income from renting out property is to be included eg renting out the club's grounds. The maximum amount of turnover that a club may receive under the income condition is £100,000 a year, excluding VAT.

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

Tax reliefs for registered 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 claim the following tax reliefs:

- exemption from Corporation Tax on profits from trading where the turnover of the trade is less than £50,000

- exemption from Corporation Tax on income from property where the gross income is less than £30,000
- exemption from Corporation Tax on interest received
- exemption from Corporation Tax on chargeable gains.

It should be noted that if trading turnover exceeds £50,000, all the trading profit is assessable to corporation tax.

Example

A CASC runs a trade with turnover of £60,000 and profit of £6,000. Because the turnover exceeds the £50,000 limit the profit is taxable. The CASC also has gross rental income of £12,000. The gross rental income is below the exemption limit and is not taxable.

Claiming the tax reliefs

Where a CASC receives a tax return, relief can be claimed in the return. However most clubs do not receive a tax return each year. If the club has had tax deducted from its income or if it has received Gift Aid payments, it can claim a repayment from HMRC.

Corporate Gift Aid to the rescue?

Corporate Gift Aid is available for donations of money made by companies to CASCs. Companies are therefore allowed to claim tax relief on qualifying donations they make on or after 1 April 2014.

The corporate Gift Aid provisions encourage companies to make donations to clubs which are registered as CASCs but 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 trading receipts. It could however set up a trading subsidiary 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.

There are however other issues for the club to consider in the establishment of a trading subsidiary.

Non-domestic rates relief

CASCs in England and Wales 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. For CASCs in Scotland, the Scottish Executive has agreed voluntary relief with local authorities for the same amount.

Relief for donors

- Individuals can make gifts to CASCs using the Gift Aid scheme. We have a separate factsheet giving further details of the Gift Aid scheme.
- Businesses giving goods or equipment that they make, sell or use get relief for their gifts.
- Corporate Gift Aid.
- Gifts of chargeable assets to CASCs are treated as giving rise to neither a gain nor a loss for capital gains purposes.

How we can help

Please contact us on 0121 711 2468 or 024 7651 8555 if you have any queries relating to the rules on CASCs. We would be delighted to help.