



Tax breaks for sports clubs



Information Sheet - Tax breaks for sports clubs

Sports clubs have long sought 'Parity with Charity'. In collaboration with a range of organisations, the Sports Council for Northern Ireland (SCNI) and the Northern Ireland Sports Forum (NISF), have actively campaigned for recognition that amateur sports clubs are at the heart of community life and contribute significantly to the fabric of society.

On 30th November 2001, the Charity Commission announced that it would recognise as charitable "the promotion of community participation in healthy recreation by the provision of facilities for the playing of particular sports". Then, on 17th April 2002 the Chancellor of the Exchequer introduced a package of tax reliefs 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 Northern Ireland are now free to choose to apply either to the Inland Revenue – Bootle, for charitable status, and the tax treatment that accrues to it, or to the Inland Revenue - Edinburgh for the tax reliefs specifically for CASCs. These tax breaks and the flexibility offered are welcomed.

Still greater benefits are likely if recommendations made on 25th September 2002 by the Strategy Unit of the Cabinet Office come to fruition. The Unit's report, entitled "Private Action, Public Benefit" proposes that the advancement of amateur sport should become one of ten new charitable purposes. Both SCNI and the NISF have long campaigned for such official recognition of the benefits of sport in fostering a healthier, more successful society, and will now be looking closely at the detailed recommendations in this new report due to be released in Spring 2003. This document offers an outline on the two existing measures, Charitable Status and CASCs. But please note, whilst every effort has made to verify its accuracy, the SCNI or NISF cannot be held liable for any loss or costs arising directly or indirectly from reliance on this information.

For detailed guidance on the two measures, clubs should approach the Inland Revenue- Bootle(0151 472 6036 or <http://www.inlandrevenue.gov.uk/charities/started.htm>) and/or the Inland Revenue-Edinburgh (0131 777 4147 or <http://www.inlandrevenue.gov.uk/casc/index.htm>).

What kind of club is eligible?

For a club wishing to register as a Community Amateur Sports Club (CASCs), it must be (1) open to the whole community; (2) organised on an amateur basis; and (3) have as its main purpose, the provision of facilities for the promotion of participation. The club must also 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.

For a club applying for charitable status, its primary purpose must be to promote healthy recreation – that is, that it promotes community participation in a sport or activity which is beneficial to physical health. The club must operate an open membership policy that allows anyone, within reason, to join and use its facilities. The club must also be genuinely amateur – that is, it is a not-for-profit organisation, and no-one stands to benefit financially from membership.

What sports are eligible?

Charitable Status is constrained by current charity law and can only be granted where the sport in question is capable of improving physical health and fitness. The Charity Commission has identified nine sports that appear not to meet this criteria:

**Angling Ballooning Billiards, Pool and Snooker Crossbow
Rifle and Pistol Shooting Flying
Gliding Motor Sports
Parachuting**

Although, clubs in sports or activities that do not promote physical health may apply successfully if they exist to use sport as a means to promote another charitable purpose. In this case they may use sport to advance the education of young people, or to improve the quality of life of disabled or elderly people. In order to qualify for charitable status, such clubs would need to show that they exist specifically for these purposes.

Under the CASCs scheme the Inland Revenue will regard as eligible those sports recognised by the Sports Councils.

Can the club operate exactly as it does now?

In many cases, yes. But to become a charity, the club constitution will have to be amended so that its stated purpose is specifically and exclusively charitable. SCNI and NISF will be working with governing bodies of sport to develop model constitutions acceptable to the Inland Revenue Charitable Status requirements.

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

Yes, so long as members who choose not to play competitively, or are not selected, can still participate, within reason, when and how they want. 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 the Charity Commission stipulates that 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).

Under the CASCs scheme the Inland Revenue accepts social activities as an adjunct to playing sport, provided that the main emphasis of the club is on playing rather than spectating or socialising.

Does this mean the club cannot have social members?

'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).

This does not apply to the Inland Revenue CASCs scheme, which accepts the supply of food and drink as a social adjunct to the sporting purposes of the club, as long as the majority of members participate in sport.

Won't there be a lot of bureaucracy in applying for charitable status or the Inland Revenue tax relief package?

No. There are forms to fill in and the club will have to send a copy of its constitution and accounts to the Inland Revenue, but help is available from the department's registration staff.

If an application for charitable status is successful, the club will be given a registration number and the club's details will be entered on the register of charities. As a registered charity, if the club has a turnover of less than £10,000 a year (excluding bar takings) it will be required only to confirm each year that the club's registered details are correct and up to date. Although club officials will need to keep accounts, it will not be necessary to submit them to the Inland Revenue unless they are requested. (NB Clubs with a turnover of more than £10,000 will need to complete and send an annual return together with the charities annual report and accounts to the department within 10 months of the end of the club's financial year.)

Will the club get rates relief?

One of the benefits of becoming a registered charity is entitlement to mandatory rates relief of 80%.

For CASCs, there is the prospect – under forthcoming local government legislation – of 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.

However, many local authorities currently give discretionary rates relief to CASCs, and this would still be available to top up any mandatory relief the club secures.

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?

The range of benefits under the CASCs scheme is not as extensive as those conferred by charitable status. The table below makes a broad comparison:

Charitable Status

Inland Revenue proposals

Direct taxes	Primary purpose trading income exempt from tax	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 and company donations	Gift Aid on individual donations only
	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, e.g. community foundations, and other bodies supporting charities	Will not attract charitable sources of funding

Charitable Status

Inland Revenue proposals

Regulation	Inland Revenue regulation and audit	Inland Revenue regulation and audit
	Public recognition of and trust in "charity" and "Gift Aid" concepts	Public awareness of CASC "brand" to be developed
	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
	Sports must be capable of improving physical health and fitness	Uses Sports Councils' list of recognised sports
	Significant social activity to be kept separate from charitable activities	Social membership permitted





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