

# worldsportslawreport

**FEATURED ARTICLE**  
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# Supporting local sports clubs through the tax system

Registering as a Community Amateur Sports Club (CASC) offers local sporting clubs a number of financial incentives. Richard Baldwin, a tax consultant and individual member of the CCPR, explains how local sporting clubs can claim money back from the government to invest in grassroots development.

Despite the disappointment of the Chancellor's recent Budget Statement regarding tax incentives for sport, the Government must be congratulated on its initiative to help local sports clubs through the Community Amateur Sports Club (CASC) scheme. Recently, the fourth anniversary of this scheme passed, and a review of its impact reveals that it has been able to help nearly 4,000 clubs to date.

The CASC scheme had its origins in a Working Group established by the Department for Culture, Media and Sport in 1999. This Group had representatives from national sports bodies and professional advisers to sport, including Bates, Wells & Braithwaite and myself at Deloitte. The Working Group put in a lot of effort behind the scenes and, following a Consultation Document issued by HM Treasury in November 2001, legislation was introduced in Finance Act 2002. Under this, clubs that qualified as community sports clubs could register using a very simple process with the then Inland Revenue to obtain valuable tax relief and mandatory relief from uniform business rates (introduced later from 2004). Also, from November 2001, the Charity Commission relaxed its interpretation of charitable status and sport, with the result that clubs could alternatively choose to register as a charity. Since this fundamental change in the way that local sports clubs are treated, most clubs have

chosen to register under the CASC scheme. Deloitte has estimated that this has been worth £12 million to those clubs that have registered.

One of the major benefits of registration is that individuals can give to a CASC under the Gift Aid scheme. This has been available to charities for many years but is now available to registered clubs which are now taking advantage of it. Indeed, this ground-breaking change could fundamentally improve the finances of local sports clubs and other countries are considering following the UK lead. Last autumn, I visited Australia to give a presentation on the UK scheme. Interestingly enough, no similar reliefs for tax-effective giving to local sports clubs exist in Australia.

Gift Aid relief for individuals is one of a number of benefits. In order to obtain this relief, the club must be registered as a CASC with HM Revenue & Customs. This is achieved under a relatively simple process provided the qualifying conditions are fulfilled, but may involve a change in the club's Constitution.

**Table 1**  
Illustration of impact of gift aid - for individuals and sports clubs

Gross equivalent	128
Income tax at 22%	(28) <i>Recoverable by club</i>
Paid by donor	100
Higher rate relief	(23)
Net cost to donor	77

**Table 2**  
Top Ten sports - 31 March 2006

Sport	Registered CASCs
Cricket	731
Bowls	600
Lawn Tennis	344
Rugby Union	300
Football	284
Golf	255
Mixed Sports	255
Sailing, Yachting & Cruising	219
Shooting	93
Rowing & Sculling	80
Total	3,161

## How is cash generated by sports clubs under the CASC?

To date, the cash benefits received by clubs have mainly been derived from:

- mandatory business rate relief of 80%;
- Gift Aid under which individuals can give with the benefit of tax relief, resulting in a cash refund both for clubs and higher rate tax payers.

In addition, corporation tax reliefs have been introduced, the most important of which in practice has been that registered clubs can sell valuable land and pay no tax on any gain realised, provided this is reinvested in the club. In addition, interest income is exempt from tax, and there are limited exemptions for trading and rental income. Whilst these exemptions have had relatively little practical importance in recent years because no corporation tax has been charged on the first £10,000 of taxable profits, this will change from 1 April 2006. From that date, the so-called nil rate band of corporation tax is abolished and replaced by a tax charge of 19%. Many unregistered clubs will now need to look carefully at their annual accounts to see whether they have income on which tax is payable.

Another potentially valuable relief for a CASC is that an individual can make a gift to a CASC either during his or her lifetime or on death, free of inheritance tax. This relief has the potential in the long term to provide valuable capital for the club.

## How do the reliefs of business rate and Gift Aid work?

Firstly, mandatory rate relief of 80% is relatively straightforward. This came into effect on 1 April 2004. Some clubs already benefit from discretionary relief up to 100% awarded on a case-by-case

basis by the local authority. However, there is evidence that a number of Local Authorities are not granting discretionary relief now but are changing their policy only to grant relief to registered CASCs. Secondly, as regards Gift Aid, individuals making a gift to a CASC can obtain two benefits:

- Income tax relief on their gift, resulting in a tax repayment for a higher rate taxpayer;
- A tax refund is made to the club itself.

The mechanics of this are illustrated in Table 1 below, from which it can be seen that if a basic rate taxpayer makes a £100 cash gift to the club, £28 will be refunded by HMRC to the club itself, although the individual will receive no relief. The higher rate taxpayer obtains relief of £23, which is refunded by HMRC.

Unfortunately, club subscriptions are not eligible for Gift Aid, although subscriptions may be set at a level that enables the club to do no more than break even with a request for a voluntary donation on top which will attract Gift Aid relief. A donation, for the purposes of Gift Aid, can mean much more than a straightforward cash gift.

For example, it can cover:

- sponsorship of individuals or the club, e.g. for running in marathons;
- fund-raising events where the ticket price is set at a level to pay for the direct costs of the event with a donation suggested on top; and
- auctions where HMRC accepts that if the price bid for an item, which has a readily ascertainable value, is in excess of that value, the excess can be treated as a donation. This donation will qualify for Gift Aid relief (see paragraph 3.49 of HMRC Detailed Guidance Notes on Gift Aid).

The use of a voluntary donation does of course have to be

**Knowledge of the scheme is still not widespread and many clubs, without the benefit of their own premises, do not see the opportunity for raising funds under Gift Aid.**

considered carefully to make sure it is truly voluntary and that the club still has sufficient funds if it does not materialise.

As noted above, CASC status can also be used effectively in connection with estate planning by individuals if they are minded to give substantial sums to the club, or indeed, if the club is embarking on a club development programme, then the capital gains exemption may come in useful.

#### **Who has benefited from the CASC scheme to date?**

Well, as at the end of March 2006, 3,708 clubs had registered from a wide spectrum of sports. The top ten sports are shown in Table 2, and it can be seen that the four major spectator sports of cricket, football, rugby union and lawn tennis have been successful in generating over 45% of the registrations to date.

Unfortunately, there are a number of less wealthy but, nevertheless, popular sports that are not well represented. Why is this? I suspect that knowledge of the scheme is still not widespread and many clubs, without the benefit of their own premises, do not see the opportunity for raising funds under Gift Aid. Clubs in the less wealthy sports will rely more

on volunteers, who are not versed in tax matters and may be reluctant to raise their heads above the parapet with HMRC. I can assure them, however, that it would be well worth their while to do so. Government is very keen on the CASC scheme, and there may even be some improvements to the scheme in the future.

At individual club level, the two case studies in Table 3 indicate how a Rugby Union club and cricket club respectively have been able to take good advantage of the scheme.

#### **How does a club register?**

Registration is effected by completing a very simple form and submitting certain documents, e.g. constitution, rules and accounts to HMRC. There is plenty of guidance available to clubs both from HMRC website ([www.hmrc.gov.uk/casc](http://www.hmrc.gov.uk/casc)) and the Central Council of Physical Recreation's website ([www.ccpr.org.uk](http://www.ccpr.org.uk)). I have written a booklet "What a relief: Community Amateur Sports Clubs - The tax options" which is available from the Deloitte Sports Group website ([www.sportsconsulting.co.uk](http://www.sportsconsulting.co.uk)).

In order to qualify, a number of conditions must be fulfilled as follows:

- Membership must be open to

**Table 3**

#### **WOODFORD RUGBY FC**

Club membership is over 500.

A new clubhouse was built in the mid-1990s, partly funded by loans.

CASC registration is a major opportunity for using gift aid, which has enabled the club to raise donations and repay its loans.

Tax repayments will add a one-off £45,000 to the funds raised.

Gift aid has transformed the way the club approaches fund raising.

#### **WEMBLEY CC**

The club decided to register as a CASC, finding the registration process relatively straightforward.

Only minor amendments to its Constitution were needed, registration taking only a couple of weeks.

Tax repayments of £836 have already been received on individual donations.

The club's rates bill was over £5,000 pa with only 25% discretionary relief from the Council. 80% mandatory relief is worth nearly £3,000 pa plus the certainty that the Council will not withdraw it.

CASC registration has already generated nearly £4,000 for the club with the potential for an annual cash benefit at that level.

the whole community without discrimination and with affordable membership fees. The facilities should be available to all, giving broadly the same treatment to all members.

- The club must be amateur, which means inter alia that players cannot be paid, but expenses can be reimbursed.
- Distributions to members are not allowed. Surpluses must be reinvested in the club and any net assets on dissolution must be applied for approved community, sporting or charitable purposes.

Some practical issues occur reasonably frequently in connection with registration. Thus, for example, in the majority of cases the club will need to amend its Constitution, particularly to prohibit distributions to members. It must also provide for an open membership. A private members club, which exists for the benefit of those members and seeks to restrict membership will not qualify. It was not the Government's intention to encourage such sports clubs. My booklet on CASCs also gives a fairly full analysis of the option for a club to register as a charity. This will involve a quite separate registration process, separate regulation under the auspices of the Charity Commission and extended tax relief. However, most clubs have chosen not to go this route to date. The Government is, however, keen to encourage clubs to register either as CASC or as charities, and the forthcoming Charities Bill, when enacted, will provide that the advancement of amateur sport is charitable.

### What clubs should do now?

The message for sports clubs is clear. The Government is keen to encourage their activities. It has provided a favourable tax regime to do this. The clubs that have registered have found the scheme a great success, and it has been worth a substantial amount of money so far. If the success of the CASC scheme over its first four years continues, the Government will, I am sure, expand the benefits under the scheme so that more cash is injected to grass roots sport. This initiative is one area in community sport where the UK is certainly ahead of the game, and clubs that have not heard of the scheme or have not considered it should take a good look.

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