LKA chartered accountants

A fresh approach to accounting

COMMUNITY AMATEUR SPORTS 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 as a CASC must:

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

A club will only be registered as a CASC if it can show that it already meets the conditions above and that it has a suitable governing document, which sets out the purpose and structure of your club.

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.

LKA chartered accountants

Annecy Court, Ferry Works, Summer Road,
Thames Ditton, Surrey KT7 0QJ
Tel: 020 3915 8585

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. Distributions of club assets in cash or in kind cannot be made 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 for reimbursement of the costs of coaching courses
- insurance cover
- provision of medical treatment
- reimbursement of necessary and reasonable travel expenses and subsistence expenses incurred by players and officials travelling to away matches
- reasonable provision of post-match refreshments for players and match officials
- sale or supply of food or drink as a social benefit, arising incidentally from the sporting purposes of the club.

HMRC's guidance provides 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 of goods or services to the club; 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, providing they are at rates no higher than the local commercial rates. A CASC can pay players to play for the club, but it must not pay more than £10,000 a year in total.

Eligible sports

Eligible sports are those on the list of recognised sports maintained by the National Sports Council. This can accessed using the following link:

https://www.sportengland.org/how-we-can-help/national-governing-bodies#the_recognition_process

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. CASCs can earn up to £100,000 a year from trading with non-members (such as the sale of food and drink) and property income (such as renting out the club's grounds or clubhouse). The £100,000 limit is reduced proportionately for accounting periods less than 12 months.

Clubs are able to generate unlimited income from transactions with their members (apart from property income from members which counts towards the £100,000 limit).

The management condition

The condition is met where a club's managers (i.e. the people who have general control and administration of the club) are fit and proper persons. The fit and proper person test is the same as that used in relation to charities, broadly that the persons will ensure that charity funds and tax reliefs are used only for charitable purposes.

LKA chartered accountants

Annecy Court, Ferry Works, Summer Road,
Thames Ditton, Surrey KT7 0QJ
Tel: 020 3915 8585

The location condition

From 15 March 2023, the CASC regime only applies to UK clubs. Previously some EU CASCs would have qualified but were only able to claim reliefs until April 2024.

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 UK trading profits where that trade's turnover is less than £50,000 a year
- exemption from Corporation Tax on UK property income where the total property income is less than £30,000 a year
- exemption from Corporation Tax on interest received
- exemption from Corporation Tax on chargeable gains.

It should be noted that if, after deducting any allowable expenses, the CASC's trading or property income is more than the relief limits, corporation tax will be due on the full amount.

In addition, to be eligible for the reliefs, CASCs must use all of its income and gains for qualifying purposes, that is, promoting participation and providing facilities for the CASC's eligible sport.

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 Company 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. Note that if a CASC needs to pay tax, for instance, on income or gains that do not qualify for relief, the CASC must submit a Company Tax return.

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.

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 the trading receipts exceed the income limit. It could however set up a trading subsidiary to be owned and controlled by the club, which then donates its profits to the CASC. The donation received by the club will not be treated as a trading receipt and so the club could apply for CASC status. The trading subsidiary will be subject to corporation tax on its profits, but may be able to benefit from corporate Gift Aid on the donations made to the club which to reduce profits chargeable to corporation tax.

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 used for charitable purposes. For CASCs in Scotland, CASCs can apply for 80% relief if the property is mostly used by that club or other CASC.

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.

LKA chartered accountants

Annecy Court, Ferry Works, Summer Road,
Thames Ditton, Surrey KT7 0QJ
Tel: 020 3915 8585

How we can help

Please contact us if you have any queries relating to the rules on CASCs. We would be delighted to help.

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.