



Clubs – Charity and CASC Status

Table of comparison of sports clubs tax regimes¹

No special status	Charitable status	CASC status
Regulation		
1. Little financial regulation other than to meet members' requirements	Charity Commission regulation, accounting, audit and reporting	HM Revenue & Customs regulation with more prescriptive rules from 1 April 2015
2. No requirement to show public benefit	Charitable sports clubs should comply with Charity Commission guidance on public benefit	No requirement to show public benefit
3. Can have restricted membership	Community participation (membership open to all members of the public) ²	Membership open to all members of the public subject to cost limits ²
4. No restrictions on sports pursued	Sports which promote health by involving physical or mental skill or exertion	Sports drawn from Sports Council's lists
5. No restrictions on activities	Significant social activity, membership and trading e.g. a bar, to be kept separate from charitable activities	Social membership and trading permitted up to certain levels above which a trading subsidiary may be required ³
6. Prima facie no restriction on distribution of profits and assets to members	Cannot distribute profits or assets to members	Cannot distribute profits or assets to members
7. No need to change club rules	Club will have to change its rules since its objects must be exclusively charitable, e.g. to advance amateur sport	Club will need to change its rules e.g. if it does not have an appropriate dissolution clause
8. Players can be paid	Players cannot be paid unless for coaching/non-playing duties; they can receive reimbursement of expenses for travel to away matches	Players can be paid up to £10,000pa in total and they can receive reimbursement of travel and subsistence expenses to away matches but there may be difficulties with expenses for club tours
9. No definitions to meet	Sports clubs need to meet Charity Commission's definitions/requirements	CASCs need to meet HMRC's definition of sport and must conform to CASC conditions
Incentives to give		
10. No tax relief	Gift Aid on individual and company donations ⁵	Gift Aid on individual and company donations ⁵

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No special status	Charitable status	CASC status
	Small charitable donations scheme is available	Small charitable donations scheme is available
11. No Payroll Giving	Payroll Giving allowed	No Payroll Giving
12. No tax relief-stamp duty land tax (SDLT) may be payable on land transfers to club	Income and corporation tax relief for gifts of quoted shares and property. No SDLT on land transfers to charity	No income or corporation relief for gifts of quoted shares and property. SDLT may be payable on land transfers to CASC
13. No tax relief	Inheritance tax relief on gifts and possible 36% rate on death for remainder of estate	Inheritance tax relief on gifts and possible 36% rate on death for remainder of estate
14. No tax relief	Gifts of assets on 'no-gain no-loss' basis for capital gains	Gifts of assets on 'no-gain no-loss' basis for capital gains
Fund raising		
15. Relief if gift constitutes business sponsorship	Business: relief on gifts of trading stock or if gift is business sponsorship	Business: relief on gifts of trading stock or if gift is business sponsorship
16. Reliance on existing sources of funding	Grants may be available from other charities e.g. community foundations and other bodies supporting charities	No new sources of funding generally available because of CASC status
Direct and indirect taxes		
17. Income from non-members taxable	Primary purpose trading income exempt from tax	Income from non-members taxable (but see 18.and19.)
18. Fund-raising income taxable	Other fund raising income exempt from tax either if "one-off" or by using a 'trading subsidiary' 7	Fund raising income exempt from tax where turnover less than £50,000 or by using a trading subsidiary 6 and 7
19. Rental income taxable	All rental income exempt from tax	First £30,000 pa of rental income exempt from tax 6 and 7
20. Capital gains (subject to re-investment relief) and interest taxable	Capital gains and interest exempt from tax	Capital gains and interest exempt from tax
21. Corporation tax on all taxable profits	Corporation tax on all taxable profits subject to exemptions	Corporation tax on all taxable profits subject to exemptions
22. Discretionary rate relief (up to 100%)	80% mandatory rate relief; discretionary relief as to the remaining 20%	80% mandatory rate relief ; discretionary relief as to the remaining 20%
23. Funds can be applied generally for any purpose within club rules	Corporate tax liabilities can arise if funds applied for non-qualifying purposes 8	Corporate tax liabilities can arise if funds applied for non-qualifying purposes 8
24. Normal Vat rules apply but Vat exemption for playing charges is generally available	Special Vat reliefs e.g. no Vat on new sports buildings; Vat exempt playing charges 4	Normal Vat rules apply but Vat exempt playing charges

1. The comparison is between a club not registering for special tax status and registering as a charity or community amateur sports club (CASC). Charity status cannot be reversed and CASC status can only be removed by HMRC, generally with potential significant tax penalties on deregistration so any decision to register must be carefully considered. The comparison does not deal with the different legal structures adopted; specifically Charitable Incorporated Organisation status for charities.
2. There are no cost of membership limits generally for charities but clubs with annual membership fees over £1612 are barred from CASC and clubs with annual membership related costs over £520 are subject to the requirement to make special provisions for those who can't afford it.
3. Non-member trading and rental income must be less than £100,000pa and less than 50% of members must be "non-participating" which is defined in detail by HMRC Regulations.
4. Zero rating for Vat purposes for charities may apply to new sports buildings qualifying under the "Village Hall" relief provisions.
5. Gift aid for individual donations is different to gift aid for company donations. Clubs will receive a 25% tax rebate on individual donations and individuals who are higher rate taxpayers will get income tax reductions/repayments. No tax rebate will be given to clubs on company donations; tax relief is given wholly to the company which can offset its donation against its taxable profits.
6. There is no marginal relief where gross income (i.e. before expenses) exceeds the exempt threshold. Profits from the whole of the income are then subject to tax.
7. Corporation tax in the charity or CASC can be avoided by establishing a trading subsidiary to carry on the taxable activities. The profits from the subsidiary can then be donated tax free to its charity or CASC parent.
8. Corporation tax exemptions for charity and CASC are only available if the income or gains are applied for qualifying purposes. Otherwise tax charges may arise.

Comparison prepared by Richard Baldwin MBE: CTA: FCA Independent Tax Consultant specialising in sport reflecting the position to the best of his knowledge and belief at 6th August 2015.

Disclaimer

This comparison provides generic information and whilst all reasonable care has been taken to ensure its contents are correct no responsibility can be accepted for any errors or omissions or for any loss caused or sustained by any reliance placed on the information contained within it. Before taking specific action based on the comparison clubs should take the appropriate professional advice.

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