

User Guide

Amateur Sports Clubs

With the government encouraging the nation to participate in more sports, amateur sports clubs have the ability to tap into all kinds of funding and special tax treatment. The structure of the club is crucial in determining what it is entitled to and clubs should carefully consider whether its current structure is in the club's best interests.

Most clubs will be formed by a group of interested parties and out of that group a committee will form. If the club holds property or a lease, trustees will need to be appointed to hold the same on the clubs behalf. Trustees, however, can be personally liable and therefore members can often be reluctant to become one. If the club faces financial difficulties or a player injures themselves and the insurance in place is not comprehensive enough the committee members or trustees could face personal liability. The club's constitution can be amended to provide for an indemnity for the committee members and/or trustees however if this may not be sufficient if the club faces financial difficulties.

The safer course would be to form a company, therefore offering all of its member's

limited liability, limited to the money they invest, no one facing personal liability (provided that they comply with the law). By forming a company the property of the club would be owned directly by the club, it would also mean that borrowings could be secured against the assets of the club.

In the context of an amateur sports club, its intention is usually not to make money for the members personally, but to make money and invest it back into the club for the benefit of the members that way. In that case a company limited by guarantee would be the best option. It offers the members limited liability (limited to £1.00 per member) whilst at the same time ensuring that all money made by the company is used for the benefit of its members. This structure would also fit in with the requirements of

Community Amateur Sports Clubs (CASC)

If an amateur sports club has CASC status they are entitled to 80% mandatory business rate relief (note however that Local Authorities can offer a discretionary relief of up to 100%). It also allows a club to use the gift aid provisions (usually limited to charities) allowing it to reclaim up to £28 in tax for every £100 donated to the club (note there are restrictions as to what type of donations will count, including the fact that only donations from individuals will obtain gift aid). If the club's trading income is under £30,000 pa then the club will be exempt from corporation tax on the profits derived from that income. If the club has property income of less than £20,000 pa then this too is exempt

from tax. There are also further benefits such as inheritance tax relief of gifts to the club.

In order to become CASC registered there are certain conditions the club must fulfil. Firstly the sports club must be dealing with a recognised sport by the sports council. The club cannot discriminate in any way with regards to their membership policies and must be open to all sections of the community. The main aim of the club must be the promotion of amateur sports participation. As discussed above, the club must be non-profit making in that any profits are ploughed back into the club. Finally if the club was ever disbanded any assets owned by the club cannot be distributed to the members but must be transferred to another CASC, a charity or a sports governing body. All of the aforementioned requirements must be contained within the clubs constitution.

Another alternative would be to obtain charity status. To obtain charitable status the club must, “promote community participation in healthy recreation by providing facilities for playing sports.” As with CASC membership must be open to all without discrimination and be of amateur status. However, unlike CASC’s charitable clubs cannot have social members, if the club wishes to provide social facilities it generally must do so through a separate non-charitable organisation.

The benefits of becoming a charity

are that the club would not normally have to pay any corporation tax on either trading income or rental income neither would it generally be liable to capital gains tax. The club would get an 80% discount of business rates. Gift Aid can be obtained from donations from both individuals and corporate donors. Inheritance tax relief is obtained on gifts to the charity including gifts of shares. Also in some circumstances the charity can obtain special treatment of VAT. However, property would become charitable property rather than being owned by its members. Also in becoming a charity there are strict rules which must be followed in relation to the trading of the club and the role of the charity’s trustees.

A further alternative and that is to incorporate as an Industrial and Provident Society (IPS). Like a company, an IPS provide its members with limited liability and like a company limited by guarantee any profits are ploughed back into the club. An IPS is used as a vehicle in the case of amateur sports clubs who are operating for the benefit of the community and therefore would be entitled to apply for registration as a CASC. The Financial Services Authority regulates IPS’s. By registering as an IPS the club would be entitled to certain corporation tax benefits.

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