

Charitable Status for Sports Clubs

Sports clubs can, as an alternative to registering as a CASC, register as a charity. To qualify as such the club must promote community participation in healthy recreation by providing facilities for playing particular sports. Following the implementation of Charities Act 2006 the advancement of amateur sport will also become a charitable purpose and clubs may find it easier to register.

The tax benefits for charity registration are more extensive than under the CASC scheme but there is more regulatory exposure.

Clubs do not have to register under either the CASC scheme or as a charity, but if they do not then they should carefully consider their corporation tax payment obligations on income from non-members. Further information is available from the Runningsports guide – Taxation Sport – accessible at <http://www.runningsports.org>.

The benefits from charitable registration include those enjoyed by CASCs i.e. business rate relief, Gift Aid, inheritance tax relief on gifts and corporation tax exemption but in addition the following benefits are available :

- Special VAT treatment in some circumstances
- Gifts of quoted shares and land can be made by both individuals and companies with the benefit of income and corporation tax relief respectively
- The ability to raise funds from the public grant-making trusts and local government more easily than non-charitable bodies

To qualify a club must register with the Charity Commission. Guidance on the process and indeed the rules for qualification can be found on the Charity Commission website www.charity-commission.gov.uk. Charity law imposes certain financial reporting obligations; these vary with the size of the charity. Again further details are available on the Charity Commission Website.

Charities are exposed to restrictions on what they can do. These include :

- The Charity must have exclusively charitable purposes and any club would have to stop its non-charitable activities (although they could be carried out by a separate non-charitable club)
- Strict rules apply to trading; it is rare for a charity to escape tax on trading activities; for this reason and for charity law reasons a subsidiary trading company is often used for this purpose.
- Trustees are not allowed to receive financial benefits from the Charity that they manage unless specifically authorised to do so.
- Trustees must avoid any situation where charitable and personal interests conflict.

One major potential advantage of charitable status over CASC tax status is in relation to VAT on the construction of buildings. This arises because the construction of a building that a charity intends to use for a relevant charitable

purpose does not attract a VAT charge. The advantage arises because most Sports Clubs cannot recover VAT on their expenditure in full. So by avoiding it being charged in the first place substantial amounts of VAT could be saved. In order to qualify the building must be used for a relevant charitable purpose. This includes a building “used as a village hall or similarly in providing social or recreational facilities for a local community”. There is therefore, a strong possibility that if the Club registers as a charity it can take advantage of this relief.