

## Explaining the rules

So, why do sports clubs have to adhere to these rules? This section outlines some of the reasoning behind the rules to ensure that clubs are fully aware of this. In essence, these are to ensure that the benefits are only available for local sports clubs organised on an amateur basis and open for the whole community.

### Open to the Community

Being open to all sections of the community in a club's membership policies helps to ensure that the primary purpose of the club is the promotion of its sport and to ensure the club is operating in a modern manner. The scheme is not designed to benefit what appear to be private members' clubs with no intention of providing sporting opportunities for the local community.

### Core purpose of promoting their sport

This is to ensure that the club is, first and foremost, providing opportunities for sporting activity rather than a social club with only a small amount of sporting activity. This also ensures that it is the sports clubs which benefit from CASC registration rather than, for example, a commercial company who may own the facilities used by the club but not actually provide the sporting opportunities.

### Non-profit making and amateur

Once again this is to ensure that those benefitting are amateur clubs who are not directly profiting from the activity of the club and are therefore putting the interest for members at heart rather than making a profit. This also ensures that professional clubs with a much smaller amateur aspect can not benefit in the same way and avoid tax repayments.

### Distributing the assets of the club in the event of 'winding up'

This ensures that the benefits received by the CASC registered club, in the event of its dissolution or being wound up, will remain for use in the promotion of sporting or charitable purposes in the spirit of the CASC scheme.

### Fit and proper persons rule

The fit and proper persons test makes it harder for sham charities, CASC's and fraudsters working within them, or targeting a charity or CASC from outside, to abuse tax reliefs. It is not intended as something to deny tax reliefs to charities and CASC's who make a genuine mistake. Where a genuine charity or CASC makes a mistake it is usually easy for HMRC to recover the tax due. However where fraudsters have hijacked it or are operating within it, it may be impossible to recover the tax due. The fit and proper persons test provides for HMRC to exercise its discretion to allow relief even where the fit and proper persons test has been breached, where a charity or CASC can show it made a genuine mistake and there has been no misuse of tax reliefs. If there are changes in committee members who are fit and proper persons, HMRC must be notified using the appropriate [form](#).

### Once a CASC, always a CASC

Becoming a CASC is an important decision which clubs should consider carefully. A major factor in this is once you register the club will always remain a CASC. Should the club decide to withdraw from the scheme or are found not to be adhering to CASC principles, it could be de-registered by HMRC with a significant tax penalty.

This means that the club is deemed to have sold its premises and immediately repurchased them at the current market value, whether this has taken place or not. The club would then be liable to pay tax on this 'sale' which could be many thousands of pounds without necessarily having the cash to meet the liability.

This is to ensure that clubs do not take advantage of the scheme and divide profits amongst members, essentially becoming profit making organisations. Clubs should continue to adhere to the rules of providing amateur sport to the community. If it is a possibility that members may want to divide profits amongst themselves, then CASC registration may not be the correct option for that club.

Clubs, particularly those with property, should consider any potential future risk of de-registration carefully before deciding to register as a CASC.