

Community Amateur Sports Clubs and charities

Why aren't more amateur sports clubs charities?

Amateur sports clubs operate in their tens of thousands throughout the country. Over 6,000 of them are registered as Community Amateur Sports Clubs (CASCs). CASCs appear by definition to be very similar to charities but don't have the same beneficial tax breaks. The advancement of amateur sport is however specifically recognised as one of the charitable purposes in the Charities Act 2011. It is material therefore to question why more amateur sports clubs are not registered as charities and whether they should be.

What is a CASC?

CASC status is granted to an organisation by HMRC, which allows that organisation to benefit from tax reliefs.

In order to qualify as a CASC, the organisation has to fulfil certain criteria. For example, CASCs must amongst other things be:

- non-profit making, open to the whole community;
- managed by fit and proper persons; and
- upon dissolution the CASCs' assets must be applied for approved sporting or charitable purposes

A full list of requirements CASCs must fulfil can be found [here](#).

Similarities with charities

Someone familiar with charity law might well be forgiven for thinking these requirements sound very similar to those required to gain charitable status. It is certainly true that the 'spirit' of being a CASC is largely the same as that of being a charity, although there are certain differences. For example, a CASC can pay people to play for the club (up to a total of £10,000 per year), whereas this may not be acceptable for a charitable sports club.

Many of the tax benefits are also similar for both types of organisation.

However, if a CASC can ensure the ability of the wider public to participate within its framework, it is possible that the organisation would be considered charitable. This situation is recognised in section 6 of the Charities Act 2011 which provides that an organisation that is actually registered as a CASC cannot be a charity. Such a provision would not be necessary if the potential for charitable status was not otherwise considered to be available for at least some of these organisations.

Trading

Charities can engage in primary purpose trading (either involving direct furthering of their charitable objects or employment of their beneficiaries) without any liability to tax on the income from that trading.

Charities cannot engage in non-primary purpose trading (trading which does not directly fulfil its objects) where the turnover of that trade is:

- above 25% of the charity's income; or
- above £50,000 regardless of the charity's income

Anything above this level and the charity is required to pay corporation tax on its profits.

CASCs do not have the same beneficial treatment. CASCs have an exemption from corporation tax, but unlike charities, it is on the condition that their trading turnover must be less than £50,000 to benefit from this exemption.

Both types of organisation benefit from a corporation tax exemption on interest received and chargeable gains.

Benefits from third parties

Persons leaving money to either a CASC or a charity in their Will benefit from the same inheritance tax relief regardless. Both also benefit from Gift Aid.

Rate relief from Local Authorities

Rate relief is 80% mandatory and 20% discretionary for both CASCs and charities.

Income from property

CASCs are entitled to receive corporation tax relief on property income if the total income from property is less than £30,000 per year.

Charities, on the other hand, benefit from unlimited tax relief with regard to income from tenanted property and generally with respect to capital receipts from the sale of land.

Therefore any organisation which has its own property and intends to receive rental income from it might benefit from having charitable status as opposed to CASC status.

Value added tax

There are also some significant potential VAT reliefs for charities with respect to rents or capital payments for property used for a relevant charitable purpose or for a use similar to a village hall.

Other reliefs may also be available on the construction costs with respect to property intended to be used for such purposes.

These reliefs are not available to CASCs.

Stamp Duty Land Tax

There is usually a complete exemption with respect to Stamp Duty Land Tax on rents paid or purchase of property by charities.

There is no such exemption with regard to CASCs.

Other considerations

It may well be the case that, in addition to more favourable treatment with regard to taxation, charities have a stronger 'brand'. Despite recent reputational pressure from the media and heavy handed treatment from regulators, the charity brand may still have the edge as far as donors and funders are concerned.

CASCs, however, are not as limited in their activities and rules of governance as charities, and although they must comply with HMRC requirements, do not have an external regulator.

This greater flexibility may yet be attractive for those organisations that do not relish the greater restrictions and scrutiny to which charities are subjected.

For further information, please contact:

Mary Cheves

Partner

+44 (0)20 8934 6465

Mary.Cheves@russell-cooke.co.uk

Gareth Roy

Associate

+44 (0)20 8934 6493

Gareth.Roy@russell-cooke.co.uk

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