

Why Community Amateur Sports Clubs (CASCs) are converting to charities

What is a CASC?

A CASC is an organisation which has been granted a special tax status by HMRC in recognition of the fact that it meets certain criteria. Broadly speaking, CASCs are local or regional sports clubs that are non-profit making and open to the whole community. A full list of the requirements CASCs must fulfil can be found on the [.gov.uk](https://www.gov.uk) website.

Why are CASCs converting into charities?

We are increasingly being asked to advise sports clubs on whether and how they can convert from a CASC to a charity.

The eligibility requirements for CASCs have become stricter in recent years and HMRC has also been more inclined to enforce the rules and regulations relating to CASCs. A key factor pushing some organisations out of CASC status has been the implementation of the 'income condition', which means that a club can only qualify as a CASC if it receives under £100,000 of income annually from:

- trading with anyone who is not a full voting member of the club; and
- any income from property.

Clubs with bars, cafés, a faithful following of supporters or some well negotiated sponsorship deals can therefore find their numbers tilting towards or even past this limit.

Clubs fortunate enough to own their property may also be generating income pushing them closer to this limit. Depending on the extent of this income, those clubs will also want to consider the big tax differences between CASCs and charities in relation to property income. Where gross property income is greater than £30,000, clubs with charitable status can save significant amounts on tax, compared to CASCs.

Unincorporated (there is no legal entity in place, such as a company) clubs are also increasingly looking to incorporate. An unincorporated club's legal relationships are held through individual committee members in their personal capacity, as opposed to through a legal entity. If something goes wrong, there is a risk that committee members can be held personally liable. Clubs that have grown over the years often take the view that it is no longer appropriate for voluntary committee members to bear this risk.

There are of course other factors which can feature in a club's decision making process, including the potential to access additional funding streams through achieving charitable status.

How easy is it to convert to charitable status?

As you may know, lawyers are generally cautious, risk averse types who are unlikely to tell you that doing anything is easy. However, we do think that many organisations which have previously qualified as CASCs are likely to qualify as charities, as several of the

requirements and conditions are so similar. An amateur sports club which is truly open to the whole community is likely to qualify as a charitable organisation advancing amateur sport (which has been specifically set out as a charitable purpose in legislation since 2006).

The process for converting involves setting up a new entity (for example a company limited by guarantee or a charitable incorporated organisation) and applying to register it as a charity with the Charity Commission. Once this is done, all of the assets and liabilities of the existing club (an unincorporated organisation) can be transferred to the new entity. The old unincorporated organisation can then be wound up and HMRC informed.

There can be some additional considerations along the way. For example, if the club has a very profitable bar and a following of social members, these may need to be managed through a subsidiary company. This is a common way of structuring an organisation's operations to comply with charity law and is generally not difficult to implement.

Another consideration may be that the club has a lease which will need to be transferred into the new entity's name. This process can be more or less painful depending on how amenable your landlord is, but as the same people will be doing the same things on their property, most landlords do not mind facilitating the transfer, provided the proper documentation is put in place.

Charitable status does come with a different and more robust level of regulation, as one might expect. The committee members running the club will become charity trustees. This does not necessarily change their overall role in carrying out the strategic management of the club at a high level, but it does mean that they take on certain legal duties, which all charity trustees need to be aware of.

Gareth Roy
Associate
+44 (0)20 8394 6493
Gareth.Roy@russell-cooke.co.uk

Andrew Studd
Partner
+44 (0)20 8394 6414
Andrew.Studd@russell-cooke.co.uk

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