

Promoting Sport in the Community

A Consultation Document

November 2001



HM TREASURY

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The Public Enquiry Unit

HM Treasury

Parliament Street

London SW1P 3AG

Tel: 020 7270 4558

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FOREWORD FROM THE FINANCIAL SECRETARY

For many years sports clubs have argued that the benefit they provide to their communities, and the work which their large band of volunteers do to deliver it, should have equal recognition with other charitable activities. In the absence of charitable status, sports clubs argued that they should at least enjoy similar tax reliefs to charities. Therefore, to address these concerns, the Government announced in Budget 2001 that it would consult on the best way for tax relief to help community amateur sports clubs.

Participation in sport can have a wide range of beneficial impacts. Sports clubs up and down the country provide access to sporting facilities, promote the health and cohesion of communities and encourage volunteering. The time has come to recognise, develop and enhance the contribution that community amateur sports clubs make to our society. Supporting the role sports clubs play in their local communities is a vital component of the Government's long-term strategy to build a fairer and more inclusive society.

That is why I am pleased to launch this consultation: Promoting Sport in the Community. Since Budget 2001, the Charity Commission has reconsidered its position on sports clubs and has today announced that it will recognise as charitable "the promotion of community participation in healthy recreation by the provision of facilities for the playing of particular sports". The aim of this consultation document is to seek views from interested parties on whether, given the Charity Commission's decision, sports clubs agree with the Government's assessment that charitability would appear to offer real advantages over and above the limited tax relief package.

Views offered through this consultation will help to shape Government policy on community amateur sports clubs. I value your interest and look forward to hearing your views. Given the diversity of the sector, I am keen that as many sports clubs as possible will take the opportunity to respond.



Paul Boateng

Financial Secretary to the Treasury

PROMOTING SPORT IN THE COMMUNITY

Introduction

1 The Chancellor announced in Budget 2001 that the Government would consider the best way for the tax system to support community amateur sports clubs (CASCs) and recognise their contribution to our community life.

2 The Government has set out its vision for sport and how it will deliver its vision in *A Sporting Future for All* and *The Government's Plan for Sport*. In short, the aim is to create sporting opportunities for all, both to create pathways of success for those who have the talent and the desire to rise to the top and to see more people of all ages and all social groups taking part in sport. The priority to date has been at the foundations, creating the necessary opportunities in school, and for young people generally. The Government is now moving into the second phase, focusing on the role of sport in the community and measures that can be developed to sustain sport in the community for its myriad benefits including health, community building and crime reduction.

3 Sports clubs are the bedrock of many communities and make an important contribution to many people's quality of life. There are over 110,000 community sports clubs across the UK with a membership in excess of 5.6 million¹. The vast majority of these clubs are financed and run through the efforts of 1.5 million volunteers. These volunteers not only oversee the administration of these clubs, but also organise competitions, coaching and fundraising. These clubs range from those with membership of a dozen or so like-minded enthusiasts, to the large athletics and rugby clubs with memberships of hundreds.

4 This document sets out:

- the current tax position of sports clubs;
- the case for supporting CASCs;
- the CASC tax relief proposals; and
- the way forward.

Responding to the consultation document

5 The Government wants to hear the views of any interested parties before making final decisions. In particular it is interested in concrete examples of how individual CASCs might be affected by the options discussed. Comments should be sent to:

Community Amateur Sports Clubs Consultation
Tax Policy Team
HM Treasury
Parliament Street
London
SW1P 3AG
Tel: 020 7270 4626
Fax: 020 7270 4827
E-mail: cascs@hm-treasury.gsi.gov.uk

6 **Responses to this consultation document are requested by 1st February 2002.** Respondents should give details of any organisation(s) whose views they represent. Unless respondents indicate to the contrary, it will be assumed that they have no objection to their responses being made public.

¹Source: Central Council for Physical Recreation.

7 Further copies of this consultation document can be obtained free of charge from the address shown above or may be viewed on the Treasury website: www.hm-treasury.gov.uk. Anyone requiring a copy in braille or in another language should also contact the address shown above.

THE CURRENT TAX POSITION OF SPORTS CLUBS

8 Some sports clubs already enjoy charitable status and the tax benefits that such status confers. These clubs have to demonstrate that they exist for purposes that are charitable in law. To date this has enabled those providing sports facilities for children and young people, who are attending schools or universities, to obtain charitable status. This reflects the fact that education is a charitable purpose and the physical education and development of young people is an integral part of their education. It is also charitable to provide the public with sports centres, recreation grounds, playing fields and swimming pools for healthy recreation.

9 As part of its Review of the Register of Charities, the Charity Commission issued a discussion document on the promotion of sport at the end of last year. As a result of that exercise, the Charity Commission has announced that it will recognise as charitable purposes:

- “the promotion of community participation in healthy recreation by the provision of facilities for the playing of particular sports; and
- the advancement of the physical education of young people not undergoing formal education”.

This announcement should allow sports clubs that exist for either of these purposes to become charitable and enjoy all the benefits that charitable status confers.

10 The Cabinet Office Performance and Innovation Unit (PIU) is currently undertaking a wider review of the legal and regulatory framework for charities and the voluntary sector. This consultation will therefore also have regard to the conclusions of that separate review.

Current tax treatment

Tax on income and capital gains

11 Most CASCs providing sporting facilities to their community will not be engaging in a commercial trade and so will not be liable to tax on the income generated by the provision of those facilities, such as membership fees and bar income. However, there might be other sources of income which would be taxable such as bank interest, income from property or income from certain fund-raising activities, which might amount to trading. A CASC might also incur a capital gains tax charge on the sale of assets, such as land or premises.

12 Individuals who make donations to support sports clubs cannot do so tax efficiently. Businesses, however, are normally able to claim a deduction in computing their profits for either formal sponsorship of a sports club or for payments made to enhance their standing in the local community.

VAT 13 The VAT threshold is presently £54,000 per annum. This means that most sports clubs will not be registered for VAT. For those that are registered, their supplies of sporting services are exempt (except supplies by members' clubs to non-members). Sports clubs also enjoy the same VAT exemption as charities for certain fundraising activities. There are no special reliefs for supplies to non-commercial sports clubs.

Business rates 14 Local authorities in England, Wales and Scotland may currently grant up to 100 per cent discretionary rate relief to non-commercial sports clubs. In England and Wales, 75 per cent of the cost of relief is funded centrally, leaving the Local Authority to meet the remaining 25 per cent. In Scotland the full relief is funded centrally. In Northern Ireland, mandatory relief of 65 per cent is granted, through valuation, for any part of a property used solely for eligible sports. Sports organisations that are charities and use their premises wholly or mainly for charitable purposes are entitled to 80 per cent relief, with a further 20 per cent available at the discretion of the Local Authority.

THE CASE FOR SUPPORTING COMMUNITY AMATEUR SPORTS CLUBS

15 The Government believes that CASCs can play an important role in community life in the United Kingdom. In the course of informal discussions with the sector, including a number of individual clubs across the country, the Government has listened carefully to the arguments put forward. It accepts that because of the benefits CASCs bring in terms of health, community building and crime reduction, there is a case for tax relief to help CASCs develop and enhance their contribution to community life.

16 Furthermore, the Government also acknowledges the contribution made by the thousands of volunteers across the country, who give up their time to participate in and promote sporting activity within their local communities.

17 The Government's aim is to help CASCs that make a positive contribution to their local communities. Further details of the proposed criteria are set out in the Annex A. The proposed criteria for registering as a CASC are:

- the club must have open membership and this must be enshrined in its constitution. Anyone seeking to take part must be able to do so without discrimination;
- the club must be organised permanently on a non-commercial basis. No payment or benefit to its members should be allowed, subject to certain exceptions set out in Annex A;
- the main purpose of a club must be to facilitate and promote participation in an eligible sport or sports. The Government proposes that eligible sports would initially be based on the list of activities recognised by the Sports Councils of England, Wales, Scotland and Northern Ireland.

18 It is important to ensure that the continuing and expanding role CASCs play in providing a focus for community involvement is a two-way process. They provide facilities for local communities to participate together in sports, to socialise and to build the fabric of the community. Yet what a CASC can achieve will always be subject to the funds it can raise. The Government wants to encourage local communities to support their CASCs, in the same way they support other community bodies, such as a local church, scout or guide group, drama or historical society.

19 Until now the tax system has offered little encouragement for individuals and businesses in the local community to support their local CASC. Creating incentives to support CASCs, not only through gifts of money, but also through gifts of land and buildings for community sport, could provide them with opportunities to extend their facilities and increase participation amongst the communities they serve.

20 Prior to the Charity Commission announcement, the Government was minded to propose a package of tax measures for CASCs based on some of the reliefs available to charities. This package would incentivise support by the community and exempt certain income from tax in order to allow greater expenditure on the club's purposes. But any package would also need to balance the concerns of other taxpayers, such as small businesses operating in similar areas and charities.

THE CASC TAX RELIEF PACKAGE PROPOSALS

Encouraging support by the community

21 The Government believes that incentivising gifts to CASCs would encourage people to give financial support to their local CASC. It therefore proposes that:

- CASCs should be able to reclaim basic rate income tax on gifts of money, on a similar basis to Gift Aid;
- gifts to CASCs should be exempt from inheritance tax;
- gifts of assets to CASCs should be treated as disposals made on a no gain, no loss basis;
- businesses should be allowed tax relief on gifts of trading stock, machinery or plant used in their business, in the same way as such gifts to charity are currently relieved.

Taxation of CASCs

22 Many CASCs will have little or no taxable income. However, the prospect of developing an income stream, which would require them to engage with the tax system, might deter some CASCs from obtaining other sources of support. The Government therefore proposes that CASCs should be exempt from tax on:

- any income from fundraising, which is in the nature of trading, where the turnover of that trade is less than £15,000;
- income from interest;
- property and rental income up to £10,000 per year; and
- capital gains on disposals.

Business Rates

23 The Department for Transport, Local Government and the Regions published a green paper, *Modernising Local Government Finance*, in September 2000. The Government is aware that for many sports clubs, the rates they pay constitute significant financial burdens. The Green Paper proposed the introduction of a small business relief, which would result in sports clubs with a rateable value of under £3,000 receiving 50 per cent mandatory relief, gradually reducing to 20 per cent for clubs of £6,000 plus rateable value. Local Authorities would be given the discretion to award additional relief up to 100 per cent. Proposals will be set out in the forthcoming Local Government White Paper, and are therefore beyond the scope of this consultation.

24 Legislation on business rates is partially devolved, and different conditions apply in Wales, Scotland and Northern Ireland. In Wales, secondary legislation is required to give effect to primary legislation put in place in England, and is for the National Assembly for Wales to consider. As set out in paragraph 14 above, 100 per cent centrally funded discretionary relief is already available in Scotland. In Northern Ireland, the Department of Finance and Personnel is undertaking a full review of rating legislation.

VAT

25 The Government has examined the scope for extending to CASCs some of the VAT reliefs available to charities. CASCs already qualify for the VAT exemption for their fund-raising events and the Government believes that the range of other reliefs would be unlikely to provide significant financial benefits for CASCs, even where their turnover is sufficient for registration (the threshold for VAT registration is £54,000). Consequently, the Government does not intend to explore VAT options further. Charity VAT reliefs are limited to zero-rated VAT on items bought for advertising, VAT exemption on fund-raising activities and zero-rating on non-business and village hall buildings.

26 During its discussions with a variety of sports clubs in the preparation of this consultation document, the Government has received a number of representations on the issue of irrecoverable VAT. A fundamental principle of VAT is that organizations and individuals can only recover VAT to the extent to which they make taxable supplies. If individuals or organizations are not making taxable supplies, they cannot recover VAT on the things that they buy. This includes charities providing services for no charge and those making exempt supplies.

27 During its 1999 Review of Charity Taxation, the Government looked closely at the case for a UK grant scheme to compensate charities for the VAT they incur on goods and services used in their exempt and non-business activities. Having given this very careful consideration, the Government concluded, for reasons of principle and of cost, that this was not an idea it wished to pursue. The same considerations would apply to CASCs.

28 It is not within the remit of this consultation to reconsider the issue of irrecoverable VAT. However, some clubs have requested clearer guidance on the VAT rules to ensure that they understand their liabilities and are aware of any reliefs available to them, especially on the development and maintenance of sporting facilities. Customs and Excise will therefore shortly be issuing revised guidance on the implications of VAT for sports clubs and associations. Customs National Advice Centre will also ensure that clubs are aware of all the other support and advice available to them. Customs are always pleased to receive suggestions about how this guidance might be further improved.

THE WAY FORWARD

29 The Government was minded to offer the separate package of tax reliefs set out above (paragraphs 21-22) to CASCs. Eligibility would be based on criteria set out in paragraph 17 and Annex A, and on the provision of facilities for participation in a sport featured on a list agreed by the four Sports Councils. The Inland Revenue would decide whether clubs met the criteria and, if they did, register them as CASCs. The Inland Revenue would also regulate, monitor and audit the CASCs to ensure that clubs continued to comply with the statutory requirements and that tax reliefs were properly due.

30 The Government has assessed the Charity Commission's announcement outlined in paragraph 9 and believes that it would appear to offer CASCs real advantages, both in respect of tax reliefs and other sources of funding. Any club obtaining charitable status would have access to the full range of charity tax reliefs, including donor incentives of Gift Aid, Payroll Giving and gifts of shares, wider exemptions on its own income and mandatory business rate relief in England and Wales. Perhaps more importantly, greater funding opportunities would be available, including grants from other charities, such as community foundations and public bodies that fund charitable activities. Charitable status also has the advantage of being instantly recognised and understood by the public. Clubs are free to apply for charitable status immediately and to enjoy the benefits of that status as soon as they are registered.

31 The Charity Commission have issued some interim guidance on the detail of the criteria for charitable status (set out in Annex B) and will be developing this over the coming months in the light of dealing with applications for registration from CASCs. HM Treasury, Inland Revenue and Department for Culture, Media and Sport will work closely with the Charity Commission to provide information about the sector gathered in the course of this consultation. This will also ensure that the finalised guidance will allow as many sports clubs as possible to achieve charitable status. The emerging criteria suggest that the Charity Commission will be looking for very similar requirements to those the Government has been considering for CASCs.

32 The Government proposals would require the Inland Revenue to develop registration procedures, guidance and possibly model rules for clubs seeking to register as CASCs. The Charity Commission already has in place a system for providing applicants with set-up packs, model documents and a wide range of advice. Both options would be likely to entail sports clubs making some modifications to their rules or constitutions to meet the respective requirements. But making these changes should deliver benefits in both cases.

33 In Scotland and Northern Ireland, charities apply to the Inland Revenue for recognition. The Inland Revenue's approach to the charitability of sports clubs will take into account the guidance issued by the Charity Commission.

34 The Government has accepted the argument that the contribution CASCs make to their communities, together with the selfless work volunteers do to run CASCs, deserves to be recognised. The proposal to investigate the best way for the tax system to help CASCs reflected the fact that, at that time, they could not be charitable. The Charity Commission's recent announcement now offers CASCs the opportunity for charitable status, covering broadly the same group of sports clubs. Annex C sets out a comparison of the relative benefits under the CASC proposals and charitable status. In the circumstances, the Government does not believe that it would appear necessary to proceed with the CASC tax proposals.

QUESTIONS FOR CONSULTATION

- 1. Do clubs agree with the Government's assessment that the Charity Commission's decision on charitability would appear to offer better prospects for CASCs than the proposed tax relief package (administered by Inland Revenue) outlined in this document?**
- 2. Do any clubs feel that there is still a case for proceeding with the separate tax relief package for CASCs? The Government is interested in hearing the reasons why a separate package would be more beneficial than the charitable status option.**

Further details of proposed requirements for CASC status under Inland Revenue tax package**Open Membership**

Clubs that grant membership only on nomination by an existing member or allow “blackballing” of applicants would fail this test. Clubs that restrict membership to any section of the community, such as work, “old boys” and faith-based clubs, would not meet the definition, unless anyone seeking membership would be admitted to full rights and benefits. Clubs should not be allowed to use setting of a membership fee as a barrier to entry. But they should be permitted to have different fees for different classes of member on a non-discriminatory basis distinguishing between juniors, students, adults, pensioners, players, non-players, waged and unwaged.

Clubs should be able to refuse or revoke membership, on non-discriminatory grounds, where the membership or continued membership of the person concerned would be likely to be contrary to the best interests of the sport or the good conduct and interests of the club (e.g. disruptive behaviour or bringing the sport/club into disrepute). Delay in admission to membership may be permitted on a non-discriminatory basis for a limited period where the playing facilities of the club are full.

CASCs should be open to women, ethnic minorities and the disabled, without reservation. Single sex sports clubs may be permitted where such restrictions are not discriminatory in intent but a genuine result of physical constraints (such as changing rooms etc.) or the requirements of the sport.

Clubs should be able to refuse participation for single sessions on payment of a one-off fee to avoid the club being swamped by ad hoc one-off sessions, which prevent coherent organisation of club activities.

Permitted payments or benefits

No payment or benefit to its members should be allowed except:

- provision for members of sporting facilities relevant to the club’s purposes;
- reasonable provision and maintenance of club-owned equipment necessary for playing the sport;
- reasonable provision of post-play non-alcoholic refreshment for players and match officials;
- payment of costs of obtaining suitable coaching qualifications;
- payment to any member of the club or any persons connected with him for the supply of goods or services (other than playing a sport) provided that the terms of such supply are reasonable and have been agreed on an arm’s length basis;
- reimbursement of reasonable travel expenses incurred by players and officials travelling to away matches;

- sale or supply of, food and drink as a social adjunct to the sporting purposes of the club; and
- sale of sports clothing or equipment.

However, payment would be permitted to employees (even though they may also be members); for example, wages to ground staff, a suitably qualified coach, and bar stewards.

Non-distribution

The constitution of a club must, in accordance with the decision of its members in general meeting, or by decision of its governing body, permanently limit distributions of the net assets on a dissolution of the club to:

- any other registered CASC in the vicinity of that community or promoting the same sport or sports;
- the governing body of the sport for use in related community sport; and
- registered charities including, for example, the National Playing Fields Association.

B

ANNEX B: CHARITY COMMISSION GUIDELINES

Charity Commission guidelines on charitable status for CASCs

This guidance, and references included, are available on the Charity Commission website (www.charity-commission.gov.uk).

What is this guidance about?

1 This is guidance on the extent to which sport is charitable. It will in due course form the basis of more detailed guidance on this subject, which the Charity Commission will prepare in the light of dealing with applications for registration from community amateur sports clubs (CASCs). For now it is intended as initial guidance to inform potential applicants for registration who may wish to take advantage of the recent decision to recognise as charitable:

- the promotion of community participation in healthy recreation by the provision of facilities for playing particular sports.

2 The Charity Commission have also recognised as charitable “the advancement of the physical education of young people not undergoing formal education”. This is simply an extension of the existing position that the physical education of young people in formal education is charitable. This initial guidance does not deal specifically with that new purpose, as it is self-evident. The Charity Commission recognise that this purpose may be relevant to some CASCs but it would not be necessary for a CASC to adopt that purpose as well, if it wished to register as a charity, as that purpose is covered by “the promotion of community participation in healthy recreation”. However, any organisation that is only concerned with providing sporting facilities for young people (i.e. people under the age of 25 years) may prefer to adopt as its purpose “the advancement of the physical education of young people not undergoing formal education”.

Background to the Charity Commission’s decision

3 Sport plays an important part in our national life. It is seen as a means of promoting the health of the nation and the physical, social and moral development of the young. Excellence in sport is encouraged both for its own sake and as a matter of national prestige.

4 Charities have an important role to play in encouraging participation in sporting activity as a means to various charitable ends. A great deal of amateur sport – and almost all sport among children and young people – can already be provided, in principle, by charities in pursuit of their existing charitable purposes. However, the law stops short of recognising the promotion of any particular sport, for its own sake, as a charitable purpose.

5 While charity law is quite clear that the promotion of sport in itself is not charitable, the Charity Commission nevertheless recognise the valuable role that sport can play in improving the health of the nation. Therefore, as part of its Review of the Register programme, the Charity Commission published at the end of 2000 a consultation paper on various issues surrounding sport.

6 Included in that consultation paper was consideration of the position of CASCs which had not hitherto been recognised as charities. It seemed that CASCs might be charitable on much the same basis that recreation grounds are charitable, that is, they exist to provide facilities for healthy recreation. However, for the purposes of charity law the Charity Commission needed to be able to distinguish convincingly between bodies that promote healthy recreation, and bodies set up essentially to promote a particular sport. For this reason it was suggested in the consultation paper that CASCs might be able to claim charitable status on the ground that their purpose is to promote health (as the ultimate objective of healthy recreation).

7 Public consultation confirmed the impression that there are sports clubs that do not see themselves as concerned essentially to promote sport in itself. However, it also became clear that these clubs don't see themselves as primarily promoting health either. What seems to distinguish CASCs from bodies that promote sport is less a concern with health than an emphasis on maximising participation by the community.

8 The results of the consultation suggested that CASCs might recognise themselves as bodies concerned with encouraging healthy recreation through a particular sport.

What sort of CASCs can be charitable?

9 The Charity Commission came to the view that it was possible as the law stands to regard CASCs as charities promoting community participation in healthy recreation by the provision of facilities for playing particular sports provided that two criteria are satisfied. The two criteria that CASCs wishing to register as charities would need to meet are:

- the sport in question is capable of promoting health and fitness; and
- the club's facilities are genuinely available to all members of the public who wish to use them.

What constitutes 'healthy recreation'?

10 Sports that are capable of providing 'healthy recreation' are any sports which, if practised with reasonable frequency, will tend to make the participant healthier, that is, fitter and less susceptible to disease. Fitness includes elements of stamina, strength and suppleness (there may be others), but it would be enough if a sport contributed to just one of these elements. Healthy recreation can also make an important contribution to mental health and community cohesiveness.

11 In general, it would not be necessary to produce medical evidence to show that a sport constitutes healthy recreation. However, there may be cases at the margin where it is not obvious that a sport has a beneficial physical effect and where medical evidence may be relevant. (Sports such as angling, ballooning, shooting, flying or parachuting, for example, may be problematic.) Although the benefits of healthy recreation are not necessarily limited to increased physical fitness, a sport would not count as healthy recreation for present purposes if it could make no contribution at all to physical health.

12 There are other sports that seem to require a pre-existing level of fitness in participants, such as caving or mountaineering. In principle, there seems to be no reason why these sports should not rank as healthy recreation, even though the physical preparation for undertaking them may contribute more to health than actually taking part. (In this sort of case, it may be that a club would be charitable only if its activities included the provision of the requisite preparation - again, difficult cases would need to be considered on their merits.)

What constitutes 'community participation'?

13 Membership of the CASC will need to be available to *all* members of the public who wish to join, and hence membership fees will need to be affordable for the majority of the community the club serves and there must be no test of skill for admission.

14 Community participation requires that the club's facilities should be genuinely available to the public at large. However, it is not necessary that the sport in question should be one that all sections of the community are able to undertake. In order to be a charity, a CASC will not be *required* to provide facilities for elderly people or for people with a disability. That said, there should be no bar to participation by elderly people or people with a disability where the sport is suitable and the CASC's facilities can reasonably be used by these groups.

15 It may be that some sports, by their very nature, are bound to appeal only to a very limited part of the community. In itself that may not be problematic, but where a sport lacks wide appeal, because for example it is inherently very dangerous, there may well be an issue about the benefit to the public in providing facilities for it. The Charity Commission has an open mind about this and any application from a CASC concerned with such a sport will be considered on its merits.

16 Clothing and equipment will also need to be affordable. Some sports, such as equestrianism and bobsleigh for example, plainly require a considerable outlay. Unless these expenses are met by the club itself, or the equipment and facilities involved are otherwise available to participants of modest means, there would be difficulties in accepting that the sports in question were genuinely forms of recreation that were being made available to the community at large.

17 In order to encourage members of the community to participate in healthy recreation, a CASC would need to undertake activities whose immediate effect is to promote the sport in question (albeit only as incidental and ancillary to a wider purpose). A CASC's activities might therefore properly be organised in ways that take account of different levels of skill. However, it is essential that *all* who wish to play should be given the same opportunity to do so.

Coaching 18 A charitable CASC might properly provide coaching for participants, geared to their individual level of skill. But any assistance for better players (for example, to enable them to compete in regional, national or international events) could not be at the expense of other participants and would be permissible only if directed solely to providing an incentive for participation by all. Where resources are insufficient to enable everyone to play, a CASC would be bound to maximise participation and hence enthusiasm would count for as much as ability in selecting players.

'Social' members 19 A CASC would need to be able to show that it existed for the benefit of the public rather than for the benefit of its members. It could adopt a membership structure, but only as a convenient vehicle for making its benefits available to the public. Hence all members would have to be playing members (or volunteers or helpers) rather than 'social members'. All activities of the club would have to be directed towards healthy recreation and ancillary matters. If the club provided refreshment, it would do so only in connection with games or matches and not at times when no games or matches are being played. Any 'non-ancillary' activities would need to be hived off to a separate, non-charitable body in the usual way (see paragraph 23, 2nd bullet point below).

What is meant by 'provision of facilities' 20 The reference to 'provision of facilities' in the new charitable purpose is not meant to imply that the CASC must own or occupy its own premises. The purpose could be fulfilled even if the CASC organised its activities in the street, if that were appropriate, or by going for a healthy walk across the countryside for example. In reality, most CASCs provide some sort of facility where its members can participate in the particular healthy sport or activity in question. It is of no consequence whether they own, lease, rent, book or just turn up at an appropriate facility (including an open space or recreation ground, for example) provided whatever they do has the effect of encouraging the community to participate in healthy recreation.

What sort of sports clubs could not be regarded as charitable? 21 The Charity Commission's decision to recognise the promotion of community participation in healthy recreation as a charitable purpose does not mean that all sports bodies can be charitable. Those bodies which have a restricted membership, perhaps because they are concerned with professional or elite sport for example, or which are not capable of improving health and fitness, would not be able to take advantage of this new purpose.

Will a CASC have to operate differently if it becomes a charity? **22** Charitable status brings with it considerable advantages in terms of recognition and financial support. Charities have access to the full range of charity tax reliefs, including donor incentives of payroll giving and gifts of shares, wider exemptions on their own income and mandatory business rate relief. They also have access to greater funding opportunities, including grants from other charities, such as community foundations, and public bodies which fund charitable activities. Charities are free to enjoy those benefits as soon as they are registered.

23 In return for these benefits, charities have certain responsibilities to operate in a way that is transparent and accountable to the Charity Commission and the public. Those responsibilities are not onerous but it is as well that anyone thinking of registering their CASC as a charity is aware of what those responsibilities are and what changes may have to be made to the way in which their CASC operates. Guidance on the main advantages and limitations of being a charity are set out in the Charity Commission publication ‘CC21: Registering as a Charity’ but in particular CASCs may wish to be aware of the following:

- property – all property belonging to the CASC would no longer be privately owned by its members but would become charitable property. Title to that property may be vested in the Official Custodian for Charities. Guidance on this can be found in the publication ‘CC13: The Official Custodian for Charities’ Land Holding Service’;
- social activities and trading – any social or trading activities undertaken by the CASC (other than those that are ancillary to participation in healthy recreation) would not fall within the charitable purpose of promoting community participation in healthy recreation. Therefore, some social or trading activities (such as running a bar for instance) may have to be run by a separate non-charitable body (such as a social club). While this is likely to involve some change in the way the CASC may have operated hitherto, the arrangement does not have to be overly complicated and is something that can be discussed on a case by case basis. Essentially what is required is that the non-charitable activities are operated on an arm’s length basis from the charity. The scale of those non-charitable activities will determine whether that necessitates only the setting up of a separate social club, with its own set of accounts and bank account separate from the charity’s, or whether the setting up of a separate trading company to undertake those activities would be desirable. Whichever structure is used, the profits from the non-charitable activities can be paid back to the charity under the Gift Aid Scheme, free of tax, to support the charitable activities of the CASC (for further details see the publications ‘CC20: Charities and Fund-Raising’, ‘CC27: Providing Alcohol on Charity Premises’ and ‘CC35: Charities and Trading’);
- accounting and monitoring requirements – the Charity Commission requires certain accounting and other information from registered charities every year to ensure that the information kept about them on its register remains up to date. The amount of information required depends upon the size of the charity, full guidance on which can be found on the Charity Commission website, but essentially the following will be needed:
 - details of any changes to the charity’s registered details when these happen (these can be provided on a Register Check Form that is sent to all charities once a year);
 - charities with an annual income or expenditure over £10,000 a year need to complete an annual return giving details about their activities (those charities are sent a form to complete) and copies of their accounts and reports;

- charities with an annual income or expenditure that is less than £10,000 also need to produce an annual report and accounts but these are much simplified and do not have to be sent to the Charity Commission unless asked for.

What does a CASC have to do to register as a charity? 24 If, after reading this guidance, a CASC thinks it might be able to claim charitable status it will need to:

- telephone 0870 3330123 and ask for a copy of the guidance 'CC21: Registering as a Charity' and 'CC22: Choosing and Preparing a Governing Document'. These will help decide if registration as a charity is appropriate. If, having read CC21, it decides that registration is appropriate, it should complete the coupon at the back of CC21 to order the Registration Application Pack together with any other publications required;
- ensure that the CASC has an appropriate form of governing document. (For most CASCs this is likely to be a constitution, which the club may have already, but it will need to ensure that the provisions are appropriate for a charity.)

See CC22. The Commission produces model forms of governing document that can be used either to adopt as a new form of constitution or can be compared with the existing constitution;

- ensure that the objects stated in the club's governing document (whether that is the club's existing constitution or a new constitution that it wishes to adopt) are exclusively charitable.

It is unlikely that many CASCs will exist at the moment expressly for "the promotion of community participation in healthy recreation in particular by the provision of facilities for the playing of particular sports" or "to advance the physical education of young people not undergoing formal education". To be charitable, therefore, a CASC wishing to apply for registration as a charity would have to formally amend its stated purpose to the appropriate charitable purpose(s) the Charity Commission have identified and limit itself to it;

- complete the necessary registration forms in accordance with the instructions in the Registration Application Pack and return them to the Registration Division at whichever of the Charity Commission's offices has responsibility for the area in which the club is located.

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ANNEX C: COMPARISON OF TAX PACKAGE AND CHARITABLE STATUS

Comparison of position of clubs under tax package proposals and charitable status

	Tax package proposals	Charitable status
Direct taxes	<p>Fundraising income exempt from tax where turnover less than £15,000</p> <p>First £10,000 p.a. rental income exempt from tax</p> <p>No business rate relief</p>	<p>Primary purpose trading income exempt from tax</p> <p>All rental income exempt</p> <p>80% mandatory rate relief in England and Wales</p>
Incentives to give	<p>Gift Aid on individual donations</p> <p>No Payroll Giving</p> <p>No income tax relief for gifts of shares</p> <p>Inheritance tax relief on gifts</p> <p>Gifts of assets on no-gain no-loss basis for capital gains</p>	<p>Gift Aid on individual and company donations</p> <p>Payroll Giving</p> <p>Income tax relief for gifts of shares</p> <p>Inheritance tax relief on gifts</p> <p>Gifts of assets on no-gain no-loss basis for capital gains</p>
Fundraising	<p>Business: relief on gifts of trading stock</p> <p>No new sources of funding</p>	<p>Business: relief on gifts or trading stock</p> <p>Grants available from other charities e.g. community foundations and other bodies supporting charities</p>
Regulation	<p>Inland Revenue regulation and audit</p> <p>Need to develop public awareness of the new “brand”</p> <p>Community amateur sports clubs meeting Inland Revenue definition</p> <p>Open to all members of the public</p> <p>Sports drawn from Sports Councils’ lists</p> <p>Social membership permitted</p>	<p>Charity Commission regulation and audit</p> <p>Public recognises and trusts both “charity” and “Gift Aid” concepts</p> <p>Sports clubs meeting Charity Commission definition of promoting healthy recreation</p> <p>Community participation (membership open to all members of the public)</p> <p>Sports including elements of strength/stamina/suppleness</p> <p>Significant social activity to be kept separate from charitable activities</p>

