



Community Amateur Sports Clubs

Consultation document

Publication date: 3 June 2013

Closing date for comments: 12 August 2013

Subject of this consultation:	The Government announced on 4 March 2013 that it would be amending the qualifying conditions for Community Amateur Sports Clubs (CASCs) to make the rules clearer for clubs and HMRC to apply.
Scope of this consultation:	Provisions were published in the Finance Bill on 28 March to amend the qualifying conditions and allow clearer, more detailed, rules to be specified in secondary legislation following a public consultation. This consultation sets out proposals for those rules.
Who should read this:	These proposals will be of interest to sports clubs in general and particularly those sports clubs, and their members, that are already a registered CASC or are considering applying to HMRC for CASC status. This consultation will also be of interest to National Governing Sporting bodies and other similar groups.
Duration:	The consultation will run for ten weeks from 3 June to 12 August 2013.
Lead official:	Joanne Shelling, HM Revenue & Customs
How to respond or enquire about this consultation:	By email please send responses to: Charitypolicy.taxteam@hmrc.gsi.gov.uk By post please send responses to: CASC consultation, Room G66 Charities; 100 Parliament Street; London; SW1A 2BQ Telephone enquiries 0207 147 2401 / 2778
Additional ways to be involved:	The consultation team would be happy to meet with interested parties during the consultation period. Please email the team at the address above to register an interest. Where there is enough interest a general meeting will be organised.
After the consultation:	A summary of responses will be published in the Autumn alongside draft secondary legislation.
Getting to this stage:	HMRC has been conducting a review of the qualifying CASC conditions. Enabling provisions were published in the Finance Bill on 28 March 2013. This is the first public consultation on the detailed rules that the Government proposes putting into secondary legislation.
Previous engagement:	The questions set out in this consultation document have been developed following informal discussion with some representative bodies.

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On request this document can be produced in Welsh and alternate formats including large print, audio and Braille formats

1. Introduction

- 1.1 The Government is committed to delivering and maintaining a real sporting legacy after the success of the London 2012 Olympic and Paralympic games. An important part of securing this legacy is to encourage greater participation in sport at a community level, and local amateur sports clubs have an important role to play in this.
- 1.2 The Community Amateur Sports Club (CASC) scheme provides a number of charity-type tax reliefs to support local amateur sports clubs. In order to access these reliefs, clubs must meet certain conditions and must register with HM Revenue and Customs (HMRC).
- 1.3 HMRC has carried out a review of the CASC rules and guidance and concluded some of the eligibility rules in the legislation are unclear and cause confusion. This makes it difficult for clubs and HMRC to always be sure whether a club is entitled to register for the scheme and also whether clubs that are already registered remain eligible for the scheme. If HMRC were to apply the law as it stands, a significant number of existing CASCs would no longer be eligible for CASC status.
- 1.4 Clearer, more certain, rules would help existing and prospective clubs to be confident about what they need to do to qualify and stay in the scheme, and would help ensure that the scheme fully achieves the Government's aim of supporting and encouraging sport at a local community level.
- 1.5 The Government announced on 4 March 2013¹ that it intends to amend and clarify the eligibility conditions for clubs to be registered under the CASC scheme. Clause 45 and Schedule 20 to the Finance Bill published on 28 March 2013 introduce changes to the CASC rules including a number of powers for the Treasury to amend the legislation using secondary legislation.
- 1.6 This consultation sets out the Government's proposals for the amended eligibility conditions. Following the public consultation and, subject to the usual Parliamentary processes, draft regulations will be published later in the year for approval by the House of Commons.
- 1.7 As well as providing certainty for existing CASCs, the Government hopes that the changes will encourage more clubs to qualify and apply for CASC status.

Background to the CASC scheme

- 1.8 The CASC scheme was introduced in 2002 to give amateur sports clubs that make a positive contribution to their local communities some of the tax benefits available to charities. The principal tax reliefs available to CASCs are business rates relief, relief from Corporation Tax on certain types of income and gains and Gift Aid relief on donations of money by individuals. These are covered in more detail in Chapter 3.

¹ http://www.parliament.uk/business/publications/hansard/commons_debates/casc

- 1.9 The scheme is aimed at locally-based amateur sports clubs that often struggle to survive but make a valuable contribution at grassroots level to their local community. For example, a village bowls club or a local amateur youth football team.
- 1.10 At the time the CASC scheme was announced, in 2001, sports clubs were not considered to be eligible for charitable status. The Charity Commission for England and Wales decided shortly afterwards that amateur sports clubs may be eligible for charitable status. As a result sports clubs can choose between charitable and CASC status, subject to meeting the eligibility conditions.
- 1.11 Since 2002 over 6,000 clubs have registered with HMRC for the CASC scheme. Between them they have claimed over £12 million in Gift Aid and it is estimated around £100 million has been saved by clubs in respect of business rates.

Scope of the consultation

- 1.12 The review carried out by HMRC has found that some of the qualifying conditions for CASC status are not fully understood by potential applicants and by some of those clubs already registered. This has prevented clubs that may meet the qualifying conditions from applying for membership.
- 1.13 Also, because the legislation is unclear, it makes it difficult for HMRC to apply the rules in a clear and consistent manner. The Government intends to clarify those conditions to help clubs better understand these rules and to make them easier for CASCs and HMRC to apply.
- 1.14 In particular the consultation aims to clarify the rules in the following areas.
- **Costs of participation** – the level of fees a club can charge and still be open to the whole community including, where clubs have to charge relatively high fees, the arrangements that are appropriate to ensure that those on low and modest incomes can participate fully in the sporting activities of the club.
 - **Paying players** – whether clubs should be able to pay players to help inspire other members while remaining an amateur club and, if so, what limits should apply to those payments.
 - **Travel and subsistence** – how much clubs should be allowed to pay to members for travel and subsistence expenses when on tour or for away matches.
 - **Social income** – how much social and other non-sporting income clubs should be able to raise and still remain within the scheme, given the scheme is for sports clubs not social clubs.
- 1.15 The consultation also considers changes to help certain clubs retain their CASC status where they have high levels of social income.

- **Company Gift Aid** – whether companies and other corporate bodies should be eligible for corporate Gift Aid on donations to a CASC as they can be for donations to charity.
- **Increases to trading and rental limits** – whether the existing trading and rental income exemptions in the CASC scheme should be increased and, if so, to what level.

1.16 A number of other tax-related proposals to improve the CASC scheme have been put forward in the past. In particular the Sport and Recreation Alliance (SRA) produced a report, 'Red card to red tape', in March 2011 proposing changes to various parts of the legislation. Some of the proposals are included in this consultation. Annex A lists those proposals that are not being taken forward and why.

1.17 However the Government is keen to hear of any other ideas and suggestions sports clubs have for improving the CASC scheme. All suggestions are welcomed will be considered as part of the consultation process.

1.18 Chapter 12 explains how to respond to the consultation.

1.19 A summary of the consultation responses will be published at the same time as the draft regulations.

2. Summary of proposals

- 2.1 This chapter summarises the detailed proposals in Chapters 4 to 8 to clarify certain qualifying conditions for CASC status.
- 2.2 Chapter 4 sets out what is meant by the qualifying condition that a club must be 'open to the whole community'. It focuses on the cost of membership and participation. The consultation seeks views on the maximum amount that a club can charge for membership and participation and qualify as a CASC. It proposes a maximum amount of up to £1,040 a year (£20 a week). This amount would include all the costs to a member for them to be able to participate in the sport.
- 2.3 Chapter 4 also suggests how clubs that have to charge fees above the maximum amount might still be eligible for CASC status. Clubs would have to make appropriate arrangements to ensure those on low and modest incomes can fully participate. For example, a club could charge reduced rates for members on a low or modest income.
- 2.4 Chapter 5 sets out the changes proposed to the qualifying condition that a club must be 'organised on an amateur basis'. The consultation document proposes that a club can pay one player to play and that they can pay such a player a maximum of £5,000 a year.
- 2.5 Chapter 5 also explores options for improving the current rules on expenses. Proposals include allowing clubs to pay players overnight subsistence costs such as hotels and evening meals in addition to travelling expenses. Chapter 5 also seeks views on the conditions that would need to be met if a club pays the expenses of playing members when they go on tour.
- 2.6 Chapter 6 proposes definitions of a social member and a guest for the purposes of the scheme. The chapter also seeks views on the percentage of social members a club should be able to have at any one time and still be considered a sports club.
- 2.7 Chapter 7 seeks views on the detailed rules to apply to a new qualifying condition on income. The purpose of this condition is to specify how much social and other non-sporting income a club should be able to raise and still remain within the scheme. This chapter sets out four possible options.
- **Option 1** – Members income test. There would be no limit on any income from members. However there would be a limit on turnover from non-members of 20% as a percentage of total incomings of the club, capped at £25,000.
 - **Option 2** – Basic income test. This is a simple test that would limit only non-sporting turnover of a club. The proposed limit for non-sporting income is 30% of the total turnover, capped at £100,000.

- **Option 3** – Different limits for different streams of income. This option would limit the turnover from various income streams such as the supply of food and drink (30%) and hiring of facilities (20%).
- **Option 4** – Days open test. This option would not limit the amount of income that is generated on the days sport was taking place. In addition the club could open on non-sporting days for a certain number of days through the year.

The Government is seeking views on the details of these options and any views on alternative suggestions.

- 2.8** Chapter 8 sets out the changes the Government is proposing to help certain clubs retain their CASC status where they have high levels of social income. One of those options would be to extend corporate Gift Aid, which currently applies only to donations to charities. Trading subsidiaries of CASCs would be able to pay little or no tax on their profits by donating their profits to their parent CASC.
- 2.9** Chapter 8 also proposes to increase the Corporation Tax exemption limits for CASCs on trading income and rental income from £30,000 and £20,000 to £40,000 and £25,000 respectively.
- 2.10** The Government also welcomes other suggestions for improving the qualifying conditions for CASCs.

3. Outline of the current CASC legislation

3.1 The legislation governing CASCs can be found in Chapter 9, Part 13 of the Corporation Tax Act (CTA) 2010 (sections 658 to 671). The scheme was introduced by Schedule 18 to Finance Act 2002.

Eligibility

3.2 In order to be eligible for registration under the CASC scheme, clubs must demonstrate to HMRC that they meet certain conditions. Clubs must be:

- open to the whole community
- established with the main purpose of providing facilities for eligible sports, and to encourage people to take part in them
- organised on an amateur basis.

3.3 The interpretation of the conditions in paragraph 3.2 above is the main subject of this consultation and each condition is outlined further below.

3.4 Clubs must also be able to show that they are:

- set up and provide facilities in an eligible area
- managed by fit and proper persons.

3.5 The conditions in paragraph 3.4 are not subject to consultation.

Open to the whole community

3.6 When determining who can join or make use of a club's facilities the club cannot discriminate on the grounds of ethnicity, nationality, sexual orientation, religion or belief, sex, age or disability - except when it's necessary for taking part in a particular sport. For example, motor racing may not be suitable for the very young, or a sport's governing body may impose restrictions on the age of participation in a particular sport for safety reasons. Neither of these restrictions would be regarded as discriminatory.

3.7 However, it would not be acceptable for a club to impose its own restrictions, when this was not a necessary consequence of the requirements of the sport. For example, if the members of a club refused to admit children, even if the sport was suitable for them to take part in, or a club provided restricted facilities to women members. Clubs can field single sex teams, for example a women's football team; this is not discriminatory. However, a club could not exclude male coaches or male officials as it is not a requirement of the sport and would therefore be discriminatory.

3.8 CASCs must also ensure that the level of fees they charge are not a significant obstacle to membership or to the use of its facilities. If the sport is an expensive one, like sailing or horse riding, the club must show what it does to make membership affordable for the whole community.

Established with the main purpose of providing facilities for eligible sports, and to encourage people to take part in them

3.9 CASCs must provide facilities for eligible sports. The sports that a club promotes must be recognised by certain Sports Councils (Sport England, Sport Scotland, Sports Council of Wales, Sports Council of NI and UK Sport). A list of recognised sports can be found at:

http://www.sportengland.org/about_us/idoc.ashx?docid=fee93177-e539-407e-a827-a0a8de453439&version=2

3.10 Clubs do not need to own the facilities, but they must organise the structure in which the sport is pursued. For example, a cycling club might organise training rides on public highways, or a five-a-side football club might rent a leisure centre's facilities.

3.11 The main purpose of the club must be to provide facilities for an eligible sport and encourage participation. HMRC therefore looks closely at a club's income when determining its eligibility for CASC status. If a club generates a disproportionate percentage of its revenue from social activities, such as a club bar, then the club's main purpose may be social and not the promotion of sport.

3.12 It is also necessary to consider the number of members actively participating in the sport ('participating members') and social members. Where there are as many, or more, social members than those taking part in the sporting activities of a club then the main purpose of the club is social rather than the promotion of sport.

3.13 CASCs can run social activities and generate income from the social activities. CASCs may also have a separate class of membership for social members. However, CASCs must maintain a balance between the number of members that participate in the sport and purely social members in line with the purpose of the scheme and the generous tax reliefs available. It is important that the main purpose of the club is clearly the provision of facilities for, and promotion of, sport and not as a social club.

Organised on an amateur basis

3.14 A club is organised on an amateur basis if

- it is non-profit making
- it only provides its members and their guests with the sort of benefits an amateur sports club would normally provide ('ordinary benefits')
- its rules provide that if the club is wound up, any property left after the payment of debts will be used for approved sporting or charitable purposes.

3.15 The legislation is silent on what constitutes a member or a guest.

3.16 Section 660(4) of CTA 2010 lists the 'ordinary benefits of an amateur sports club', including:

- at section 660(4)(g), the reimbursement of reasonable travel expenses incurred by players and officials travelling to away matches, and
 - at section 660(4)(i), the sale or supply of food or drink as a social benefit which arises incidentally from the sporting purposes of the club.
- 3.17** Subsistence costs such as the costs of overnight stays for away matches or on tour are not specifically mentioned as ordinary benefits.
- 3.18** There is no further clarification of what is meant by ‘the sale or supply of food or drink as a social benefit which arises incidentally from the sporting purposes of the club’ in section 660(4)(i).
- 3.19** Clubs may pay members for the provision of services such as coaching provided the terms of the payment are negotiated on an arm’s length basis. However paying players to play on behalf of the club conflicts with the amateur status of a club and so is not permitted.

Benefits of being a CASC

- 3.20** CASCs are eligible for a range of tax exemptions and reliefs.

Corporation Tax

- 3.21** In general, an exemption from Corporation Tax applies only if the CASC uses its funds for qualifying purposes. ‘Qualifying purposes’ are defined as:
- providing facilities for one or more eligible sports, and
 - promoting participation in one or more eligible sports.
- 3.22** CASCs are exempt from Corporation Tax on:
- trading profits, if the turnover (trading receipts) is no more than £30,000 a year
 - income from letting property, if the rent received is no more than £20,000 a year
 - interest
 - chargeable gains, and
 - donations from individuals under the Gift Aid scheme.
- 3.23** If the receipts from trading or letting exceed the prescribed limit then all the income from trading or letting, respectively, becomes chargeable to Corporation Tax.

Non-Domestic Rates Relief

- 3.24** CASCs can claim business rates relief of 80% provided that their property is used wholly or mainly for the purposes of a CASC. Local authorities may provide a further 20% of relief at their discretion. This is probably the most valuable relief for most CASCs because it reduces the annual costs associated with any land or buildings used by a club.

Gift Aid

- 3.25** CASCs can claim Gift Aid on qualifying donations from UK taxpayers. As long as the rules of the Gift Aid scheme are met, a club can claim back basic rate tax on donations made by individuals.

Ceasing to be a CASC

- 3.26** If a club ceases to meet the eligibility conditions then HMRC will deregister the club. The club may incur a Corporation Tax charge on deregistration. This is because the club is deemed to have disposed of its assets and immediately reacquired them at market value at the time of deregistration. Any increase in the value of the property from the time it was originally acquired is crystallised as a chargeable gain which is chargeable to Corporation Tax. The purpose of this provision is to ensure that clubs do not abuse the tax reliefs available to CASCs for future private gain.

Future changes to the law

- 3.27** The Government introduced amendments to the CASC legislation under clause 45 and Schedule 20 to the Finance Bill which was published on 28 March 2013. The proposed changes are discussed in more detail in the following chapters of this consultation.
- 3.28** Chapter 9 explains how HMRC will deal with clubs affected by the transition to the new rules.

4. The Qualifying Conditions - Open to the whole community

This chapter

- Background
- Costs associated with membership
- Full participation in a clubs sporting activities
- How much should a club be able to Maximum charge for membership and full participation
- Clubs with high membership and participation costs

Background

- 4.1** One of the qualifying conditions a club must meet to qualify for CASC status is that it is open to the whole community. The current law states that a club is open to the whole community if:
- membership of the club is open to all without discrimination
 - the club's facilities are available to members without discrimination
 - any fees are set at a level that does not pose a significant obstacle to membership or use of the club's facilities.
- 4.2** Following its review HMRC has concluded that the current law is unclear on what annual fees a club should be able to charge members and still be considered to be open to the whole community. For example, an argument could be made, based on the Charity Commission's public benefit assessment on the Radlett Lawn Tennis and Squash Club, that fees over £339 a year are too high for a club to be regarded as open to the whole community. ²
- 4.3** HMRC has also found that there is confusion by what is meant by a 'significant obstacle' and 'participation' and how these conditions should be applied. Because of these problems it is difficult for clubs to decide if they meet the condition to be open to the whole community.
- 4.4** The Government intends to clarify what it means for a club to be open to the whole community and to change the legislation to allow clubs to charge a higher amount for membership and participation in clubs' activities than the law currently allows.
- 4.5** Schedule 20 to the Finance Bill would amend section 659 of the Corporation Tax Act (CTA) 2010 to specify that a club is open to the whole community if:

² http://www.charitycommission.gov.uk/Charity_requirements_guidance/Charity_essentials/Public_benefit/assessradlett.aspx

- membership of the club is open to all without discrimination
- the club's facilities are available to members without discrimination
- any costs associated with membership of the club are set at a level that does not pose a significant obstacle to membership of the club, use of the club's facilities or full participation in the club's activities.

4.6 The new condition is highlighted above.

4.7 Section 659 of CTA 2010 would also be amended to allow the Treasury to make regulations specifying:

- what constitutes 'full participation' in a club's activities
- what costs are or are not associated with membership of a club
- how costs associated with membership of a club are to be calculated.

4.8 This consultation is seeking views on those issues and, in particular, the level at which the costs associated with membership of a club should be considered a significant obstacle.

What are 'costs associated with membership'?

4.9 The purpose of the CASC scheme is to support local sports clubs at a community level. It is therefore an integral part of the CASC scheme that clubs that wish to register as a CASC, regardless of the sport, can demonstrate that membership and full participation in the sport is within the financial reach of the whole community.

4.10 The costs associated with membership should include all the mandatory costs that arise as a result of taking part in a particular sport and not just the annual subscription or membership fee.

4.11 For example, an initial joining fee, charges for using the facilities, training or match fees and other similar costs must be taken into account. Optional costs such as coaching sessions do not need to be taken into account. Costs associated with membership also include the cost of specialist equipment or items that are required to take part in a sport. So, if a member has to provide their own specialised equipment then the cost must be included as part of the costs of being a member of the club.

4.12 Specialised equipment or items includes objects that are:

- required to take part in the sport (rackets, balls)
- required for health and safety purposes (life jackets, mouth guards)
- required by the club itself (official attire such as a team strip, or club tie).

- 4.13** Specialised equipment or items do not include objects that a member would normally be expected to own, such as trainers and basic gym clothing. For example, if a tennis club required players to buy their own rackets, or charged them to rent a racket, this would be a cost associated with membership. However, it would be expected that basic items such as shorts and t-shirts would not need to be included in calculating the costs associated with membership. But if a club required players to wear a specific type of top, with the club logo, or specified a brand or make of shirt, this cost would be considered as a cost associated with membership.
- 4.14** Some sports such as sailing or horse riding involve expensive equipment and the sporting facilities needed to pursue these sports may cost more to procure and maintain. Despite this, the club will still need to demonstrate that membership and full participation is within the financial reach of the whole community.
- 4.15** Where the cost of participation is higher than the maximum limit, discussed in paragraph 4.27 onwards, clubs could use a variety of ways to provide everyone with access to their sport whilst benefiting from CASC status. For example:
- a club could use other income to cross-subsidise the costs of being a member
 - a club could set different fee levels according to a member's income
 - a club could ensure that members on a low or modest income could access equipment at reduced rates or for free.
- 4.16** For example, joining a sailing club might be quite cheap, but even a basic boat and safety equipment can cost several thousand pounds. If a sailing club required all members to provide their own boat of a certain design this could present a significant obstacle to membership for many people if the particular boat was expensive.
- 4.17** However, if the club made a boat and equipment available to members as part of the costs of being a member, or if the cost of membership plus the cost of renting the boat came within the maximum cost of membership, the obstacle would be removed. A club that did not own any boats itself would need to make provision for members on lower incomes, for example, by hiring boats from members or from another club.
- 4.18** Most clubs already make provision for members either by allowing members to hire the required specialist equipment or by lending it free of charge. Provided that any hire costs are affordable and are within the total cost of participation there would be no problem in accepting that the costs are not an obstacle to membership.

Q1 - Are there any other costs from participating in a sport that should be specifically included or excluded? If so, what are your reasons?

Q2 - Where the costs of participation are high are there any other arrangements clubs could make to enable members to participate fully at a lower cost?

Full participation in a club's sporting activities

- 4.19** The provision of facilities itself does not amount to the promotion of participation in sport. Clubs must also encourage all members to participate regardless of ability. It is not enough to provide facilities to enable a small number of members who are skilled sports people to take part. The emphasis must be on encouraging as many members of different abilities as possible to take part.
- 4.20** Most clubs meet this condition as they are structured in a way that caters for all abilities. For example, a club might field a number of teams, ranging in ability from novice players to a high standard. This is acceptable as long as the overall emphasis is on participation across all levels of the sport. A club that allows members to play only at an elite level would not be eligible to be a CASC.
- 4.21** It is an important part of the CASC scheme that members can participate fully in the sporting activity of a club at an affordable cost. The Government recognises that different sports will have different requirements and members themselves will have different needs. Sports can be categorised as either team sports or individual sports. The extent to which a member is fully participating in the sport will depend on whether the sport is a team sport or an individual sport.
- 4.22** With team sports, for example rugby, cricket or basketball, there should be no restrictions on the number of team matches or team training sessions that a member can attend with their squad or team. This is to ensure that everyone has the same opportunity to train and qualify for team games and matches.
- 4.23** For example, if a member is part of a squad where training was held four times a week and the team played two matches most weekends the individual should be able to attend and participate in all those sessions. It is accepted that an individual will not be selected to play every match nor can each individual belong to the first squad or team. However there should be no difference in treatment either in the hours that they play or what team they belong to, solely because of the amount they pay to be a member.
- 4.24** For other sports that can be played on an individual basis, for example sailing or tennis, members should have the opportunity to play and train several times each week if they choose, including at weekends. The Government considers

that full participation would require a member to be able to play the sport or use the facilities at least three times a week and at times convenient to the member.

- 4.25** For example, if the member worked full time Monday to Friday they would need access at the weekend. The club can put restrictions on the days when that member will have access to the facilities, provided the restrictions do not effectively exclude those members from full participation in the club and the club does not give priority to members who pay higher fees.
- 4.26** Where the club is open only one or two days on the weekends, for example a kayaking club, the club would need to ensure a member had access on those days it was open. The club would not need to open on additional days to ensure it met the three times a week requirement.

Q3 - How should 'full participation' be defined? Do you agree with the proposals above or should the minimum requirements be more or less than those set out above? If so, what would you suggest and why?

Q4 - How often should access to a club's facilities be available to members? Should limits be defined differently for individual and team sports, and during different playing seasons? If so, what would you suggest and why?

How much should a club be able to charge for membership and full participation?

- 4.27** The Charity Commission's public benefit assessment in the Radlett Lawn Tennis and Squash Club case, mentioned in paragraph 4.2 above, would be likely to set a standard under the existing law for when a club is open to the whole community. The costs that were considered to be excessive in that case were £339 a year.
- 4.28** Applying an annual limit below £339 could result in some CASCs with high participation costs, such as sailing or golf clubs, having to leave the CASC scheme. Mindful of the loss to the community this might cause, this consultation seeks views on what level of membership and participation costs would be appropriate to help support clubs whilst ensuring accessibility for all.
- 4.29** The Government announced on 4 March 2013 that, for the purposes of this consultation, the maximum membership and participation costs it would consider allowing clubs to charge and still qualify for the CASC scheme was £1,040 a year (£20 a week). This would include all the costs associated with the sport to allow a member to participate fully in the club's sporting activities. Schedule 20 to the Finance Bill would amend the law to allow clubs to charge fees that take overall costs above the maximum amount so long as provision is made for those on low or modest incomes to participate.

4.30 The Government is mindful that high fees may act as a barrier for those on low and modest incomes and families who may need to pay multiple fees. A balance needs to be found so that a club is open to the whole of the community whilst also being able to generate enough income so they can continue to operate.

4.31 Views are therefore sought on whether the maximum annual amount should be higher or lower than £1,040 a year.

Q5 - What is the appropriate maximum annual membership and participation fee for a club to be considered to be open to the whole of the community? What are the factors that need to be considered when setting the maximum amount?

Q6 - Should the maximum annual amount be higher or lower than £1,040? If so what should the maximum annual amount be and what are the reasons for your view?

Q7 - Should the maximum amount be updated in future years? If so how?

Clubs with high membership and participation costs

4.32 The Government recognises that some clubs will have significantly higher running costs than others as a direct result of providing appropriate facilities for particular sports. A large golf course with extensive grounds will have high running costs compared, for example, to a bowls club.

4.33 In such cases these clubs may need to set fees higher than the maximum amount allowed under the CASC scheme in order to meet their running costs. This would be acceptable within the CASC scheme only if they also made special provision to ensure people on lower incomes could still fully participate. As long as the cost of full participation to such members was no more than the maximum amount then these clubs could continue to operate as CASCs whilst charging some members more than the maximum amount.

4.34 Where a club wanted to charge above the amount some of the ways the club could ensure it is open to the whole community are:

- offer lower cost membership at or below the maximum amount to people on low incomes
- offer low cost membership for those members who agree to make use of the club's facilities only on certain days – although the days would have to be days that are of use to members so that they could still fully participate. So such memberships could not be limited to week days, for example, as that would exclude those in the community who work in the week

- set a minimum fee level below the limit for everyone, with those who can afford it asked to pay a voluntary higher fee.

4.35 So, say for example, feedback from the consultation suggested that an appropriate maximum amount were £520. If this amount was adopted then all CASCs could charge up to £520 (which would need to include all membership and participation costs) to all members and still qualify for the CASC scheme. If a club's membership and participation costs rose above this amount then, for the club to continue to qualify as a CASC, it would need to put in place arrangements for people who could not afford the higher amount.

4.36 Clubs could charge lower fees, within the maximum amount, to people on lower incomes. So long as those who paid the lower amount are still able to be full participating members of the club and are not discriminated against in any way because they paid the lower amount then the club would still qualify as a CASC.

4.37 Views are invited on whether these sorts of arrangements are practical and what other arrangements might be put in place where clubs need to charge higher fees.

Q8 - Where a club needs to charge a higher fee because the overall costs of participation are higher than the maximum amount what provisions should clubs put in place for those on low and modest incomes?

5. The Qualifying Conditions – Organised on an amateur basis

This chapter

- Paying players
- Travel and subsistence

Paying players

- 5.1** The current law allows a CASC to pay members to undertake certain duties, such as coaching, running the club bar or as ground staff. However it does not allow clubs to pay players to play. HMRC guidance however has stated that, although it would not normally expect a CASC to pay members to play, small payments to some members to play would be acceptable. This guidance was incorrect but some clubs have followed it and as a result some clubs have paid a player to play.
- 5.2** The Government accepts that there may be some advantages in allowing CASCs to pay a player to play. Having a well known professional (for example a retired county player) may inspire and motivate other club members and so further encourage participation in that particular sport. However, any payments to players should not undermine the core requirement that a CASC is an amateur sports club in which players are not paid.
- 5.3** The Government is minded to change the rules to allow a club to pay one individual, at any one time, to play and for that individual to be paid up to £5,000 a year (before tax and national insurance) for playing. Schedule 20 to the Finance Bill amends section 660 of the Corporation Tax Act 2010 to permit clubs to pay players, subject to the specified limits.
- 5.4** If the Government decides to allow clubs to pay players the Treasury would make regulations to specify the conditions under which payments would be permitted and how much could be paid. The conditions would cover:
- the maximum number of persons paid to play for the club at any time
 - the maximum number of persons who may be paid in any year
 - the maximum amount that may be paid to any person in any year, and
 - the maximum total amount paid in any year.

Q9 - Should CASCs be allowed to pay players? What are your reasons for your view? If you agree that clubs should be allowed to pay players, do you agree that:

- **A club should be allowed to have a maximum of one paid player at any time?**
- **The maximum a club could pay a player in any one year should be a £5,000?**

If not, what limits would you suggest?

- 5.5 The maximum £5,000 payment to a player would include all payments and benefits that the player receives from the club. So, for example, if a club paid for the player's flights, the costs of securing an appropriate work visa or for a player's accommodation these payments would count towards the maximum payment.
- 5.6 Where there was no cost, for example a member of the club provided free accommodation to a player, this would be classed as a benefit and the value of the benefit would need to be included in the amount a payer is paid. As with all types of employment the club would need to apply national minimum wage guidelines.
- 5.7 Travel and subsistence costs that qualify for tax relief under the normal employee expenses rules would not be classed as a benefit.

Q10 - Are there any payments that should be excluded from the definition of a payment to a player? For example should sponsorship payments by third parties be included or excluded? Why?

- 5.8 There are clearly potential pitfalls in allowing clubs to pay players and some safeguards will need to be put in place. The Government is proposing that club officials and persons connected to them (such as family members) could not be paid players for that club. This is to ensure that the club's officials run the club impartially and manage any payment arrangements on an arm's length basis.

Q11 - Clubs would not be allowed to make payments to club officials or anyone connected with them for playing. Are there any other people who should be excluded from receiving payments to play? What are your reasons for these suggestions?

Q12 - Are there any other safeguards that should be put in place?

Travel and subsistence

- 5.9 The current legislation and guidance on when a club may pay travel expenses to members is very restrictive. To make the position more flexible Schedule 20 to the Finance Bill amends section 660 of the Corporation Tax Act 2010 to make it clear that CASCs can pay certain travel and subsistence expenses to players when they are travelling to away matches and on tours.
- 5.10 HMRC already publishes various limits³ for tax purposes where employers pay travel and subsistence. It is proposed to use similar limits for CASCs in the following circumstances.
- **For away matches where the match is within reasonable daily travelling distance** – clubs could pay travel costs for those who play, plus one or two officials, but not subsistence.

³ <http://www.hmrc.gov.uk/rates/travel.htm>
<http://www.hmrc.gov.uk/manuals/eimanual/EIM05231.htm>

- **For away matches where the match is not within reasonable daily travelling distance** – clubs could pay travel and limited subsistence costs for those who play, plus one or two officials. For example, where a London-based club plays an away match in Edinburgh.
- **For tours** – clubs could pay the travel and subsistence costs for players, plus one or two officials, to compete in a club tour. However, in order to ensure the payments were not made for what might otherwise be a holiday there would need to be a minimum amount of time spent on training or playing during the tour rather than relaxing and sightseeing.

5.11 The Government considers reasonable daily travel to a match to mean 2 hours travelling in each direction (4 hours total) by the most direct route. The Government would welcome views from clubs on whether they think this practical, and would welcome any alternative suggestions.

Q13 - Do you consider 2 hours travelling in each direction (4 hours total) to be acceptable reasonable daily travel to a match? If not, what would be acceptable reasonable daily travel to and from a match and why?

Q14 – Are the arrangements proposed above clear and flexible enough for clubs to operate or do you feel that there are more appropriate alternatives? If so, what is your proposal and why?

Q15 – What limits should there be on overnight stays? For example should hotel costs be capped by amount per night? What limits would you suggest?

Q16 – Should there be an annual limit on how much a club can spend on travel and subsistence in any given year?

5.12 The Government is considering allowing clubs to pay travel and subsistence costs for playing team members to compete in a club tour. For clubs to be able to pay or contribute to a playing member's travel and subsistence costs it is essential that the main purpose of the tour is the promotion of sport through competition with other sporting teams.

Where a club is paying a playing member's travel and subsistence costs:

Q17 - What type of tours would be acceptable? Are domestic and overseas tours acceptable or should there be restrictions? If so, what restrictions would you recommend and why?

Q18 - Should members who are on tour be required to play a certain amount of hours or days either in training sessions or playing matches? If so, how many hours or days should players be involved in these activities? Or should the requirement be that only a certain number or proportion of days in any tour should be non-playing days?

Q19 – Should there be an annual limit on how much a club can spend on tours in regards to travel and subsistence in any given year?

6. The Qualifying Conditions: Main purpose of a club – Members

This chapter

- Background
- Defining a Social member
- Defining a Guest

Background

- 6.1** In order to be eligible for CASC status a club must have as its main purpose the provision of facilities for, and the promotion of participation in, one or more eligible sports. However many clubs have non-playing social members and this is acceptable because it allows members of the community to watch sport but not be involved in other aspects of the club's sporting activities. (Being a spectator is not considered to be participating in a club's activities.)
- 6.2** The Government recognises the advantages of allowing CASCs to have social members who help to provide a valuable income stream to a club. But a balance must be struck to ensure that clubs registered under the CASC scheme are primarily sports clubs and not primarily social clubs. The generous tax reliefs available to CASCs are to support sports clubs and not to support social clubs with some sporting activities. Nor are they meant to support sports clubs that are engaging in a significant amount of trade which could be seen as competing with other commercial businesses such as pubs and restaurants.
- 6.3** HMRC's review of the current law has identified two aspects of the rules that need to be clarified in order to ensure that a club's main purpose is sporting and not social. The first is to distinguish between members who are participating in sport and members who are not, which is the subject of this chapter. The second is to define when receipt of certain types of non-sporting income means that a club is effectively no longer primarily a sports club and is discussed in Chapter 7.

Defining a social member

- 6.4** HMRC currently operates a rule of thumb whereby a club does not qualify as a CASC if over 50% of the members are social members. The Government is proposing to put this rule into law.
- 6.5** New section 660A of the Corporation Tax Act 2010, which is introduced by Schedule 20 to the Finance Bill, defines a social member as a member who does not participate, or participates only occasionally, in the sporting activities of the club.
- 6.6** The Treasury may make regulations to define:
- the meaning of 'sporting activities' of a club
 - when a member is participating in the sporting activities of the club

- what is meant by ‘occasional’ participation in the sporting activities of the club.
- 6.7 ‘Participation’ does not necessarily mean physically playing sport. Members who are umpiring, refereeing, coaching, helping to prepare a court or pitch or supervising juniors on a regular basis would all be participating. So, in sports which require physical strength, members can still participate in a non-playing role even though full participation in the sport might be too demanding.

Q20 - Do you agree that at least 50% of a CASC’s full members should be participating in the club’s sport? Should the percentage of participating members be higher or lower? If so, what amount would you propose and why?

Q21 - How often should a member participate in a sport or a clubs sporting activities in order to be deemed a participating member rather than a social member?

Q22 – Are there other ways in which to define a member and a non-member? If so, what would you suggest?

Defining a ‘Guest’

- 6.8 The current CASC legislation allows a club to sell food and drink to members and their guests where this activity provides a social benefit which arises incidentally from the sporting purposes of the club. However the term ‘guest’ is not defined in the legislation.
- 6.9 To provide certainty, the Government proposes to define a guest as:
- someone who accompanies a member to a sporting activity and is not charged a fee by the club
 - away team members before, during and after matches.

Q23 - Do you agree the definitions of a guest proposed in paragraph 6.9 of Chapter 6? If not what alternatives would you suggest and why?

7. The Qualifying Conditions: Main purpose of a club – income of a club

This chapter

- Background
- The income condition
- Income condition - options

Background

- 7.1** CASCs are exempt from tax on trading income provided the turnover from trading is £30,000 or less. CASCs are also exempt from tax on rental income provided receipts are £20,000 or less. These exemptions were introduced to allow clubs to raise funds from social functions, and the occasional hiring out of facilities, free of tax.
- 7.2** As mentioned at paragraph 3.18 of Chapter 3, section 660 of the Corporation Tax Act 2010 also allows clubs to provide food and drink to its members and their guests so long as that activity of providing food and drink is 'incidental' to the sport. Income arising from the incidental provision of food and drink is not taxable trading income.
- 7.3** The legislation does not specify what 'incidental to the sport' means, or how much income from incidental activities is allowed or when it becomes trading income. This makes the rule difficult for clubs and HMRC to apply, not least because the term is capable of different interpretations in different situations. As such it has sometimes proved difficult to distinguish between clubs that are primarily sports clubs and those that are primarily social clubs.
- 7.4** The Government recognises the importance of giving all clubs the opportunity to carry out some trading and generate extra income without compromising their CASC status or incurring a tax charge. However it was never the intention of the CASC scheme that clubs would be able to engage in significant levels of trading or commercial activities as that would indicate that a club is not primarily a sports club.
- 7.5** The Government accepts the principle that CASCs should be able to generate income from members through the sale of food and drink and the hiring out of function rooms for parties, weddings and other social functions. However there are competition issues that must be considered.
- 7.6** A CASC hiring out its clubhouse for functions may be in competition with a pub or hotel nearby. That pub or hotel will not benefit from business rates relief or an exemption from tax on its income and may be concerned that a CASC can offer similar facilities at lower cost. Whilst no commercial organisation would object to a sports club having a fundraising event for its members they may be justified in complaining if the CASC was, in effect, running a significant commercial operation.

- 7.7** The Government wants to encourage clubs to raise funds in diverse ways, as it recognises that many sports clubs that raise money from social functions and hiring out their facilities often use this income to subsidise membership fees. However, the Government is mindful that, in doing so, the CASC rules should not adversely affect local businesses in the hospitality or service sectors. Nor should the CASC scheme provide tax reliefs to clubs that are primarily a social club or a commercial organisation. The focus of the CASC scheme must be on sports clubs whilst recognising many sports clubs have a social side which they use to raise funds.
- 7.8** To provide more clarity, the Government proposes to define clear rules for the level of non-sporting income beyond which a club's activity would tilt the balance from it being a sports club to a club that is primarily running a commercial or social enterprise.

The income condition

- 7.9** In order to create a balance between enabling CASCs to generate a modest amount of income whilst ensuring that there is no significant effect on competition, Schedule 20 to the Finance Bill introduces a new income condition that a club must meet in order to be a CASC. The details of the income condition will be specified in regulations.
- 7.10** There are a number of possible options for clarifying what income clubs may receive while remaining within the CASC scheme. These are discussed in more detail in paragraphs 7.12 to 7.30.

Income condition - options

- 7.11** There are a number of possible options that could be adopted for the new income condition. Four possible options are set out below. These options provide a balance between enabling CASCs to generate a modest amount of additional income whilst ensuring that the scheme retains its focus on promoting and facilitating community amateur sports. The Government welcomes comments on all these options and also invites suggestions for alternatives.

Option 1 – Members income test

- 7.12** This is probably the simplest option as there would be no limits on the income raised from members, whether the income related to sporting activities or non-sporting activities. However, there would be a limit on the income raised from non-members. This approach has the advantage of allowing clubs to generate as much income as it can from its members to cross subsidise participation costs.
- 7.13** For example, a club would be allowed to generate only, say, 20% of its turnover from non-members with an upper limit of, say, £50,000. So clubs could generate any amount of income of any nature from its members but there would be a limit on how much income could be raised from non-members. Using this example, if the total incomings for a club for the year were £250,000, then the club could generate £50,000 of that from non-members.

7.14 Such an approach would give comfort to clubs with a high amount of social income from members. There are some potential downsides to this approach. For example, clubs would need to keep detailed records of sales to members and non-members. However many clubs already have to do this for the purposes of their bar licence.

7.15 In addition there would need to be rules to clearly define what was meant by a 'member' to ensure there could be no attempt by clubs to circumvent the rules, for example by allowing 'temporary day memberships' to non-members wishing to hire out a venue.

Option 2 – Basic income test

7.16 The basic income test would be a test that limits the turnover from non-sporting activities of a club. The limit would be set as a proportion of the total incomings of the club, say 30%. In addition, there would be an absolute level of non-sporting turnover that would be permitted of, say, £100,000. As an example, using these suggested figures, if a club has total incomings of £350,000 then the maximum turnover it could receive from non-sporting activities, including the sale of food or drink, would be £100,000.

7.17 The advantage of this approach is that it would be simple to understand and clubs would not need to maintain detailed records of food and drink sales to members and non-members. However such a broad brush approach may generate concerns from larger clubs as it would mean that clubs with very high amounts of non-sporting activity would not be eligible for CASC status.

7.18 For this option to work 'sporting income' and 'non-sporting income' would need to be defined. It is proposed these would be defined as follows.

7.19 Sporting income would arise from:

- membership fees, joining fees, match fees, coaching and training fees
- donations
- grants for the furtherance of the sport
- the sale of sports equipment relevant to that sport to members only
- ticket sales from a fundraising event open to members only
- fees from non-members for use of the sporting facilities only.

7.20 Non-sporting income would arise from, but not be limited to:

- all sales of food and drink
- selling sports equipment to a non-member
- holding non-sporting functions, like a wedding or beer festival, in the club
- conferences.

7.21 The definition of a member would be based on the definitions proposed in Chapter 6.

Option 3 – Different levels for different sorts of income test

7.22 This would be a more complex option than options 1 or 2. Rather than considering absolute cash limits from sporting and non-sporting activities, the rules could be amended to specify individual limits for certain activities. So, unlike options 1 and 2, the sale of food and drink and the hiring out of a club's facilities would have individual limits.

- **Food and drink** – the club could generate turnover from all food and drink sales to up to, say, 30% of its total incomings.
- **Hiring of facilities** – the club could generate receipts from hiring out facilities up to a limit of, say 20% of total incomings.
- **All other non sporting income** – receipts would be limited to no more than, say 20% of total incomings.

7.23 Clearly this test is more flexible but it is also more complex and would require clubs to keep more detailed records than options 1 or 2.

Option 4 – Days open test

7.24 This option would ignore the amount and nature of income. Instead, it would look at when the club facilities were available for use. In practice, it is likely that most income generated while sporting activities are taking place is 'incidental' to the promotion of sport.

7.25 So, if the club bar was only open to members and their guests during and after matches and training sessions, it would be assumed all income would be 'incidental'. For example, if a rugby club trained on Tuesday and Thursday evenings and played on Saturday and Sunday afternoons, any income from the club bar would be ignored so long as the bar opened only to members and their guests after training in the week and during and after the games at the weekend.

7.26 To allow clubs to hold social events there would be a limit of, say, 10 days a year when the club bar could be open to members and their guests when there was no training or matches.

7.27 In addition, to allow for some more general fundraising, the club could be open to non-members on, say, 5 days a year to allow for fundraising events.

7.28 Such a test would require less record keeping than some of the other tests but would not allow for significant amounts of fundraising from non-members. However, for many sports clubs that open the club bar only during and after training and matches, plus maybe once or twice a year for a social event, this test would fit what they do already and there would be no need to change or keep extra records.

7.29 This option may work well for clubs that play and train occasionally but there may be other considerations for clubs, such as golf clubs, that are open throughout the week. It may be necessary to distinguish between participating members and social members to ensure that the club is not primarily a social club.

7.30 All of the options set out above have different benefits. The Government thinks option 1 is the simplest and easiest but is keen to hear from clubs about what would work for them and what would ensure their club can function as a successful sports club. It is also interested to hear of other alternative options.

Q24 – What are the pros and cons of each of options 1 to 4?

Q25 – Which option should the Government consider adopting? What are your reasons?

Q26 – Are the suggested thresholds set at the right level? Should they be increased or decreased? What are your reasons?

Q27 - If none of the options is suitable, why is this the case? What alternative options would you suggest and why?

Q28 – What would be the one-off or ongoing administrative costs in meeting the options? Please provide details of these.

8. Dealing with income in excess of the income condition

This chapter

- Trading subsidiaries and corporate Gift Aid
- Increases to trading and rental limits

Trading subsidiaries and corporate Gift Aid

- 8.1** CASCs do not benefit from all of the same tax reliefs as charities. In particular, companies get a Corporation Tax deduction if they give money to a charity under corporate Gift Aid but they don't get a deduction for giving money to a CASC.
- 8.2** As mentioned in Chapter 3, CASCs can receive up to £30,000 of trading income without paying tax. Charities are also restricted in the amount of non-charitable trading income they may receive tax free. Charities routinely set up a subsidiary trading company when their trading income is higher than the charity trading exemption. The subsidiary company donates all or most of its profits each year to its parent charity under corporate Gift Aid, resulting in the company incurring little or no Corporation Tax on its profits.
- 8.3** However, as corporate Gift Aid is not available on gifts of money to CASCs, although a CASC can set up a wholly-owned subsidiary company, the company would have to pay Corporation Tax on all its profits even if they were donated to the CASC.
- 8.4** Allowing subsidiary companies of CASCs to donate profits under Gift Aid would allow big sports clubs to set up such companies outside the CASC regime to fund raise and run social activities. This would allow clubs that were unable to meet the income condition discussed in Chapter 7 to remain within the CASC scheme. Obviously the subsidiary company would not enjoy the tax reliefs of the CASC but it would allow the sports club itself to remain a CASC and benefit from the social income raised by the subsidiary company.
- 8.5** The Government is considering introducing corporate Gift Aid for gifts of money to CASCs. There are two options: to allow all gifts of money by any company to a CASC to qualify; or to restrict the provision to companies that are wholly owned by a CASC. Obviously the first option is more expensive but the Government invites views on both options.

Q29 - Should the Government allow companies that are wholly owned by a CASC to be able to make qualifying Gift Aid donations to the CASC that owns the company? Please give reasons for your view?

Q30 - Should the Government consider extending this to all types of company? If so why?

Increases to trading and rental limits

- 8.6** CASCs are exempt from tax on trading activities provided the turnover is £30,000 or less and any rental income received is £20,000 or less. These limits were intended to allow clubs to receive small amounts of income from non-sporting activities to help support the club. If the figures had been increased in line with inflation they would now be about £37,000 and £25,000 respectively.
- 8.7** The Government is minded to increase these limits to £40,000 turnover from trading and £25,000 rental receipts. The increase would mean that clubs with trading and property income close to the limits could continue to operate without needing to set up a trading subsidiary.

Q31 - Do you agree that the exemptions on trading activities and rental income should be increased to £40,000 and £25,000 respectively? If not, what figures would you suggest and why?

9. Next Steps

This chapter

- Existing clubs
- Applications that have been put on hold
- New applications for CASC registration

- 9.1** This consultation lasts for 10 weeks and ends on 12 August 2013. A summary of responses to this consultation will be published in the autumn.
- 9.2** Draft regulations will be published for a short technical consultation in the autumn before being laid in draft before Parliament.

Existing clubs

- 9.3** All existing CASCs will retain their CASC status, subject to meeting the existing rules, until the law is changed. HMRC will continue to challenge a club's CASC status if a club appears not to meet the rules, for example unfairly discriminating against sections of the public.
- 9.4** Once the regulations have been made, HMRC will publish detailed guidance and ask all registered clubs to check that they meet the new rules.
- 9.5** Some CASCs may need to make changes in order to retain their CASC status. For example, a club that charges high fees would need to introduce some arrangement for people on low and modest incomes to ensure they could participate fully in the club. Some clubs may need to consider hiving off trading activities to a subsidiary company.
- 9.6** Clubs will have up to 12 months from the date the regulations come into force in which to consider whether they need to make any changes and to put these changes into effect.
- 9.7** If, exceptionally, a club no longer meets the qualifying conditions and decides that it does not want to change the way it operates in order to remain a CASC, HMRC will deregister the club. HMRC would waive any deregistration charge that would be due provided that the club has been fully compliant with the existing guidance and that there is no other reason for deregistering the club.

Applications that have been put on hold

- 9.8** A number of applications from clubs seeking CASC registration have been put on hold while HMRC has been reviewing the CASC rules.
- 9.9** HMRC is writing to each of those clubs to draw their attention to this consultation and to explain how this will affect their application.
- 9.10** Where a club's application would satisfy the following thresholds for fees, paying players or social income, HMRC will offer to register the club subject to a later review (see paragraphs 9.15 to 9.18):

- **Membership and participation costs – up to £520 a year (Chapter 4).**
- **Paying players – One player up to a maximum of £5,000 a year (including benefits) (Chapter 5).**
- **Non-sporting income – up to £50,000 a year (Chapter 7).**

9.11 HMRC will consider backdating registration for individual clubs depending on their circumstances.

9.12 All other applications will remain on hold until regulations have been finalised.

New applications for CASC registration

9.13 HMRC will continue to accept applications from clubs wishing to register as a CASC throughout the consultation process. HMRC will consider each application in the light of the existing qualifying conditions and the new qualifying conditions proposed in this consultation document.

9.14 HMRC will continue to register clubs where the club meets the current conditions and the new qualifying conditions.

9.15 HMRC may register a club, subject to a future review, where the club doesn't meet the current rules but would qualify if the proposed new rules applied. For the purposes of considering whether a club meets a condition before the law is finalised, HMRC will use the figures in paragraph 9.10 above.

9.16 If a club registered on this basis does not meet the rules specified in the final version of the regulations, then HMRC will deregister a club if it chooses not to make the changes necessary to meet the qualifying conditions. The deregistration could be back to the date of your registration or another date depending on your exact circumstances. If HMRC deregisters the club then you would need to account to HMRC for any reliefs received as a consequence of being a registered CASC.

9.17 If a club would prefer not to be registered subject to a future review it can ask HMRC to put its application on hold until the new law is finalised.

9.18 HMRC will put on hold applications from clubs that don't meet the current rules or the limits in paragraph 9.10 above, but would meet the new rules if higher thresholds applied. For example, if a club currently pays two players to play but otherwise meets the current and new conditions, HMRC will put the club's application on hold until the regulations have been finalised.

10. Assessment of Impacts

Summary of Impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	Negligible	Negligible	Negligible	Negligible	Negligible
Economic impact	This measure is expected to have a negligible impact on the Exchequer.				
Impact on individuals and households	The changes will ensure that clubs charging fees above the maximum limit must offer reduced membership fees to people on low incomes.				
Equalities impacts	No impact on equality groups with protected characteristics identified.				
Impact on businesses and Civil Society Organisations	The new rules will provide certainty for clubs, making it easier for them to apply the rules with confidence. More clubs will be able to qualify for CASC status than under the existing law. Some clubs may need to make changes to ensure, for example, that people on low incomes can participate as members or that very significant commercial operations are carried out in a separate company, with the profits donated to the CASC.				
Impact on HMRC or other public sector delivery organisations	The additional costs for HMRC in implementing this change are anticipated to be negligible.				
Other impacts					

11. Summary of Consultation Questions

Q1 – Are there any other costs from participating in a sport that should be specifically included or excluded? If so, what are your reasons?

Q2 – Where the costs of participation are high, are there any other arrangements clubs could make to enable members to participate fully at a lower cost?

Q3 – How should ‘full participation’ be defined? Do you agree with the proposals above or should the minimum requirements be more or less than those set out above? If so, what would you suggest and why?

Q4 – How often should access to a club’s facilities be available to members? Should limits be defined differently for individual and team sports, and during different playing seasons? If so, what would you suggest and why?

Q5 – What is an appropriate maximum annual membership and participation fee and still be considered open to the whole of community? What are the factors that need to be considered when setting the maximum limit?

Q6 – Should the maximum annual amount be higher or lower than £1,040? If so what should the maximum annual amount be and what are the reasons for your view?

Q7 – Should the maximum limit be updated in future years? If so how?

Q8 – Where a club needs to charge a higher fee because the overall costs of participation are higher than the maximum amount what provisions should clubs put in place for those on low and modest incomes?

Q9 – Should CASCs be allowed to pay players? What are your reasons for your view?

If you agree that clubs should be allowed to pay players, do you agree that:

- A club should be allowed to have a maximum of one paid player at any time?
- The maximum a club could pay a player in any one year should be a maximum of £5,000?

If not, what limits would you suggest?

Q10 – Are there any payments that should be excluded from the definition of a payment to a player? For example should sponsorship payments by third parties be included or excluded? Why?

Q11 – Clubs would not be allowed to make payments to club officials or anyone connected with them for playing. Are there any other people who should be excluded from receiving payments to play? What are your reasons for these suggestions?

Q12 – Are there any other safeguards that should be put in place?

Q13 – Do you consider 2 hours travelling in each direction (4 hours total) to be acceptable reasonable daily travel to a match? If not, what would be acceptable reasonable daily travel to and from a match and why?

Q14 – Are the arrangements proposed above clear and flexible enough for clubs to operate or do you feel that there are more appropriate alternatives? If so, what is your proposal and why?

Q15 – What limits should there be on overnight stays? For example should hotel costs be capped by amount per night etc? What limits would you suggest?

Q16 – Should there be an annual limit on how much a club can spend on travel and subsistence in any given year?

Where a club is paying a playing member's travel and subsistence costs:

Q17 – What type of tours would be acceptable? Are domestic and overseas tours acceptable or should there be restrictions? If so, what restrictions would you recommend and why?

Q18 – Should members who are on tour be required to play a certain amount of hours or days either in training sessions or playing matches? If so, how many hours or days should players be involved in these activities? Or should the requirement be that only a certain number or proportion of days in any tour should be non-playing days?

Q19 – Should there be an annual limit on how much a club can spend on *tours* in regards to travel and subsistence in any given year?

Q20 - Do you agree that at least 50% of a CASC's full members should be participating in the club's sport? Should the percentage of participating members be higher or lower? If so, what amount would you propose and why?

Q21 – How often should a member participate in a sport or a clubs sporting activities in order to be deemed a participating member rather than a social member?

Q22 – Are there other ways in which to define a member and a non-member? If so what would you suggest?

Q23 – Do you agree that a guest should be defined as someone who accompanies the member to a sporting activity and is not charged a fee by the club? If not what alternatives would you suggest and why?

Q24 – What are the pros and cons of each of the options?

Q25 – Which option should the Government consider adopting? What are your reasons?

Q26 – Are the suggested thresholds set at the right level? Should they be increased or decreased? What are your reasons?

Q27 – If none of the options is suitable, why is this the case? What alternative options would you suggest and why?

Q28 – What are the one off or ongoing administrative costs? Please provide details of these.

Q29 – Should the Government allow companies that are wholly owned by a CASC to be able to make qualifying Gift Aid donations to the CASC that owns the company? Please give reasons for your view?

Q30 – Should the Government consider extending this to all types of company? If so why?

Q31 – Do you agree that the exemptions on trading activities and rental income should be increased to £40,000 and £25,000 respectively? If not, what figures would you suggest and why?

Q32 – Do you have any other ideas and suggestions for improving the CASC scheme? All suggestions will be considered as part of the consultation process.

12. The Consultation Process

12.1 This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

12.2 This consultation is a hybrid consultation taking place during stage 2 and stage 3 of the process. The purpose of the consultation is to seek views on some elements of the detailed policy design and a framework for implementation of a number of specific proposals and options.

How to respond

12.3 A summary of the questions in this consultation is included at chapter 10.

12.4 Responses should be sent by 12 August by e-mail to Charitypolicy.taxteam@hmrc.gsi.gov.uk

Or by post to: CASC consultation; Room G66 Charities; 100 Parliament Street; London; SW1A 2BQ

Telephone enquiries 020 7147 2401 / 020 7147 2778 from a text phone prefix this number with 18001)

12.5 Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from HMRC Inside Government All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

12.6 When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

12.7 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000

(FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

- 12.8** If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).
- 12.9** HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

- 12.10** This consultation is being run in accordance with the Government's Consultation Principles.
- 12.11** The Consultation Principles are available on the Cabinet Office website:
- <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>
- 12.12** If you have any comments or complaints about the consultation process please contact:

Amy Burgess, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: Options for reform that are not being considered

A.1 A number of suggestions have been made by interested parties for amending the current CASC regulations. Some of the suggestions have been included in this consultation but some cannot be taken forward for a variety of reasons. The reasons are given below.

VAT and CASCs

A.2 There have been a number of suggestions for changing the VAT treatment of CASCs. For example, it has been suggested that CASCs should be exempt from VAT on capital expenditure. Also that capital expenditure funded through Sport England grants should not incur VAT charges and CASCs should be given the same zero rate reliefs on construction costs as charities.

A.3 The Government is not considering changes to the VAT treatment of CASCs.

A.4 The United Kingdom zero rate VAT reliefs are derogations from the European VAT Directive. Whilst the existing VAT zero rates can be retained, their scope cannot be increased and there is no provision to introduce new ones.

A.5 It has been suggested that the partial exemption limit should be raised in line with inflation. However, the limit is not an allowance as such, it is the amount of input tax that the United Kingdom considers to be insignificant for partial exemption calculation purposes. Therefore, although it is reviewed from time to time and compared with the equivalent limits in other European Union Member states, it should not be directly linked to inflation.

Deregistration charge

A.6 It has been suggested that CASCs should be allowed to deregister if they can prove CASC status is no longer of benefit to the club. It is possible to leave the CASC scheme by deliberately making a club's rules non-compliant which would result in HMRC having to deregister the club. However that can give rise to a CGT charge on the deemed disposal of any club assets.

A.7 Removing that CGT charge would allow clubs to move into and out of the CASC regime enabling them to enjoy tax reliefs and then later distribute tax-privileged club assets to members. That would be unacceptable and designing rules to prevent abuse would be complex. Such complex rules cannot be justified when there are other avenues open to clubs. For example a club that is particularly successful and has grown to become semi-professional can set up a separate non-CASC affiliated club to run the semi-professional side leaving the CASC to focus on community amateur sport. However, if respondents have other proposals or ideas on this issue then they should be submitted for consideration.

Nil rate band for CASCs

A.8 There have been calls for a Corporation Tax nil rate band to be introduced for CASCs. However, CASCs already enjoy an exemption from Corporation Tax on trading income provided turnover is no greater than £30,000 and receipts from rental income are no greater than £20,000. Proposals to increase the limits are discussed in Chapter 8 above. It would be inappropriate to consider a nil rate band as well.

PAYE and CASCs

A.9 It has been suggested that HMRC should expand the Simplified PAYE Deduction Scheme to cover not-for-profit community-run member organisations where their employees' taxable earnings do not exceed £160 a week or £700 a month. There is no scope for extension here as HMRC is winding down the use of the simplified PAYE deduction scheme. CASCs will benefit from the new £2,000 NICs employment allowance announced at Budget 2013.

Gift Aid on junior membership subscriptions

A.10 It has been proposed that clubs should be allowed to claim Gift Aid on junior membership subscriptions as this would create a significant boost for clubs in the sector. It has been estimated that the cost to the Exchequer over a five year period could be in the region of £30m to £60m a year. Because of this, and because of the uncertainty of the effect it would have on increasing participation in sport, this option is not being considered at this time.

Eligible sports

A.11 Sports recognised by the various Sports Councils are eligible to apply for CASC status. It has been suggested that HMRC should introduce its own list of eligible sports rather than use the lists of recognised sports provided by the Sports Councils. By doing so, it is suggested that a wider range of sports could benefit from CASC status without the need to go through the Sports Councils' recognition application process. At present there is no intention of setting up an HMRC list of eligible sports. There is a clear application process set out⁴ for sports to apply for recognition. By continuing to use this established process, public resources are being used in the most cost effective way.

⁴ http://www.sportengland.org/about_us/how_we_recognise_sports.aspx

Annex B: List of Stakeholders consulted

Sport and Recreation Alliance (SRA)

Annex C: Relevant (current) Government Legislation

The legislation governing CASCs can be found in Chapter 9, Part 13 of the Corporation Tax Act (CTA) 2010 (sections 658 to 671).