

Community Sport – Recognition as a Charity

Richard Baldwin, Chair of the Community Amateur Sports Club Development Forum, explains how recent changes in charity law should encourage voluntary sports clubs to register as charities.

Voluntary sports clubs bring substantial benefits to, and often act as a focal point for, their local communities. They provide a significant number of volunteers, enabling huge numbers of young people to participate in sport on a regular basis. Sports clubs have always known that they are a good cause, but have found it difficult to convince the Charity Commission to allow them to register as charities. Late 2001 saw a change in this approach which was reinforced by the Charities Act 2006. This made the advancement of amateur sport a charitable purpose.

A change in emphasis

Existing clubs may want to take a fresh look at whether registration as a charity is worthwhile. Over 300 clubs are currently registered charities, compared with over 5,500 Community Amateur Sports Clubs (CASCs). A club has to choose which (if either) status is better for it (they can't be both) – a charity generally enjoys greater financial benefits but has more regulation than a CASC. These benefits include tax breaks, rate relief and the prospect of enhanced fundraising because they are charities.

What are these financial benefits?

Below we list how these benefits are useful to clubs.

Tax

- Any income or gains received by the club will generally be exempt from tax if used for charitable purposes (sometimes using a trading subsidiary).
- Individuals can get income tax relief under Gift Aid for donations and if registered as a charity a club can currently obtain a tax rebate of £28.20
- Individuals and companies can obtain income tax relief for gifts to the club of quoted shares and land.
- Significant value added tax relief is available. For example, VAT need not be charged on one-off fund raising events. Also the cost of constructing new facilities may not attract VAT, with potentially significant savings on, for example, a new pavilion.
- Purchases of property by the club for its charitable use are exempt from Stamp Duty Land Tax.

Rate relief

Sports club charities enjoy 80% mandatory rate relief if their sports facilities are used wholly or mainly for charitable purposes: a considerable saving and

costs the local authority nothing. Indeed if the LA is already granting the clubs discretionary relief it will save money. This could help it to maintain 20% discretionary relief and still save funds with no rates bill for the club!

Criteria to be satisfied

Charity Commission Guidance Note RR11 – Charitable Status and Sport, www.charitycommission.gov.uk/publications/rr11.asp (subject to review), sets out the criteria to be satisfied if your club wants to register. Clubs must:

- Have affordable membership and be open to all.
- Be amateur – players cannot be paid to play but can receive expenses. Coaches can be paid.
- Give equal treatment to its less skilful and less competitive players e.g. in relation to coaching and facility use.
- Be prohibited by its constitution from distributing assets to members. On winding up, surplus assets must go to another charity, not club members.
- Complete the application form / questionnaire and send in documents as required by the Charity Commission.

Regulation

As with all charities, charitable clubs are regulated by the Charity Commission. Clubs considering this route need to understand the implications (for example the Commission's power to intervene in the running of the club if it considers it is not being run in accordance with its charitable objectives and the restrictions on the activities a charity can undertake – e.g. trading). Full requirements are on the Commission's website. Although running a charitable club may be a bit more time consuming than other models, many clubs find the regulatory requirements manageable in the light of the significant benefits that arise: a sports club which recently registered saved over £100,000 in VAT on the cost of building new changing rooms.

What to do now

The voluntary sport sector could benefit from a significant injection of funds if sports clubs registered as charities. This will require careful consideration and some effort from club committees but it will be worth it. Further information is available on www.cascinfo.co.uk, including a booklet comparing CASC and charity status for clubs. The Charity Commission website (see above) has further useful information.

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