



Community Amateur Sports Clubs

Summary of Responses
November 2013

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Foreword

Last year's Olympic and Paralympic games demonstrated the importance of sport and its power to enhance people's lives. This Government is determined to build on the legacy of the games and promote sport at all levels for current and future generations.

An important part of this commitment is the Community Amateur Sports Club (CASC) scheme. This provides generous tax breaks to thousands of grass root sports clubs that give people in their local communities the chance to take part in sporting activities.

Following a review by HM Revenue & Customs (HMRC), the Government recognised that the original legislation governing CASCs was unclear and causing confusion for clubs. HMRC therefore ran a public consultation in summer 2013 to seek views on a new set of rules that would make it easier for the hard-working volunteers who run CASCs to understand their obligations.

Following this summer's consultation the Government is now bringing forward new, clearer, rules to provide clarity for those running CASCs and also encourage more clubs to register for the scheme.

Clubs will now be able to generate even more tax-free income. They will also be able to make small payments to players, to recognise their contributions to their club.

This Government firmly believes that participation in sport at a local level should be based on enthusiasm not income, and alongside the more generous tax breaks for CASCs we have made it clearer how they should make themselves accessible to all.

The Government will also extend corporate Gift Aid to donations to CASCs. This will help local companies who donate to CASCs, and will also mean that where a sports club also operates a trading subsidiary any money re-invested back into sport will reduce their tax bill.

Amateur sports clubs are the lifeblood of community sport providing a sporting 'home' to millions of regular players, introducing children to the basics of sport, and providing a training ground for our most talented athletes to develop. By introducing these changes, the Government has shown its long term commitment to supporting amateur clubs across the UK.



Economic Secretary to the Treasury

1. Introduction

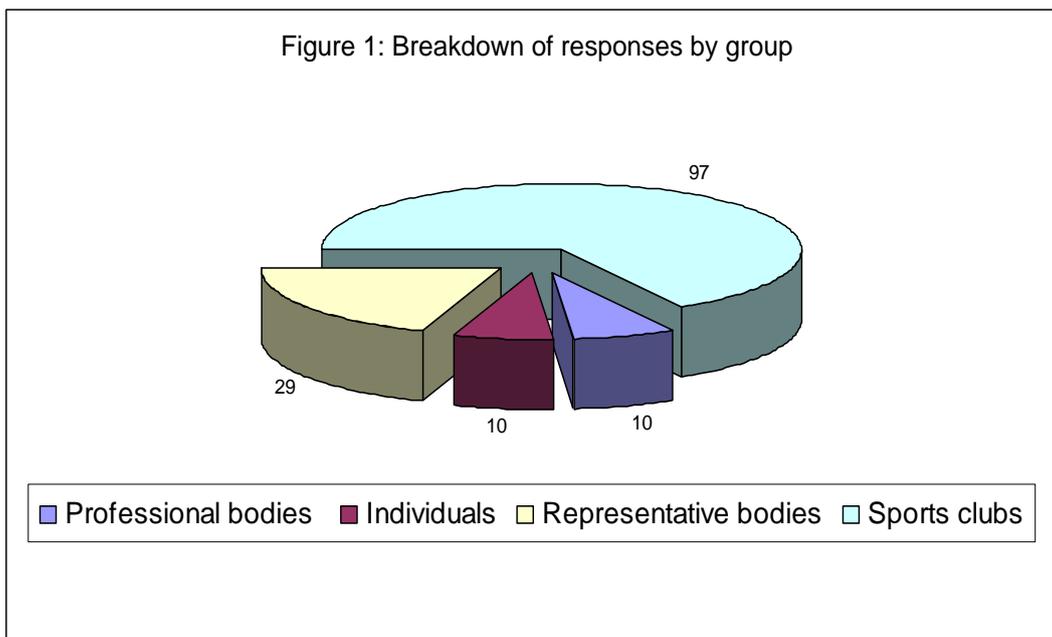
- 1.1 The Government announced in April 2013 that it would introduce new rules to clarify the eligibility conditions for sports clubs to be registered as a Community Amateur Sports Club (CASC). A review by HM Revenue & Customs (HMRC) had found that the original legislation was unclear, causing confusion for clubs and making it hard for clubs and HMRC to operate correctly.
- 1.2 To ensure changes would be made as swiftly as possible, the Government introduced new eligibility conditions for CASCs in the Finance Act 2013 including provisions to make detailed rules in regulations.
- 1.3 HMRC launched a consultation on the detailed proposals for the regulations on 3 June and the consultation closed on 12 August. The consultation document can be found at the link below.

<https://www.gov.uk/government/consultations/community-amateur-sports-clubs-casc-scheme>

- 1.4 The consultation sought views on a number of proposals including the following.
 - The maximum amount a club may charge members to participate in the sport without needing to make special provisions for those on low or modest incomes.
 - The rules and limits for CASCs on generating income from social and other non-sporting activities while remaining a sports club.
 - Whether to allow more generous rules for travel and subsistence expenses.
 - Whether to allow clubs to make limited payments to players.
 - Increasing the trading and property tax exemptions for CASCs.
 - Whether companies should be able to make qualifying Gift Aid donations to a CASC.

Overview of responses received

- 1.5 HMRC received 146 written responses from sports clubs, representative bodies, legal/accountancy firms and individuals. A list of respondents to the consultation is set out in Annex A. Responses were received from a wide cross section of the sports sector ranging from large clubs with complex structures with paid players and large trading businesses, to small clubs that are run by a couple of unpaid volunteers.
- 1.6 In addition to the written responses, HMRC held two public meetings and a separate meeting with a range of sports national governing bodies to discuss the proposals set out in the consultation.



1.7 The consultation team is very grateful to all those who responded to the consultation.

1.8 What became clear from the responses was that the sporting sector is very diverse. Even within each sport there was a wide range of differing and, at times, opposing views on each proposal.

1.9 However, there were some common, and sometimes conflicting, themes.

- Clubs that had already registered as a CASC greatly valued the benefits the scheme provided.
- Clubs are mainly run by volunteers, many of whom would find it difficult to comply with complex rules.
- There were concerns about a ‘one size fits all’ approach and suggestions that different schemes for different clubs should be introduced.
- There was widespread misunderstanding about how the existing rules work.

1.10 Responses to the consultation showed that, even where the legislation and supporting guidance was clear, some clubs struggled to understand what was required of them as a CASC. The number of social members a club can have and record-keeping requirements are clear examples of this.

1.11 It also emerged that some clubs have incorrectly assumed that their CASC status disapplies local licensing laws, Pay As You Earn obligations or immigration requirements.

New rules for CASCs

1.12 The founding principle of the CASC scheme is to provide financial support to amateur members’ clubs set up to provide facilities for, and encourage participation in, an eligible sport across the whole community that would otherwise struggle to survive.

1.13 It is evident from the consultation that many clubs have struggled with the existing CASC rules even where the rules are well-established. The Government has decided to keep the rules as simple as possible so that the smallest volunteer-run clubs will find it easier to comply with the rules. This approach means that some clubs may need to change how they are structured if they wish to continue to be a CASC.

1.14 The focus of the CASC scheme will remain on supporting amateur sports members' clubs that support and encourage the local community to participate in sport. However the Government recognises that successful CASCs may grow and expand into more complex operations and this should be encouraged.

1.15 The new rules will allow clubs with more diverse trading activities to benefit from the scheme by being able to set up trading subsidiaries. Subsidiary companies will be able to donate their profits to the CASC and qualify for corporate Gift Aid if they wish. This will enable clubs with more complex structures to continue to benefit from the CASC scheme whilst maintaining the focus on smaller community organisations.

Contents of this document

1.16 The rest of this document is set out as follows.

- **Chapter 2** provides a summary of the new rules that will be brought forward as a result of the consultation.
- **Chapters 3 to 7** summarise the responses to the consultation and sets out the Government's responses.
- **Chapter 8** sets out the new rules in detail.
- **Chapter 9** explains the next steps and timelines for introducing the new rules.

2. Summary of the new rules

2.1 This chapter provides a summary of the new rules that will be brought forward as a result of the consultation.

- Clubs that charge more than £520 a year must make special provisions for members on a low or modest income to participate for £520 or less, subject to an upper membership fee threshold of £1,612.
- Clubs will be able to pay any number of players to play up to a total limit per club of £10,000 a year (including the cost of any benefits).
- Clubs will be able to pay reasonable subsistence expenses and club tours subject to limits that will be set out in HMRC guidance.
- At least 50 per cent of a club's members must be participating (sporting) members.
- A participating member will be defined as a person who participates in the sport at least 12 times a year.
- Clubs will be able to generate unlimited income from their members.
- Clubs will be able to generate up to £100,000 turnover (receipts) from trading and other miscellaneous transactions with non-members.
- The threshold on the exemption from corporation tax on trading income will be increased from £30,000 to £50,000. Clubs will pay no tax on trading income so long as the turnover from non-members is no more than £50,000.
- The threshold on the exemption from corporation tax on income from property will be increased from £20,000 to £30,000. Clubs will pay no tax on income from property so long as the receipts from non-members are no more than £30,000.
- All companies will be able to obtain tax relief on qualifying donations to a CASC under corporate Gift Aid.

3. Responses: the qualifying conditions – open to the whole community

- 3.1 Chapter 4 of the consultation document asked for views on the costs a club may charge its members to participate in the sport and yet still be considered to be open to the whole community.
- 3.2 Questions 1 to 4 of the consultation document asked for views on what costs a club should be able to charge its members to participate fully in the sport, while being open and accessible to everyone in the community.

What are costs associated with membership?

- 3.3 The consultation document asked for views on how to define the costs associated with membership of a club and how clubs with high costs might ensure that people on lower incomes can participate fully in the sport.

Question 1: Are there any other costs from participating in a sport that should be specifically included or excluded? If so, what are your reasons?

There were 61 responses to this question

- 3.4 The consultation document had proposed that the costs associated with membership should include all mandatory costs that arise as a result of taking part in a particular sport and not just the annual subscription or membership fee.
- 3.5 Several respondents felt that the only costs that should be included should be the annual membership subscription and the direct costs such as match fees and training costs. They felt that specialised equipment should not be included as this is a personal choice and there are too many variations in costs to measure the cost of participation. Some felt it would be impractical to include all the costs suggested and that it would be very difficult to enforce.
- 3.6 Others felt the proposals outlined in the consultation document made sense and could be easily quantified and that no other costs needed to be included or excluded.
- 3.7 Some respondents felt that costs should also include costs of competition entry fees, affiliation fees and match fees, as these are easily calculable for an individual club.
- 3.8 Concerns about the impracticality of pricing the cost of equipment needed to participate in a sport were also expressed at the public meetings. Participants were reassured when it was explained that the intention would be to include only the specialist equipment that a club required a member to use.

3.9 For example, you would expect everyone to have a waterproof jacket, casual trousers such as jeans, a tee shirt and trainers. The costs of clothing need to be included in the cost of participation only if a club insisted on specific clothing such as branded clothing would. Similarly, it is possible to buy a set of second-hand golf clubs for £20 so that is all a golf club would need to include unless the club required its members to use specific brands or quality of clubs.

Question 2: *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?*

There were 66 responses to this question

3.10 The consultation document suggested a number of ways in which clubs could ensure people on low incomes could participate fully in the sport and a number of respondents fully supported the suggestions in the consultation document.

3.11 The majority of respondents to this question, particularly golf clubs, already had various schemes in place to help members on a low income.

3.12 A number of suggestions were made on special arrangements for members on a low income. Flexible membership deals such as variable days and times for playing at a reduced fee were suggested. The number of such deals available would be restricted and available to seniors, juniors or new starters on the whole.

3.13 Two respondents suggested reduced cost membership could be offered in return for carrying out other duties around the club such as stewarding and rubbish collection after games.

3.14 Several respondents questioned why any special scheme was needed as clubs should already be using a greater portion of their social income to subsidise membership fees to make them affordable.

3.15 Generally, the idea of any sort of means test to prove someone was struggling financially was not popular. No one seemed to like this idea and several said they found it intrusive and uncomfortable and so would their club officials. In the public meetings some clubs did say that, although they do not carry out means tests, they do have hardship policies. Treasurers are open to having conversations with their members about hardship and this has worked well for them.

3.16 One respondent said the whole idea of a reduced fee for those who struggled to pay a club's membership fees would be socially divisive and discriminatory. A number of respondents felt it was discriminatory that some members may need to pay a higher fee to subsidise those who could not afford the club's standard fees.

- 3.17** One respondent suggested that clubs should allow the annual fee to be paid by monthly instalments to alleviate payment difficulties.
- 3.18** There was some discussion at a public meeting on whether clubs could put policies in place to allow people on lower incomes to participate, without actually implementing the policies so as to preserve a more exclusive membership. It was explained that clubs wishing to select their members on social or any other grounds could not, by definition, be CASCs as they wouldn't be open to the whole community.

Government response

The costs of participation will be those proposed in the consultation document, and will 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. However clubs will only need to account of the minimum cost of equipment that would enable a member to take part in a sport. For example if an individual must provide their own clubs to join a golf club, but a second-hand set of golf clubs is acceptable, then as a set of golf clubs can be purchased for as little as £20, the cost to be included would be only £20.

In calculating the costs of participation a club will only need to take into account the cost of a member taking part once a week.

If the club offers members the use of free equipment then no cost needs to be included or if it allows members to hire equipment then only the hire cost would need to be included. If an individual chooses to purchase a set of golf clubs that are top of the range, or chooses not to use the club-owned equipment, then the club would not need to take into account the actual costs the member incurs.

The Government will allow clubs to make their own arrangements to ensure that people on a low income are able to participate fully in the sport. However, clubs will need to demonstrate to HMRC's satisfaction, when required, that the arrangements genuinely enable people on lower incomes to join and participate in the sport and are, in practice, working as such. HMRC will provide detailed guidance on the sorts of acceptable arrangements to assist clubs with this requirement.

Full participation in a club's sporting activities

- 3.19** The consultation document had suggested that full participation should be defined as members being able to participate in a club's sporting activities at least three times a week for those clubs that open seven days a week or whenever a club is open, when the club is not open all the time, for example when the club is open only at weekends.

Question 3: 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?

There were 61 responses to this question

- 3.20** Some respondents misunderstood this question and thought that the Government was suggesting that members would be obliged to participate three times a week. This was not the intention of the proposal.
- 3.21** It is a requirement of being open to the whole community that a member can 'fully participate' in the sporting activities of the club. The question asked how 'fully participate' should be defined so that clubs would know what the minimum access requirements for members would be. Members could choose to use the club less frequently, if they chose.
- 3.22** There was support from respondents for the definition of 'full participation' as set out in the consultation document. Many thought it was fair and reasonable and could be achieved.
- 3.23** Many of the respondents felt the suggestion in the consultation document of full participation requiring access on a minimum of three days a week was arbitrary and prescriptive. They felt that certain sports could not achieve that due to the sport being seasonal or requiring high levels of organisation for their events.
- 3.24** Many believed that the definition of full participation depended on the logistics of the particular sport involved. They believed that rather than set a numerical value for full participation it should be recognised as involving no discrimination and the opportunity for an individual to participate fully in their chosen sport, using all the club facilities and partaking fully in the non-sporting activities without undue restriction.
- 3.25** For example one suggestion that was made was that the definition should be the number of times an individual participated over a year rather than any given week as juniors, for example, may not be able to play three times a week due to school but may play more often in the holidays.

Question 4: 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?

There were 58 responses to this question

- 3.26** Several respondents believed that setting arbitrary limits without reference to the sport, the size of the club and the availability of volunteers and resources to run the club, would be unhelpful. Instead, they felt clubs should be able to determine how their facilities are used and how often they are open, based on already established methods of running a club.

- 3.27** A few respondents believed the proposals set out in the consultation document were fair and acceptable and so should be adopted.
- 3.28** Many respondents, particularly from golf, pointed out that they already provided full access to all members when open and it was only factors such as bad weather or a particular club competition that restricted members from playing.
- 3.29** Other respondents said a ‘one size fits all’ option would not work here. Different rules would be needed depending on whether it is a team or individual sport; whether the sport is seasonal such as yachting; or whether access needs to be restricted for safety reasons such as scuba diving or that sporting sessions had to be coach-led, for example gymnastics.
- 3.30** Another respondent pointed out that practicalities need to be taken into consideration. For clubs that operate on a volunteer basis, it is often only possible to operate at weekends due to weekday work commitments of members.
- 3.31** One respondent felt strongly that HMRC should not be getting involved in this debate as there was no need to legislate on access times or limits as it would be both impractical and look like over regulation.

Government response

The Government agrees that the levels of access to ensure full participation in a sport will vary, depending on the club and sport. As such, it wants the rules to be flexible whilst ensuring members genuinely have full access to the sport at a time convenient to them. However, it is also recognised that due to matches, competition, weather, coach-led sport and so on, it is not always possible to allow all members access to the sporting facilities at all times.

Clubs will therefore be expected to ensure that where they are open 7 days a week members have access at least three times a week. Where a club is open only a few days a week members must have access to the sporting facilities at least half the time they are open, and at times convenient to the member, so that any member of the community can participate fully in the sport if they wish.

Clubs will need to demonstrate to HMRC’s satisfaction, when required, that the arrangements genuinely enable people on lower incomes to participate fully in the sport and are, in practice, able to do so. HMRC will provide detailed guidance on acceptable arrangements to assist clubs with this requirement.

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

3.32 The consultation document asked for views on how much a club may charge while being deemed to be open to the whole community. A range of between £520 and £1,040 was suggested.

Question 5: 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?

There were 67 responses to this question

3.33 It was suggested that some allowance for the period of participation needed to be made. A charge of £1,000 for a seasonal sport in real terms is proportionately higher than a similar charge for year-round participation.

3.34 Many respondents did not believe there should be a specific fee. It was argued that as sport comes in many varied guises and has very different running costs so it was impossible to set one fee that is suitable across the board. It was therefore imperative that HMRC recognised the diverse nature of sport and allowed clubs to set their fees at a suitable level.

3.35 One respondent pointed out that most amateur clubs were run on a non-profit making basis, so the fees and other charges to members must be of a sufficient level to cover the clubs' costs.

3.36 One respondent argued that the appropriate maximum annual membership varies so much from sport to sport, and club to club, that identifying a single level to apply to all is very difficult to assess. Any rules regarding limits on total annual cost of participation need to take into account the fact that much of the expenditure made to begin participating in a sport will provide for participation over many years. The example cited was buying a boat for participation in a sailing club.

3.37 Another respondent suggested that the level should take into account regional variations and average subscriptions across all categories. One respondent proposed that a club should do a survey on fees that other clubs charge in their local area and the average would be considered reasonable.

3.38 Some respondents suggested that, in setting a maximum fee, consideration should be given to alternatives such as the average UK annual income or the annual rate of inflation before setting a figure.

Question 6: 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?

There were 64 responses to this question

- 3.39** There were a variety of responses to this question.
- 3.40** Some respondents believed it should be left up to the clubs to decide the actual amount chargeable. They felt that different sports have very different costs and a sport such as gliding needs much more expensive equipment compared to a sport such as football. Therefore some clubs may need to charge a lot more to participate.
- 3.41** A number supported using the £1,040 figure as being the right level. Others felt that £1,040 would be too high and would, for example, exclude people on low incomes and their families from participating in some sports.
- 3.42** Those who thought the level should be a lot lower generally played sports that required a lower level of equipment to participate. However, one respondent believed the membership fee should be much lower but that the costs of the equipment etc should be considered separately from the membership fee.
- 3.43** Many, and in particular golf clubs, felt that the £1,040 figure was much too low. There were many suggestions for the upper figure which varied from £1,500 to over £3,000 a year.
- 3.44** One respondent who was involved in running a club in a deprived area was concerned that such a high annual amount of £1,040 was being proposed and felt that the limit should be set much lower.

Question 7: Should the maximum limit be updated in future years? If so how?

There were 60 responses to this question

- 3.45** Nearly all the responses received agreed that the maximum limit needed to be updated. The majority suggested that it should be updated annually in line with inflation. Others suggested every three or five years, again in line with inflation.
- 3.46** Several suggested that any increase should reflect increases in either the club's rent or rates bill rather than the inflation rate.

Government response

One of the principles of the CASC scheme is to support clubs that offer sports to the whole community without discrimination. The Government has therefore decided to set a maximum level for the cost of membership and full participation of £520 a year, equivalent to £10 a week. Where the cost of membership and participation exceeds this amount, a club will need to make special provision for people on lower incomes to participate.

Clubs with sports costing no more than £520 will not need to make any special arrangements for people on low incomes although obviously they may do so if they wish and the Government would encourage all clubs to reach out to all groups in society and do what they can to encourage people to participate.

The maximum amount will be apportioned for club memberships lasting less than a year. So a club offering an introductory 3 month membership, for example, would need to apply a limit of £130 for costs in that 3 month period.

The Government has also decided to set an absolute maximum that a club may charge in membership fees of £1,612, equivalent to £31 a week. This figure applies **only** to the membership fees and not to wider participation costs. The purpose of the CASC scheme is to provide support to clubs that are open to the whole community and that would be unable to provide that continuing access without Government support. Clubs that charge several thousands of pounds a year in membership fees would not be open to the whole of the community, even if they made special arrangements for people on low incomes, and these clubs are not the focus of the CASC scheme.

The maximum amounts will not be automatically updated every year. The amounts the Government has suggested are simple to understand in terms of weekly costs. Adjusting the amounts by reference to inflation would result in odd numbers that aren't easily understood in terms of weekly costs. Instead, the Government will keep the maximum amounts under review and update them at appropriate intervals through regulations.

Clubs with high membership and participation costs

3.47 The consultation document explained that clubs charging more than the maximum amount for full participation might still be eligible to be a CASC. The club would have to make special provision for members of the community on a low income to participate fully in the sport for a cost at or below the maximum amount.

Question 8: 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?

There were 64 responses to this question

- 3.48** Most respondents supported the idea that clubs could charge more than the maximum amount as long as special provisions were put in place to provide access for people on low and modest incomes at or below the maximum amount.
- 3.49** Several respondents were happy to accept the proposals outlined in the consultation as being effective and workable. Many clubs already offer special arrangements for club members on a low income.
- 3.50** Some believed that the only practical approach would be for a club to make available sufficient facilities for full participation at a cost below the 'benchmark figure' for all members. A member on a low income could then take part in the sport without stigma.
- 3.51** However there were concerns that any sort of means test to determine low income would cause additional problems as it presupposes that amateur clubs run by volunteers have the ability, or indeed right, to question members about their financial circumstances. Also, some felt that such a system would be hard to administer, require members to release significant personal information, be prone to potential fraud and be potentially divisive. However, people attending the public meetings whose clubs already offer special arrangements said they did not have any such problems in providing special rates at present, so did not foresee any significant problems here.
- 3.52** Many supported the idea of a level of concessionary rates for families, juniors, those out of work, in addition to easy-payment instalment schemes.
- 3.53** Opponents to such schemes believed that setting subscriptions for different income levels would be both contentious to design and complex to administer.
- 3.54** One respondent felt that it would be very difficult for clubs to enter into means testing their membership. They said that offering reduced fees to those on low incomes would discriminate against people on higher incomes who would be charged more for the same facilities.

Government response

The cost of membership and participation in sports offered by most clubs is already lower than £520 a year. Those clubs will not need to make any special arrangements for people on low incomes unless they wish to.

Where the cost of membership and participation is higher than £520 a year, the Government will require clubs to introduce various arrangements for people on low and modest incomes. These arrangements must be sufficient to ensure that everyone in the community can participate in the sport, if they wish, for less than £520 a year.

Clubs will need to demonstrate to HMRC's satisfaction that they have put in relevant and practical arrangements to ensure that people on low incomes are able to, and do, participate fully in the sport for no more than £520 a year. HMRC will provide detailed guidance on acceptable arrangements to assist clubs with this requirement.

4. Responses: the qualifying conditions – organised on an amateur basis

4.1 Chapter 5 of the consultation document asked for views on whether, and if so how much, clubs should be allowed to pay players for playing and travelling to matches, while retaining their amateur status.

Paying players

4.2 The first part of Chapter 5 of the consultation document explored whether clubs should be allowed to pay players and, if so, how much.

Question 9: 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?***

There were 61 responses to this question

4.3 A large group agreed that CASCs should be allowed to pay players. The majority felt that it should not be restricted to one paid player. Suggestions as to how many paid players a club may have varied from two to five.

4.4 However, some respondents felt strongly that paying players is wrong, as this goes against the principle of an amateur club and that all members should be treated equally. They questioned why clubs that are able to afford to pay players should receive Government support through the CASC scheme. However, they felt that it was right that clubs should be allowed to pay members for coaching, reasonable travel expenses, technical and administrative support.

4.5 A few respondents were concerned as to how this limit would apply to multi-sports clubs, as each section would want to be able to pay a player. Some respondents suggested that it should be one paid player for each sport so that there was equality between the different sports.

4.6 Some respondents felt that the suggested £5,000 limit was too low. Suggestions as to what this limit should be varied from £7,500 to £12,000. Most of these respondents felt that £5,000 would be too low to attract ex-professionals or an overseas player. If the limit were set at £5,000 then this should not take into account other costs such as accommodation and air fares.

- 4.7 One respondent felt that clubs should be allowed to pay senior players modest sums for an appearance of between £30 to £100 per game or a win bonus of, say, £15 a game, or up to £1,000 per player per playing season.
- 4.8 One respondent felt that the proposed £5,000 limit for one player had not been thought through; arrangements proposed were not clear and flexible enough for clubs to operate effectively. They felt that a club should be able to pay one player for every amateur team that it had. Another option suggested was to set a percentage limit of paid players at five per cent or ten per cent of the total number of players.
- 4.9 Others suggested that in the modern world many sports no longer have a basic distinction between the amateur and professional games. Therefore, limits on payments to players should be set by the relevant sport national governing body.
- 4.10 Many respondents either had no strong views or made no comment as the issue does not affect their clubs. Some felt being able to pay only one player at any one time would favour cricket but not the other sports.
- 4.11 Some people attending the public meetings said their clubs have already dealt with the issue of paid players by setting up an affiliated semi-professional club that sits outside the CASC club. The clubs use the same facilities but the structure means that the core grass roots club can retain its CASC status and operate as the proving ground for the best players to progress to the more elite club.
- 4.12 It also became clear at the public meetings that some clubs have not understood their duties as employers. For example, some clubs have broken immigration laws by employing overseas players on holiday visas that prohibit the individual from working in the UK.

Question 10: 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?

There were 39 responses to this question

- 4.13 Some respondents suggested excluding reimbursement of legitimate expenses, free accommodation if provided by someone from within the club, payments to support talented juniors, grants or subsidies from not-for-profit third parties (such as national governing bodies and other foundations) and payments to officials from the definition of a payment to a player.
- 4.14 Another respondent felt air fares and accommodation costs should also be excluded. If such payments were to be included then the paid player limit should be increased to £7,500.

- 4.15** Some respondents felt that all payments made directly to a player by the club or paid by third parties (except logo-bearing sponsored clothing) as a result of arrangements made by the club should be included in the definition of a paid player payment.
- 4.16** However a large group felt that sponsorship payments by third parties should be excluded from a payment to a player as they are not monies that have come directly from the club itself. Payments made directly to the individual without any involvement from the club should also be excluded, as otherwise it would be very hard for the clubs to monitor and regulate.
- 4.17** Others felt sponsorship payments which are directly attributable to the payment of a player to play should be included, as they form part of the payment that would not otherwise arise. One respondent pointed out that third party sponsorship payments that are conditional on playing are, in law, income from employment, and therefore should be included.
- 4.18** Some respondents felt that if the Government decided that payments can be made then all amounts paid in connection with that player playing for the club should be included.
- 4.19** It was also felt that a clear definition would be required of what a third party sponsor actually is. For example, someone not connected to the club in any way either through membership or family.
- 4.20** A few respondents felt that it would depend on the sport and that it was more appropriate for sports national governing bodies to define what should and should not be included.

Question 11: 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?

There were 39 responses to this question

- 4.21** Many respondents agreed that club officials or anyone connected with them should not be paid. Any payments to officials should be restricted to technical, administrative or coaching support, or for a specific task or if there was a genuine reason for making a payment which would normally be allowed, but for the position held by the official.
- 4.22** Some respondents disagreed with the proposed exclusion, stating that a lot of club officials become involved in the club because of the involvement of their children. Suggestions were made that such conflicts of interest should be dealt with in other ways, such a club remuneration committee, from which any related official is excluded, setting player payments. Any payments should be on an arm's length basis.

4.23 One respondent felt that any payments offered to members of other clubs to switch allegiance should be excluded. No other exclusions were suggested.

4.24 Another respondent was concerned with the definition of an 'official' as many rowing clubs may retain or pay on a casual basis.

4.25 One respondent suggested that payments of honorariums should be made with the following limits:

- £5,000 for achievements made to the club
- £20,000 maximum to be paid out by a CASC.

They suggested any sums paid would have to be declared personally to HMRC but that up to £3,000 should be tax-free.

Question 12: Are there any other safeguards that should be put in place?

There were 26 responses to this question

4.26 Many respondents felt that no further safeguards on paid players were needed.

4.27 Others suggested the following safeguards.

- Any payments should be subject to each individual's tax arrangement and made through PAYE.
- Provision should be made so that decisions on payments are made by the committee and be undertaken on an arm's length basis.
- Contractual agreements should be put in place including compliance requirements.
- Conflict of interest forms could be used and the individual with the conflict should be removed from decision-making on the proposed payment.
- Details of players paid should be lodged with the sport national governing body. The club chairman/treasurer/secretary should be required to attest every year that payments made are consistent with those paid to others and not excessive.

4.28 One respondent was concerned that restrictions on payments to players may lead to players being forced to move away from the club that has supported their development.

4.29 Another respondent felt that there should be complete ban on payments to players and it should be enforced by HMRC.

Government response

The Government appreciates the wide range of views that sports and individual clubs hold on whether CASCs should be allowed to pay some players to play for the club. The CASC scheme is for amateur clubs and it is important that the 'amateur' status is not undermined. However it is clear there are some circumstances when small payments to players may be appropriate and would not undermine the 'amateur' status of a club.

As a result, the Government accepts that allowing clubs to make modest payments does not compromise the amateur status of a club. The Government also appreciates that limiting payments to one player at a time may be too restrictive for many clubs.

The Government has decided that clubs will be able to pay a maximum of up to £10,000 a year to players. There will be no restrictions on the number of players, or the amount payable to any individual, within the overall £10,000 limit.

Payments allowed under these rules will be taxable as income from employment under general principles. The limit of £10,000 will include the value of any benefits received by the player from the club in accordance with the normal rules. National Insurance Contributions will also apply, where appropriate.

Payments to players must be agreed by the club's committee and the amounts must be determined on an arm's length basis.

Rules preventing officials of the club receiving payments will be put in place. HMRC will provide detailed guidance on acceptable arrangements.

Travel and subsistence

4.30 The second part of Chapter 5 of the consultation document explored what expenses incurred by members a CASC should be able to pay. The questions were arranged around two scenarios, the expenses of playing away matches and the expenses of touring.

Question 13: 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?

There were 36 responses to this question

4.31 This question produced a wide range of responses. Many people thought that the proposal of a minimum round trip of four hours was fair and acceptable. However some felt the proposal was too generous and that three or four hours each way would be more appropriate.

- 4.32** Some respondents felt that the rule should be based on the distance players have to travel for competition rather than time. Some of the more successful clubs compete in national competitions and these normally require longer journeys compared to local fixtures.
- 4.33** Other responses believed that time limits should be left to the individual clubs to decide, and they questioned how HMRC would be able to monitor compliance in this whole area.
- 4.34** One response questioned why HMRC needed to legislate to such a detailed level as proposed, as it would only create more work for club administrators.

Question 14: 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?

There were 28 responses to this question

- 4.35** Many respondents felt that clubs should have full discretion on when travel and subsistence expenses should be paid. This would provide more flexibility and remove the restrictive rules.
- 4.36** Others reflected that more success for a club generally meant more travel to various competitions.
- 4.37** A large group felt that the proposals suggested in the consultation document were adequate, clear and workable and that there was no need to complicate things further.
- 4.38** One respondent believed that travel restrictions should not apply to club officials and they should be treated the same as any other club member.

Question 15: 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?

There were 35 responses to this question

- 4.39** Many respondents believed that expenses should be left to clubs to decide based on them paying what they could afford. They felt that clubs should be trusted to comply with the rules and use market rates and best deals when travelling.
- 4.40** Some believed that the location of the trip determined costs as London was generally more expensive than the rest of the country. Also, the rules could state a category of hotel to stop expensive, luxury accommodation being used.

- 4.41 Several were in favour of introducing a cap such as £75 per person or an overall team cap based on a similar individual amount.
- 4.42 As with responses to Question 13, the question of how HMRC would police this whole area came into question.
- 4.43 Finally, some respondents questioned the need for a club to pay for any overnight stays. They said most clubs normally compete in local leagues and competitions and if an overnight stay is required, then the players should have to pay for it themselves.

Question 16: Should there be an annual limit on how much a club can spend on travel and subsistence in any given year?

There were 33 responses to this question

- 4.44 Most respondents were against any sort of restrictions on the amount of travel and expenses a club may pay in a year. Many believed it should be left to the club to decide, based on the funds available.
- 4.45 One response questioned any restriction particularly if a club wanted to support a player who is going overseas to compete and bring back that experience for the benefit of the whole club.
- 4.46 Others felt that levels of travel expenditure depend on how successful a club is and any limit would discriminate against the bigger clubs whose players often travel longer distances to fulfil fixtures.
- 4.47 Finally, there were some respondents who supported the idea of a limit and believed it should be a percentage of the total club turnover.

Question 17: 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?

There were 35 responses to this question

- 4.48 Some respondents believed that it should be left up to the individual club to decide if they wish to subsidise their tours. They should, however, pay only what is fair and reasonable.
- 4.49 Others believed that there should be no restrictions on any tours, provided they could be shown to be genuine competitive tours and not holidays.
- 4.50 It was suggested that only tours sanctioned and approved by the sports governing body should attract funding.
- 4.51 Overall there was a lot of support for having no restrictions and one respondent questioned why HMRC should require such a detailed level of legislation.

4.52 Several respondents believed that amateur clubs should not contribute anything to tours home or abroad. They said players should pay their own way if they want to go on tour.

Question 18: 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?

There were 29 responses to this question

4.53 Many respondents felt that there should be no restrictions imposed on payments to club players and participants on tour. It should be up to the club to decide, especially if they are paying the travel fees for the players.

4.54 It was again questioned how HMRC could effectively monitor this, particularly on foreign tours.

4.55 Those in favour suggested that the primary purpose of a tour is to play games regularly. Therefore they suggested a range from playing a game every other day to playing four days out of five.

4.56 One respondent believed that clubs should not be touring under any circumstances.

Question 19: 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?

There were 32 responses to this question

4.57 Many respondents considered that there should be no restrictions imposed on travel and subsistence expenses for tours. They believed it should be up to the individual club to decide how much they could afford to pay, depending on their club's financial position. Several respondents pointed out that club tours are often financed by special fundraising efforts rather than out of general club funds. Indeed, for a lot of clubs, paying for a tour is a way of ensuring that it is open to the less well-off players to attend.

4.58 One respondent suggested a limit of five per cent of annual club income.

4.59 There were a number of people who suggested that no limit was actually required because the club should not be allowed to pay anything. They felt that all players should pay their own way on tour.

4.60 One respondent suggested that if clubs followed the current legislation and acted within the rules then there would be no need to impose limits.

Government response

The Government appreciates the wide range of views clubs hold on whether CASCs should be allowed to pay travel and subsistence expenses for players and other officials.

The original rules allow CASCs to pay reasonable travel expenses to players and officials travelling to away matches. The Government has decided to also allow clubs to make reasonable subsistence payments as well as travel expenses to players and a few officials.

However the Government recognises that allowing clubs to pay unlimited amounts to club members would not be appropriate. The purpose of the CASC scheme is to support the whole community to participate in sport rather than subsidise the best players to travel. Many CASCs can't afford to pay any expenses in the first place and, as with most community organisations, the Government would expect most people to pay their own expenses when they travel to away matches or go on tour.

However, some people on low incomes wouldn't be able to travel if they had to pay their own expenses and it would be unfair to prevent them from fully participating in the sport if the club is able to support them.

The Government will therefore allow payments for travel and subsistence as proposed in the consultation document, subject to limits. HMRC will provide detailed guidance on acceptable arrangements.

5. Responses: the qualifying conditions – main purpose of a club – members

5.1 Chapter 6 of the consultation document asked for views on what rules on membership would help to ensure that a CASC is primarily a sports club, rather than a social club. The questions focussed on the differences between members who are participating fully in the sport and others.

Question 20: Do you agree that at least 50% of a CASCs 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?

There were 71 responses to this question

5.2 A significant minority of respondents were in favour of requiring at least 50 per cent of a club's members to be participating in the club's sport. Many believed it struck the right balance.

5.3 However others, particularly golf clubs, believed that 50 per cent was too low and should be raised to 75 per cent or even 90 per cent

5.4 One respondent argued that if participation included club officials then a much higher percentage such as 80 per cent should be used. They believed that a minimum of 50 per cent would seem more like a social club than a sports club, and this would give the wrong message

5.5 One respondent pointed out that many clubs depend on non-participating members to help organise the club and coach players. This probably varies to a great degree from sport to sport and even by club within the sport.

5.6 Some concerns were raised about the additional administrative burden as applying this condition would create unnecessary uncertainty for the administrators of a CASC. It would require a club to check how often its members actually attend and use the facilities.

5.7 One respondent believed that while the intent of this proposal was to address issues in respect of social members, it seems to have unintended consequences for CASCs where a large proportion of the playing members are juniors. The club had been advised that it is not legally possible for junior members of a club (under the age of majority) to be full members when the CASC is operated through a company. As some types of sport have a greater number of junior members it raised concerns that this requirement will prevent some clubs from qualifying as CASCs. To address this, they suggested that for the purpose of calculating the participating members, junior members should be classed as 'full members'.

- 5.8** One respondent advised that in a community golf club 50 per cent participation would be a very low threshold. Therefore, in their view, it would be reasonable to define member participation thresholds by sport.

Question 21: How often should a member participate in a sport or a club's sporting activities in order to be deemed a participating member rather than a social member?

There were 67 responses to this question

- 5.9** A common response was that it would be realistic to expect people to participate at least once or twice a week, after other commitments are taken into account. However respondents considered that it would be very difficult to legislate on this and would depend on how frequently a club actually holds sports sessions or matches.
- 5.10** One respondent felt that the definition of a participating member should be based on the difference between playing and non-playing members because playing members are covered by playing insurance and non-playing members are not. They felt that there should be no grey area as the subscriptions are set at different amounts.
- 5.11** Several respondents felt that it would be difficult for clubs and HMRC to monitor the actual playing time and therefore any calculation should be made according to whether members pay a playing member's fee or a social member's fee.
- 5.12** In a similar vein, another respondent suggested that any member who pays a higher premium for the benefit of sporting membership should be deemed to be a participating member. If they do not use the facilities very often in a given year, due to personal choice or circumstances, neither they nor the club should be penalised for this personal choice. They should still be deemed full participating members as they have paid their fees and the facility is always made available to them. Any social members should pay a different fee.
- 5.13** Others felt that it is likely to be different for different types of activities due to the levels of preparation associated with different sports. In some sports the preparation required was high, compared with the actual time spent undertaking the activity. To reflect this, they felt that a level on average of once a month would appear to be a reasonable figure.
- 5.14** Another respondent felt it was not a black and white issue. They said that the definition of 'participation' should not be restricted to simply playing. Instead participation should take into account other vital roles and encompass coaching, refereeing, safety/marshalling, preparing courses, committees, facilities management, child protection, administrative duties, running the club bar, housekeeping duties and other forms of assistance all necessary to support the club and sport.

5.15 Finally one respondent felt that, by asking clubs to monitor this issue, HMRC would be adding to the already growing levels of extra workload on a voluntary management and it would detract from their ability to run the activities of the club.

Question 22: Are there other ways in which to define a member and a non-member? If so what would you suggest?

There were 60 responses to this question

5.16 One club said that they already have some classes of membership that are less directly involved in club activities: Country – Persons who by distance of residence do not have regular access to Club facilities; Non-running – Persons who are now unable to make full use of Club facilities; and Inactive – Persons who are over 70 and do not participate but want to remain connected with the club. They suggested this type of model could be adopted elsewhere.

5.17 A number of respondents believed that a significant price difference between active members and social members would be enough to show a definite divide between the two classes. One suggested that the playing member should have to pay three or four times more than a social member.

5.18 Another suggestion was that a member should be someone who has committed to membership of their club for at least one year.

5.19 One respondent believed that it would be difficult for clubs and HMRC to monitor the actual playing time. Another stated that a sports club should be entitled to set its own rules as regards the distinction of playing and non-playing member without HMRC interference.

5.20 One respondent suggested that a full member with voting rights should pay a subscription which doesn't attract VAT whilst a social member should pay a subscription on which VAT is chargeable.

5.21 A number of respondents believed that a participating member should include officials and members of executive committees of the club.

5.22 Others suggested that the definition of membership should be set out in the club constitution, for example, 'of the total membership of the club at least 75 per cent shall participate in the sporting activities for which the club is established'.

5.23 Finally one respondent believed that the definition of club members should include playing members, members of visiting teams and their supporters, officials and, in the case of junior teams, parents. It should also include past playing members of the club. Anyone else could then be considered as a social member.

Question 23: 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?

There were 75 responses to this question

- 5.24** About one third of the respondents said they were happy with the suggested definition in the consultation document.
- 5.25** Some respondents felt that the proposed definition did not go far enough. One felt that a social member should also be able to bring a guest or guests to the club either to socialise or watch the sport.
- 5.26** Another said they would like the definition of a guest to include somebody accompanying a member to a social as well as a sporting activity.
- 5.27** One suggestion was that a guest should be considered as a person attending a club who has not paid a membership fee. The 'guest' may not be attending a sporting activity at the club; they may be attending a social activity or simply visiting the premises.
- 5.28** One respondent pointed out that The Licensing Act 2003 does not attempt to define a 'guest', and that the guidance on the Act specifically states that the term 'guest' has purposely not been defined so as to allow clubs to determine this in accordance with their own needs. Therefore they felt it was unnecessary to define a 'guest' for the CASC scheme.
- 5.29** Another respondent felt the proposed definition of a 'guest' was far too narrow and should be left to individual clubs to determine.
- 5.30** Another view was that the definition should be wider, so that those who are invited by the club should be considered guests too. For example, people attending open days or tournaments; prospective members; away supporters and players; people to whom facilities have been let; and people attending social functions.
- 5.31** The Government response is set out on the next page.

Government response

Chapter 6 of the consultation document explained that HMRC has been using a rule of thumb, set out in its guidance, for deciding whether a club is mainly a sports club or mainly a social club. The rule requires at least 50 per cent of the members of a club to be participating (sporting) members.

The Government has decided to legislate this rule, using the limit of 50 per cent

The Government has also decided that a participating member will be defined as someone who has participated in the sport at least 12 times a year, that is, on average at least once a month.

The consultation responses showed that most people considered that a minimum of 50 per cent participating members is too low. However, many respondents argued for special circumstances to be taken into account in order to define certain people to be participating members rather than social members. That would increase complexity for clubs in determining who was, and who was not, a participating member.

The Government considers that a better approach is to define a participating member in relatively simple terms even though that may exclude some members who are actively interested in the sport but, for example, are unable to participate regularly for health or other reasons. A minimum threshold of 50 per cent participating members then gives ample headroom for such people to be classified as non-participating members of the club without affecting the club's CASC status, while still allowing the club to have some purely social members.

As explained in the consultation document, a participating member would include not just players but other members who are participating in the sport by volunteering to coach, officiating at games, helping out as a grounds man or supervising juniors.

As explained in the next chapter, the Government has decided to apply new rules relating to income received by the club by reference to whether the income is generated from members or non-members. Guests will be defined as non-members for all purposes.

Some of the respondents to the consultation were concerned how junior members would be accounted for. Junior members who meet the conditions will count as participating members for the purposes of the 50 per cent test.

6. Responses: the qualifying conditions – main purpose of a club – income of a club

- 6.1 Chapter 7 of the consultation document asked for views on what rules should be introduced on non-sporting income to ensure that a CASC is primarily a sports club rather than a social club. It put forward four different options for limiting social income generated by CASCs and asked for other suggestions.

Question 24: What are the pros and cons of each of the options?

There were 68 responses to this question

Question 25: Which option should the Government consider adopting? What are your reasons?

There were 64 responses to this question

Option 1 – Members income test: There would be no limits on the income raised from members, whether the income related to sporting activities or non-sporting activities.

- 6.2 Most respondents believed option 1 was the simplest option for clubs to administer and offered the smallest administrative burden for clubs.
- 6.3 Those respondents who preferred option 1 believed it was the only sensible way forward. In particular, they liked its simplicity, which allowed a clear division between member and non-member income. In addition, many held the view that it embodied the principle that clubs may generate other income from members to subsidise the costs of their sporting participation.
- 6.4 One respondent thought it was a good option but believed that the maximum level of non-member income suggested of £50,000 should be increased if it is to include the costs of sporting activities of non-members.
- 6.5 Another felt that many clubs generate significant amounts of income from visitors, many of whom are not associated with a member. Option 1 would catch clubs generating significant levels of non-member income whether it is from sport or functions. They said this would disqualify clubs that are unfairly competing with local businesses.
- 6.6 The respondents who didn't like option 1 cited a number of reasons. One of the main reasons was the restriction on certain sources of members' income such as sponsorship income, which would drastically reduce a club's ability to offer cheaper membership fees.

- 6.7** Several others believed that the administrative burden on clubs would increase, requiring more detailed record-keeping if this option was adopted. This was seen as a disadvantage, particularly to smaller clubs.
- 6.8** One respondent felt it would be impossible for a small club to record every bar sale to a member or non-member. However, licensing laws already require many CASCs to distinguish between members and non-members. It emerged at public meetings that some clubs have not been complying with licensing laws and have allowed non-members to buy alcoholic drinks as members.
- 6.9** One respondent believed that option 1 would constrain the growth of a CASC especially if limits were imposed on membership fees. They felt that, as a CASC is a non-profit making organisation, its ability to raise funds from non-participating members should not be restricted.
- 6.10** In terms of limits, a few respondents felt that the limit on turnover generated from non-members should be between 30 per cent and 40 per cent of turnover, with an upper limit of £100,000, increased annually in line with inflation.
- 6.11** A few others felt that the limit should be 10 per cent of turnover and up to £25,000 of non-members' income to ensure fairness between members' clubs and proprietary golf clubs.
- 6.12** One respondent suggested the £50,000 limit should exclude costs of participation. If the costs of participation were to be included then they felt the limit should be increased to £150,000 or 30 per cent of the total income of the club.

Option 2 – Basic income test: The basic income test would be a test that limits the turnover from non-sporting activities of a club.

- 6.13** Many respondents felt option 2 would ensure the main purpose of the club was related to sporting activities. It was particularly favoured by smaller clubs.
- 6.14** The option was generally seen as being simple and practical and so record-keeping would not be complicated.
- 6.15** Those who supported option 2 felt that the definitions of sporting income should be widened to include a number of income sources.
- 6.16** One respondent felt that the attractiveness of option 2 would depend on the limits set and certainty that these would be increased annually in line with inflation.
- 6.17** A number of respondents supported option 2 on the grounds that they received the bulk of their income from sports-related events.

- 6.18** One respondent welcomed the basic income idea but felt that any limits imposed on non-sporting income needed to be realistic to work.
- 6.19** Another felt option 2 was a good idea but the cap on non-sporting turnover of £100,000 was too low.
- 6.20** One respondent believed option 2 would be very harmful for clubs that do not have a base of wealthy members from whom they can extract significant amounts of income over and above their membership fees.
- 6.21** Another felt the option would not be flexible enough to suit all clubs in the scheme.
- 6.22** One respondent argued that non-sporting activities are normally incidental to the sporting ones. Although they may generate a significant turnover, the net contribution to finances may be small overall.
- 6.23** Another felt that it would discriminate against the larger community clubs.
- 6.24** One respondent was concerned that no consideration had been given to the situation where the club receives a fixed fee or a percentage of sales from franchising out its catering facilities.
- 6.25** In terms of turnover, some respondents felt that the suggested limit of £100,000 of non-sporting incomings would be too low as sales of food and drink are a key source of income and the cost of supplies can be high.
- 6.26** Limits suggested ranged from 35 to 50 per cent of total incomings or that the percentage should be different depending on the amount of the club's incomings, for example 30 per cent for clubs with total incomings below £100,000 and 25 per cent for clubs with more than £100,000 incomings.
- 6.27** Other respondents agreed that the cap would be a problem for larger clubs and suggested a range of limits from £150,000 to £250,000. An alternative suggestion was to set a net income limit (turnover less material costs and direct labour) of between £75,000 and £100,000.

Option 3 – Different levels for different sorts of income test

- 6.28** Option 3 was the least favoured of all the options.
- 6.29** Some respondents believed that this option would be easy to run and would require less record keeping than other options. They preferred option 3 as it did not have a cap which might discriminate against some clubs but instead limited income on a percentage basis. It was felt this approach offered greater flexibility than the other options.
- 6.30** Another believed option 3 could work, but only if sensible limits were set.

- 6.31** One respondent suggested that this option would be good if the percentages were interchangeable with a maximum of, say, 50 per cent being set for the total of the three types of non-sporting income. For example, if food and drink were 40 per cent, then there would be 10 per cent left for hiring of facilities and all other non-sporting activities. This should stop clubs manipulating their prices between the three groups if they were getting close to any one limit.
- 6.32** However this option was not generally favoured by respondents. It was seen as unworkable by some, due to its complexity and the different mix of incomes currently received by their clubs.
- 6.33** Another respondent said that this option offered no clear advantages to clubs and the limits suggested appeared both arbitrary and vague.

Option 4 – Days open test: This option would ignore the amount and nature of income. Instead, it would look at when the club facilities were available for use

- 6.34** As with option 3, option 4 was not popular amongst respondents; many found it restrictive.
- 6.35** Those in favour believed the ‘days open’ test would be an appropriate and proper measure of the availability of a club’s sporting facilities and that it would be simple to operate.
- 6.36** One respondent said option 4 would be ideal but could cause problems for outdoor clubs as complying with the rule would be subject to the weather conditions.
- 6.37** One respondent felt that if this option were to be considered, it would need modification. They felt the suggested limits of 10 and five days when the club could be used for non-sporting activities would be unnecessarily restrictive.
- 6.38** Another respondent felt this option would be beneficial only to clubs that open for a limited amount of time for training and matches. It would not work well for clubs where daily opening and continuous play on 365 days a year are the norm, such as golf clubs.
- 6.39** Another respondent felt option 4 was administratively difficult and hard to police and would not work for a multi-sports club.
- 6.40** A number of respondents did not like any of the options proposed.

Question 26: Are the suggested thresholds (for the income condition options) set at the right level? Should they be increased or decreased? What are your reasons?

There were 50 responses to this question

- 6.41** A few respondents felt that there should be no restrictions on income from fundraising as different clubs have different requirements.
- 6.42** Some respondents felt that the thresholds suggested were reasonable but that they should be automatically updated annually by reference to the retail price index.
- 6.43** Another respondent felt that although the percentage thresholds suggested would be reasonable, there should be no absolute maximum as that would discriminate against the larger clubs generating large amounts of turnover.
- 6.44** Others felt the thresholds needed to be higher to take into consideration multi-sports clubs, larger clubs and in order to minimise the monitoring involved.
- 6.45** One respondent felt that thresholds should be based on profits rather than on turnover.
- 6.46** Another respondent felt that a maximum turnover of £150,000 should be allowed before any restrictions are applied.
- 6.47** A couple of respondents felt that it would be much easier to follow the small-scale trading limits that apply to charities. Under the small-scale trading exemption a charity may, broadly, receive incomings from non-charitable trading and other taxable sources of income up to a maximum of £50,000 so long as the incomings are 25 per cent or less of the charity's total incoming resources.

Question 27: If none of the options are suitable, why is this the case? What alternative options would you suggest and why?

There were 45 responses to this question

- 6.48** A number of ideas were put forward for determining the income of a club.
- 6.49** One respondent suggested the following thresholds.
- All sporting income to be included as suggested in paragraph 7.19 of the consultation document.
 - Profits from non-sporting activities should be allowed, up to £100,000.
 - Corporation Tax calculations and Capital Allowances should be calculated and then the appropriate level (up to £100,000) of CASC relief set against computed profits. The residue would become taxable.

6.50 Some respondents were concerned about the implications if a cap were reached part way through the year or where a club is under the limits in one year but over in the second year. They felt that it would be far better to introduce a two year rule whereby clubs would have to review their income situation on a rolling two year basis. Alternatively, they suggested setting a limit as both a percentage and an absolute figure, whichever is the higher for a particular club.

6.51 Others felt that the Government should introduce a range of income condition options so that each club could choose the option best suited to its own circumstances.

6.52 A few respondents felt that none of the four options were ideal as they would be restrictive and difficult to administer and that it would be much easier to follow the charity trading rules.

6.53 Some golf club respondents suggested that 15 per cent of gross turnover should be allowed as surplus income which could be reinvested back in the club for maintenance and improvements.

6.54 Various alternative options were suggested.

- A cap on profit, rather than turnover and updated by reference to the retail price index.
- Qualifying activities should be addressed through the Licensing Act. Clubs could apply for a full licence and hire out their facilities and pay business rates on the licensed area in proportion to the public use of the premises. Alternatively, clubs could apply to the local authority for a club certificate which would mean clubs could use the premises only for club activities.
- Set a threshold of turnover below which there would be no special rules. That would mean that only the larger clubs would be subject to the restrictions suggested in options 1 to 4.
- Any income from providing sporting facilities to other sports club should be excluded from non-sporting activities, together with income derived from sale of food and drink in connection with sporting activities. A CASC should satisfy the income test if it meets any of the four options (subject to amendments to the thresholds).
- Any option should be based on how the money is spent. Any income used for sporting purposes/maintenance of the facilities should be non-taxable.

Question 28: What are the one off or ongoing administrative costs in meeting the options? Please provide details of these.

There were 56 responses to this question

- 6.55** The majority of the respondents were concerned with the administrative burdens associated with the new income condition. They were concerned with the detailed record-keeping requirements, and the resulting costs, such as installing new tills and obtaining professional help when setting up a subsidiary company.
- 6.56** Some respondents felt that the extra administrative costs would be minimal, as clubs already need to split the turnover between members and non-members. Thus the majority of the information should already be available from the accounts the club produce.
- 6.57** Some respondents felt that, for option 1, the administrative costs would be minimal. The other options would be more expensive.
- 6.58** One respondent felt that option 1 would require two sets of accounts to be kept and the scope for error and confusion would be immense. They felt that options 2 and 3 would incur considerable costs to clubs and the public purse in processing bankruptcies. Option 4 would incur minimum costs.
- 6.59** Another respondent felt that there would be ongoing costs no matter which option was adopted, thus an increase in subscriptions would be inevitable.
- 6.60** Others were unable to quantify the additional costs as there are too many variables relevant to record-keeping and software changes.
- 6.61** Many of the respondents were concerned about the impact this additional work load would have on volunteers. Clubs already find it difficult to retain their services and even more difficult to attract new volunteers to take on such administrative work. They felt clubs would have to seek professional assistance, leading to more costs, which in turn will lead to higher membership fees.
- 6.62** A few of the respondents felt that setting up a subsidiary company would incur additional costs, such as accountancy costs and a VAT review for any consequences of setting up a VAT group. There would be uncertainty over the position on business rates relief where sporting and non-sporting activities take place in the same building. It would also increase the administrative burden as the treasurer would have to start recording separate income for the trading company, deal with company law and so on.
- 6.63** One respondent felt that it would be necessary to employ an additional secretarial person at a cost of £12,000 to £15,000. Further costs would arise if the need to remain within a particular threshold meant cancellation of a booked event.

- 6.64** One golf club respondent felt option 2 would require the use of till software that recognises member and non-member sales. They said obtaining such systems, together with staff and volunteer training, could be a major expense for some clubs.
- 6.65** Some of the golf respondents suggested an alternative option (15 per cent of gross turnover to be allowed as surplus income) and felt that if this option was adopted then the administrative costs would be minimal as recording this would be a normal part of any golf club's business.

Government response

It became clear from a number of responses received, and comments made at public meetings, that several CASCs are unaware of the existing rules on trading income. Many appear not to have appreciated that, under the current rules, if a club receives trading and miscellaneous receipts above the existing limit of £30,000 then all the income arising from those receipts becomes taxable, not just the income arising from the receipts above the £30,000 limit. It is not clear what effect this misunderstanding may have had on some of the responses to the questions asked about the income condition.

The Government wants to encourage clubs to raise funds in diverse ways to support sporting activities and accepts it is important to strike a balance between the interests of CASCs to raise extra funds, and the interests of local businesses. CASCs benefit from tax reliefs because they are promoting sport. The CASC scheme should not provide tax reliefs to clubs which are primarily social clubs, and any reliefs should not adversely affect local businesses in the hospitality or service sectors. As a result, the Government considers an income test similar to option 1 that allows clubs to receive up to £100,000 is the best option.

There will be no limit on the amount of income clubs may generate from transactions with members. There will be a limit of £100,000 in turnover (receipts) the club may receive from trading with non-members.

As with the trading income and property income exemptions from corporation tax, the limit on non-member trading will be set by reference to turnover (receipts), not the profits or income after deducting relevant costs.

It will be easier for clubs to check that they remain within the limit by checking receipts rather than having to carry out more complicated and potentially confusing computations to include the cost of goods supplied and other costs of trading.

The Government notes some respondents were concerned at the record-keeping requirements that may be involved in complying with option 1. However all CASCs should already be keeping records of their transactions with members and non-members if they are claiming exemption from corporation tax on their trading income and, possibly, for licensing law purposes as well.

7. Responses: dealing with income in excess of the income condition and other suggestions

- 7.1 Chapter 8 of the consultation document asked for views on extending corporate Gift Aid to donations of gifts of money to CASCs and on proposals to increase the limits on trading and property income which are currently £30,000 and £20,000 respectively.

Question 29: 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.

There were 60 responses to this question

- 7.2 The majority of respondents agreed that companies that are wholly-owned by a CASC should be able to make qualifying Gift Aid donations to the CASC to promote the sport, encourage the growth of the CASC and to bring the rules into line with charities. They felt it would be particularly important because the new rules will push certain clubs over the social income threshold and force them to create a wholly-owned trading subsidiary if they wanted to retain their CASC status.
- 7.3 Some respondents felt that corporate Gift Aid should not be allowed as it would only lead to more clubs using their CASC status to avoid business rates. They felt that it would benefit only the accountants with extra fees as it would be difficult for the average club treasurer to understand.
- 7.4 Some respondents were concerned with the VAT implications, as using a trading subsidiary may result in CASCs losing their 'partially exempt' status.
- 7.5 A few respondents felt that if a CASC cannot meet the limits set, then realistic limits should be set in the first place, increased in line with inflation. Otherwise they felt that the only things that would be created would be red tape and extra costs in terms of professional fees to make tax returns.
- 7.6 Some respondents felt that if this option were adopted, HMRC would need to provide detailed guidance and support to those clubs that wish to set up subsidiary companies, as this is a complex area.
- 7.7 One respondent commented that this would enable CASCs to avoid some of the potential administrative complexities in analysing different income types to determine if they were taxable or non-taxable. This could bring savings in administration costs.

Question 30: Should the Government consider extending this to all types of company? If so why?

There were 52 responses to this question

- 7.8** The majority of respondents agreed that corporate Gift Aid should be extended to all types of company to allow clubs to improve the financial position of the club, make a donation more attractive for companies and to align it with charity law and rules.
- 7.9** Others felt that this should not be allowed because, as for Question 29, it would only lead to further schemes to avoid business rates using CASCs.
- 7.10** One respondent was concerned with potential abuse, for example parents might pay for horse riding costs for their children through Gift Aid donations by their companies.
- 7.11** Some respondents felt that extending corporate Gift Aid to all companies would be more beneficial to the larger clubs. One respondent recommended that corporate memberships of CASCs should be approved by HMRC. Another felt that the Government should go the whole way and treat CASCs as exempted charities.

Government response

The Government has decided to extend corporate Gift Aid to qualifying gifts of money to CASCs made by any company, not just wholly-owned subsidiaries. It is proposed that the new provisions will apply to qualifying donations made on or after 1 April 2014 and that legislation will be brought forward in Finance Bill 2014.

The extension in corporate Gift Aid will benefit clubs with high levels of trading income from non-members that need to set up a trading subsidiary company in order to meet the new income condition. It will also help clubs looking for new channels of fund raising from local companies.

The new corporate Gift Aid rules will include anti-abuse provisions. The Government recognises that setting up a trading subsidiary company may be complicated for some clubs. HMRC will work with the Department for Media and Sport and Sport England to provide guidance for clubs on this.

However the Government does not accept that the tax rules for CASCs should be the same as for charities. The CASC scheme is different from charitable status and clubs can choose between the two. Clubs that want to benefit from the full range of charity reliefs and exemptions can, if they meet the requirements, decide to apply for charitable status, instead of applying for CASC recognition.

Question 31: 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?

There were 61 responses to this question

- 7.12** A large group agreed that the exemptions thresholds should be increased. However, some respondents felt that suggested the thresholds were too low and made a number of suggestions.
- Thresholds should be increased to £50,000 each.
 - Thresholds should be linked into the sources of turnover based on a percentage of total income, say 40 per cent of total income for all bar, catering, social and rental income, which would make it much simpler both for the clubs and HMRC to administer.
 - The trading threshold should be increased to £250,000 turnover or £50,000 on bar takings.
 - The trading threshold should tie in with the threshold used for the new income condition.
 - Thresholds should be set both as a percentage and an absolute figure, or preferably aligned to corporation tax limits; whichever is higher for a particular club.
 - Thresholds should be set by reference to profits or income rather than turnover or receipts.
- 7.13** Many respondents suggested that the thresholds should be increased in line with inflation to prevent a further shortfall in future years.
- 7.14** One respondent pointed out that a lot of rural clubs receive rental income from mobile phone masts which, when added to any rent received from a subsidiary company trading from the premises, would have a significant impact. It was suggested that the rental threshold should be increased to £30,000 or any rent paid by communications providers should be excluded from the threshold. There is a national scheme now where floodlight columns are replacing phone masts and this will be an ever increasing source of income for sports clubs.
- 7.15** Some respondents suggested that the trading and property income thresholds should be combined to provide greater flexibility to clubs. Suggestions as to what the combined threshold should be varied from £65,000 to £100,000.
- 7.16** Some respondents felt that the trading income limit is irrelevant as no private members' golf clubs are paying any meaningful corporation tax on visitor green fee income. To alleviate this concern a limit of £25,000 on non-member income was suggested, with rigorous policing.

- 7.17** One respondent felt that, although the suggested figures are an improvement, they could penalise larger clubs and multi-sports clubs.
- 7.18** One respondent felt that the Government needs to look at the categories of income, and revise upwards the thresholds suggested to avoid CASCs having to establish complex trading subsidiaries.

Government response

The Government has decided to increase the thresholds for the exemptions from corporation tax on trading income and property income to reflect the impact of inflation over the years and also to bring the thresholds for CASCs in line with those applied to charities.

The threshold on receipts from trading will be increased from £30,000 to £50,000. The threshold on receipts from property will be increased from £20,000 to £30,000. These increases are higher than would be made if adjusting for inflation.

The Government understands that some clubs would prefer the thresholds to be increased further to enable CASCs to receive more income without setting up trading subsidiaries. However the tax reliefs for CASCs are provided for clubs to promote and facilitate participation in sport, not to carry out general business activities.

It is important to strike a balance between the interests of CASCs to raise extra funds to subsidise their sporting activities, and the interests of local businesses. The Government considers that the new thresholds strike that balance.

- 7.19** The consultation document raised one last question, asking for other ideas for improving the CASC scheme.

Question 32: Do you have any other ideas and suggestions for improving the CASC scheme? All suggestions will be considered as part of the consultation process.

There were 62 responses to this question

- 7.20** Some respondents used this question to voice concerns about the proposed changes.
- 7.21** Some respondents were concerned with the increase in the administrative burden any proposed changes would have, especially on the small clubs. There was a real concern that volunteers might withdraw their time.
- 7.22** Some respondents felt that the 'one size fits all' set of rules will be unworkable and will, in all likelihood, create considerable administrative burdens, not just on sports clubs but on HMRC as well.

- 7.23** Swimming club respondents felt that the consultation would not make any substantial improvements for them as most of them do not own property or tangible assets which can be used to generate income and most receive few donations under Gift Aid. For the vast majority of truly amateur clubs, they said the main source of income is membership subscriptions.
- 7.24** One respondent felt that HMRC needs to recognise that players playing for the first team squad are expected to supply a considerable amount of kit not covered under present CASC regulations. These players should be recompensed for this expenditure, up to a certain limit or value without incurring tax. An agreed list of players that apply for the scheme, that is the first team squad, could be maintained.
- 7.25** One respondent felt consideration should be given for CASCs to offer a 'win bonus' scheme subject to tax regulations, to encourage players from lower teams to push for first team status. The value of the bonus could be fixed in line with the club's league status and be subject to PAYE.
- 7.26** Some respondents suggested that existing CASCs should have much more than 12 months to adjust to the new changes. A suggestion of up to three years was made to enable the cost to be absorbed.
- 7.27** One respondent felt that the Government is tying clubs down with complex and pointless restrictions on income whilst ignoring expenditure.
- 7.28** Respondents also had more specific suggestions on improving the CASC scheme.
- 7.29** Some respondents suggested that HMRC should use the definition of amateur status for income tax purposes, as opposed to a list of prescribed 'ordinary' benefits.
- 7.30** Many respondents were concerned about the current rules that impose a tax charge on clubs that leave the CASC scheme.
- 7.31** Many respondents felt that the Government should consider removing the de-registration charge that applies when clubs leave the CASC scheme or at least mitigate the charge if a club had legitimate reasons to come out of the scheme.
- 7.32** One respondent suggested that a CASC club should be able to de-register from being a CASC without penalty, with the proviso that it could not re-register for at least, say, 5 years.
- 7.33** Some respondents were concerned about the process when an unincorporated CASC wishes to move to a corporate status. Currently, they face an increased administrative burden so would like to see a more simplified process.

- 7.34** Several respondents suggested that HMRC should allow some type of roll-over relief for CASCs which incorporate so that, subject to HMRC clearance, clubs do not have to re-apply for CASC status after incorporation.
- 7.35** Several respondents suggested more substantive changes to the CASC scheme.
- 7.36** Some of the respondents from golf clubs felt there is a large and unfair distortion in the golf industry which should be removed either by not allowing any golf clubs into the CASC scheme or allowing proprietary golf clubs to qualify for CASC status.
- 7.37** One respondent suggested that there should be a definition of a 'simple CASC' for clubs which fall into the original spirit of a CASC. Another respondent suggested that a tiered system should be considered by setting an appropriate threshold of surplus. Clubs below the threshold could register using a simple, less time consuming, process. Clubs above the threshold would be open to the full scrutiny of full regulation.
- 7.38** One respondent suggested that clubs, which are primarily set up as a sports club by members and are run by those members on a voluntary basis, whose prime aim is to provide sporting facilities in their area on a non-profit basis by reinvesting all income back into the facility should be eligible for CASC status.
- 7.39** Another respondent felt that consideration should be given to having two sets of rules, one for those sports that can be played as a team such as football and cricket and normally with an audience. The other set of rules would be for those mainly played individually such as golf and tennis. Any club applying would then have to comply with one or the other set of rules.
- 7.40** One respondent suggested that a panel should review the CASC application for its merit, interview and understand the club and its officers. The club's status should then be reviewed once every five years.
- 7.41** One respondent felt that in order to reduce bureaucracy and simplify the accreditation process CASC status should be given automatically to those clubs that are recognised by their sports national governing bodies which have a mark that guarantees a club is there for the community.
- 7.42** One respondent was concerned with the amount of time the registration process took and suggested that HMRC should work with sports national governing bodies to smooth the process and for sports national governing bodies to act as a referee between the club and HMRC on areas of disagreement.
- 7.43** One respondent suggested that the current CASC scheme should be scrapped altogether and clubs should make individual applications for grants. They should be asked for a set of accounts (as well as any third

parties with an interest in that club) and a description of what they intend to do with any subsidy. Applicants would need to present their vision and projects.

Government response

The Government is grateful for suggestions on the general design of the CASC scheme.

The Government has decided to go ahead with a single set of simplified rules to apply to all clubs. The Government recognises that the sports sector is very diverse but considers that it is very important the CASC scheme is accessible to the smallest volunteer-run clubs at the sharp end of delivering local opportunities to participate in sport.

Introducing additional rules to cater for different sorts of clubs in different areas is bound to increase complexity and make it harder for the smaller volunteer-run clubs to comply with the law. Some responses to the consultation document highlighted the lack of understanding of the obligations of the CASC scheme and how the rules work. A single set of simplified rules setting out clear tests will make it simpler and easier for clubs to comply with their responsibilities.

It would not be appropriate or practical to leave the decision on CASC status to different sports national governing bodies. Neither would it be appropriate for non-governmental bodies to decide which clubs should be eligible for tax reliefs. Different bodies would apply different standards leading to unfairness across the sports sector. A single set of rules applied consistently by HMRC provides fairness and ensures the Government retains direct control over the conditions a body must meet to qualify for the tax reliefs and exemptions available to CASCs.

The Government is not minded to change the current de-registration provisions. CASC status is a permanent status conferring generous tax reliefs. Clubs should not register with HMRC as a CASC if they think there is a possibility of wanting to distribute club assets to members in the future.

Respondents accepted that allowing clubs to de-register without penalty would be open to abuse. In order to counter that abuse lengthy and complex legislation would be needed. Given the small numbers of clubs that might wish to de-register, it would be a disproportionate use of resource to bring forward legislation to disapply the tax charge in certain circumstances. In addition, the vast majority of cases where clubs may want to de-register can be catered for by setting up a separate club, possibly as a subsidiary company, which the new rules will make easier and more attractive.

However the Government does recognise the existing administrative arrangements that apply when an existing CASC changes its status – such as when an unincorporated association changes into a company – can be burdensome. HMRC will therefore review these arrangements and seek to introduce a simpler, more streamlined, process within the existing legislative framework.

8. The new rules - detail

8.1 In order to be eligible for CASC status clubs need to meet certain qualifying conditions. The legislation can be found in Chapter 9 of Part 13 of the Corporation Tax Act (CTA) 2010.

8.2 For a club to be eligible for CASC status it must be able to demonstrate that it is:

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

A club will also need to meet the

- (d) income condition
- (e) location condition
- (f) management condition

8.3 The Government has amended the first three qualifying conditions (a), (b) and (c) and introduced a new condition, the income condition (d). These amendments were made by Schedule 21 to the Finance Act 2013. Schedule 21 also included provisions to make regulations relating to these conditions. The other conditions are not being changed.

Open to the whole of the community

8.4 To be considered open to the whole of the community:

- a club must be open to all without discrimination (membership or use of facilities)
- costs associated with membership must not represent a significant obstacle to membership, use of facilities or full participation in the club's activities

Open to all without discrimination (membership or use of facilities)

8.5 There are no changes to this condition. When determining who can join or make use of a club's facilities, a CASC 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.

Costs associated with membership and participation

8.6 CASCs must ensure that costs associated with membership of the club 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.

- Clubs where membership and participation costs are £520 or less a year will be considered to be open to the whole community.
- Clubs where membership and participation costs are in excess of £520 a year will need to demonstrate that there are special provisions in place, and the provisions are used in practice, for members on low or modest incomes to be able to participate fully in the club's activities for £520 or less a year.
- Clubs charging a membership fee in excess of £1612 will not be eligible for CASC status (does not include participation costs).

Participating fully

8.7 Members must be able to participate fully in a club's sporting activities. The Government recognises that sports clubs will have different membership structures and levels of access to the activities of the club will vary by club and by sport.

- Clubs that are open seven days a week will need to provide a member with full access at least three days a week on days that suit the member, including weekends.
- Where a club is open on limited days of the week, for example at weekends only, or at certain times of the year, clubs must ensure that members have access to facilities at least half the time they are open, at times convenient to the member, so that any member can participate fully in the sporting activities of the club even if they are paying a lower amount than other members because they are on a low income.

Costs associated with membership and participation

8.8 The costs associated with membership of the club will 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. They will also include the cost of any specialised or mandatory equipment.

Table 1 Examples of fees

Membership costs (non exhaustive)	
Include	Do not include
Membership fee	Optional coaching fees
Insurance fee	National competition fees
Locker fee	
Joining fee	
Coaching fees (if mandatory)	
Match fees	
Green fees	
Affiliation fee	
Court fees (indoor, outdoor)	

Mandatory & specialised equipment

8.9 Costs associated with membership also include the cost of specialist equipment or items that are required to take part in a sport. There are a number of options for clubs to consider.

- A club can hire out equipment to members – they would need to account only for the hire cost.
- A club can loan equipment for free.
- A club can arrange a rota system to share equipment.

8.10 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. In calculating these costs a club does not need to take into account the most expensive equipment, just the cost of equipment that will allow a person to participate. For example, if a second-hand set of golf clubs is acceptable, then the typical cost of such a set needs to be included.

8.11 Specialised equipment or items do not include objects that a member would normally be expected to own, such as trainers, basic gym clothing and waterproofs.

8.12 If the club requires specific branded equipment or clothing then these costs will count towards the costs associated with the sport.

Temporary members

8.13 Some clubs will have some form of temporary membership to encourage new members into the sport without having to commit to pay for a full year's membership.

8.14 Clubs that allow temporary members to use their facilities will need to charge fees equivalent to the annual costs to full members, to include match fees and fees for hiring courts and so on. For example, if the annual costs of

membership were £240 for twelve months then temporary membership for two months would need to cost no more than £40. All income from a temporary member will be considered as coming from a non-member and will count towards the clubs non-member income threshold.

Different membership rates for different people

8.15 The original legislation included, at section 659(3) of CTA 2010, a list of the classes of membership a club can have, while still being open to the whole community. The purpose of the list was to allow CASCs to be able to charge different groups of people, such as students and juniors, different rates of memberships but restrict the days and times they could attend. It was found that this list was too narrow and did not give clubs enough flexibility.

8.16 Finance Act 2013 substitutes new wording in place of the list to make clear that clubs may still be open to the community if they charge different groups of people different amounts. However clubs will still need to ensure that they do not discriminate against any particular groups or individuals. For example, it may be acceptable to charge a lower fee for a membership class in return for reduced access to the club's facilities, subject to ensuring that the members continue to be able to participate fully in the sport.

Organised on an amateur basis

8.17 A club is organised on an amateur basis if it meets the following conditions:

- 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')
- it does not exceed the limit on paid players
- 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.

8.18 There will be no changes to the first and fourth of these conditions. There will be changes to the second condition which sets out the ordinary benefits a club can provide to members and their guests. The third condition has been introduced by the amendments in the Finance Act 2013.

Ordinary benefits

8.19 The current legislation allows clubs to provide certain benefits to members and their guests without prejudicing the club's status as a CASC. These benefits are known as 'ordinary benefits' of an amateur sports club.

Sale or supply of food or drink

8.20 One of the ordinary benefits a club may provide is to sell or supply food and drink to members and their guests, where the sale or supply is incidental to the sport. There will be some changes to the legislation to ensure that this provision is aligned with the new income condition.

Paying players

8.21 Clubs will be allowed to pay a maximum of £10,000 a year in total to players to play for that club. There will be no limit on the number of players a club can pay at any one time.

8.22 The £10,000 limit includes the cost of benefits a player receives in consequence of playing for the club. For example, for an overseas player, the cost of flights, obtaining a visa and accommodation would need to be included. Even where there has been no actual cost to the club this must be included. A common example is where a member provides accommodation free of charge to an overseas player. This is a benefit and will need to be factored in when the club calculates its payments to players.

8.23 The rule on paying players will have no effect on the tax position of the player or the club. It is simply a rule about qualification as a CASC. Players should be taxed under the normal rules for employment or self-employment as appropriate.

8.24 Reimbursement of travel and subsistence payments that were incurred as a result of an away match would not be a benefit, so long as the rest of the team, including players who are not paid players, also had their expenses reimbursed.

8.25 Payments to players must be agreed and minuted by the club's committee and the amounts must be determined on an arm's length basis.

8.26 Officials of the club will not be entitled to receive payments for playing for the club.

Travel and subsistence

8.27 Clubs will be allowed to pay appropriate and reasonable travel and subsistence costs to members who travel to away matches and sporting events as well as travel expenses where the time spent in travelling in each direction is two hours or more (four hours in total).

8.28 This applies to players and a small number of officials who will be participating in the match. Spectators and other supporters will not be eligible to receive expenses.

8.29 Clubs can reimburse reasonable overnight expenses where it is not practical to make the journey home. This includes costs such as a hotel and an evening meal within standard limits.

8.30 HMRC standard rates for travel and subsistence will apply to all CASCs.

8.31 Clubs will be allowed to pay expenses to members for the cost of touring with a club. Players will be expected to play, compete or train on at least 75 per cent of the days on tour.

8.32 HMRC standard rates for overseas travel and subsistence will apply.

8.33 Where a club pays for a member to go on tour the club will need to demonstrate that the tour promoted and encouraged sporting participation.

Main purpose is the provision of facilities for, and the promotion of participation in, one or more eligible sports

8.34 CASCs are members clubs that must be set up to provide facilities for, and promote participation in, eligible sports. An eligible sport is defined as a sport recognised by certain Sports Councils (Sport England, Sport Scotland, Sports Council of Wales, Sports Council of Northern Ireland and UK Sport). There will be no change to this definition of an eligible sport.

Social members

8.35 The main purpose of the club must be to provide facilities for an eligible sport and to encourage participation in that sport. To qualify as a CASC at least 50 per cent of all members must be participating members, that is they must participate in the sporting activities of the club on a regular basis.

8.36 This threshold ensures that the main purpose of the club is clearly the provision of facilities for and promotion of, sport and is not used primarily as a social club.

8.37 To be considered a participating member, individuals will need to be participating in an eligible sporting activity on at least 12 occasions a year.

8.38 A participating member will be an individual who:

- plays in the sport (adults and juniors) or
- has a specific volunteer role in the running of the club which facilitates the effective provision of the club's eligible sport.

8.39 Members that do not meet these conditions will be deemed to be social members. Table 2 below shows how different roles would be treated.

Table 2 Examples of participation

Participating in the sporting activities of a club	
Yes	No
Referee & linesman for the duration of a match	Referee & linesman for 10 minutes
Designated mini bus driver for the day to an away match	Parents driving their child and friends to the club for a match
Club officials	
Volunteer bar staff	Paid bar staff
Volunteers who organise and run a fundraising event	Being a spectator, including at junior events, or attending fundraisers for the club
Committee member	

The income condition

8.40 All CASCs must meet the new income condition which ensures that CASCs are mainly sports clubs rather than mainly commercial clubs with sports activities.

8.41 Clubs will be able to generate unlimited income from transactions with their members. Membership fees, income from transactions with members such as the sale of food and drink or equipment, hiring club premises for private parties and so on will be excluded from the income condition.

8.42 Investment income and donations received will also be excluded from the income condition.

8.43 The income condition will apply to the turnover or receipts received from broadly commercial transactions with non-members, where the club is offering a commercial service or supply, for example:

- sales of food and drink
- sales of equipment
- hiring out facilities.

8.44 Non-members include:

- guests
- parents of junior members (if they are not members in their own right)
- temporary members
- visiting players or teams.

- 8.45** The maximum amount of turnover or receipts that a club may receive under the income condition will be £100,000 a year, excluding VAT.
- 8.46** The thresholds on the exemptions for UK trading income and property UK income will be increased to:
- £50,000 of receipts (from £30,000) for trading income
 - £30,000 of receipts (from £20,000) for property income.
- 8.47** Where receipts exceed the threshold then, as now, all the income received will become chargeable to corporation tax.
- 8.48** Finance Bill 2014 will include provisions to extend corporate Gift Aid to donations of money made by companies to CASCs. The provisions will allow companies to claim tax relief on qualifying donations they make on or after 1 April 2014.
- 8.49** CASCs will benefit from the new tax relief through increasing funding from donations by companies in their local areas.
- 8.50** Many CASCs have already set up trading subsidiaries but at present the subsidiary company pays corporation tax on any profits it donates to the parent CASC. The new tax relief will enable a subsidiary company to donate its profits tax-free to the parent CASC, in the same way as charities are able to do.
- 8.51** CASCs with high levels of commercial trading may therefore benefit from the new corporate Gift Aid relief. These include clubs with trading receipts above £100,000 that would not be able to retain their CASC status, because they would not meet the income condition. Also, clubs with trading receipts below £100,000 but above £50,000 may wish to consider setting up a subsidiary company as they would otherwise pay corporation tax on all their income from trading. However in taking this decision a club will need to consider any other charges or taxes the trading subsidiary may need to pay.
- 8.52** The new provisions will include anti-avoidance provisions.

9. Next steps

- 9.1 Draft regulations will be published for a short technical consultation in the new year before being laid in draft before Parliament.

Existing clubs

- 9.2 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.
- 9.3 Once the regulations have been made, HMRC will publish detailed guidance and ask all registered clubs to check that they meet the new rules.
- 9.4 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 arrangements for people on low and modest incomes to ensure they can participate fully in the club. Some clubs may wish to consider hiving off trading activities to a subsidiary company.
- 9.5 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.
- 9.6 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 de-register the club. HMRC would waive any de-registration 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 de-registering the club.

Applications that have been put on hold

- 9.7 A number of applications from clubs seeking CASC registration have been put on hold while HMRC has been reviewing the CASC rules.
- 9.8 HMRC is writing to each of those clubs to draw their attention to this document and the Government's proposals.

New applications for CASC registration

- 9.9 HMRC will continue to accept applications from clubs wishing to register as a CASC whilst the regulations are being developed.
- 9.10 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 below.

9.11 Where a club's application would satisfy the following thresholds for fees or paying players, HMRC will offer to register the club subject to a later review (see paragraph 9.12):

- membership and participation costs – up to £520 a year
- paying players – one player up to a maximum of £10,000 a year (including benefits).

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

9.13 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.

9.14 HMRC will put on hold applications from clubs that don't meet the current rules or the limits in paragraph 9.11 above, but would meet the new rules if higher thresholds applied.

Annex A: List of stakeholders consulted

Abbotsley Golf Hotel & Country Club
ACASC
Amateur Swimming Association
Association of Golf Course Owners
Association of Taxation Technicians (ATT)
Baines Jewitt
Bates Wells & Braithwaite London LLP
Bewl Bridge Rowing Club
Bidford Gliding & Flying club
Booker Gliding Club
Bowmoor Sailing Club
Brentwood County Ground Club
British Gliding Club
British Gymnastics
British Rowing Facilities
Bromley Cricket Club
Burnham-on-Crouch Golf Club Ltd
Business in Sport & Leisure
Cambridge Gliding Centre
Chartered Institute of Taxation
Chartridge Park Golf Club
Chichester Golf Club
City of Oxford Rowing Club
Clacton-on-Sea Golf Club
Cleobury Mortimer Golf Club
Colchester RFC
Coleraine RF & CC
Cotswold Gliding Club
Croquet Association
Crown Golf
Dainton Park Golf Club
Darlington Gymnastics Club
Didsbury Golf Club Ltd
Dudley Kingswinford RFC
Ealing Golf Ltd
East Hastings Sea Angling Association
Eastbourne Sovereign Sailing Club
England & Wales Cricket Club
England Golf
England Hockey Board
Essex County Bowling Club
Fairfield Golf & Sailing Club
Fairwood Park
Farrington Park
Finchley Golf Club
Firearms UK

Fleetwood Rugby Union Football Club
Frinton On Sea Cricket Club
Frocester Cricket Club
Greetham Valley Hotel, Golf and Conference Centre
Harrogate Cricket Club
Harrow Borough Football Club
Hazlemere Golf Club (Chris Mahoney)
Hazlemere Golf Club Ltd (Terry Coulson)
Hazlemere Golf Club Ltd (Brian Rodgers)
Herefordshire Gliding Club
Hillier Hopkins
Hurst Castle Sailing Club
Hythe (Southampton) Sailing Club
ICAEW
Institute of Revenues Rating & Valuation
Irish Rugby Football Union (Ulster Branch)
Keighley Golf Club
Kingsbridge Community Sports
Kington Golf Club
KM Chatered Accountants
Knowle Golf Club
Lawn Tennis Association
Leicestershire & Rutland County Football Association
Leicestershire Orienteering Club
Letchworth Corner Sports Club
Letchworth Gardens City Eagles
Letchworth Golf Club
London Rowing Club
Longridge Golf Club & Preston Cycling Club
Macclesfield Golf Club
Manston Golf Centre
Melton Mowbray Golf Club
Newark Rugby Union Football Club Ltd
Newcastle Under Lyme Golf Club
Northern Ireland Sports Forum
Northolt Rugby Football Club (NRFC)
Northwich Rowing Club
Peterborough & Spalding Gliding Club
Plummer Parsons
Ranelagh Harriers
Rock Sailing & Water Ski Club
Royal Yachting Association
Royston Golf Club Ltd
Rugby Football League
Rugby Football Union
Rutland County Golf Club
Shalbourne Gliding
Sharpley Golf Centre
Sidmouth Cricket, Tennis & Croquest Club
Solihull Riding Club

South Staffordshire Sailing Club
Sports Recreation Alliance
Stockwood Vale Golf Club
Stone King
Strawberry Hill Golf Club
Sutton Hall Golf Club
Tait Walker Accountants
Thames Sailing Club
The Association of Community Amateur Sports Clubs and Community Interest Fundraisers
The Epping Golf Course
The FA Group
The Grove Golf Centre
The Organisation of Golf and Range Operators
The Springs Golf Club
Tideway Scullers School
Todmorden Cricket Club
Toward Sailing Club
Trent Lock Golf Centre
Trent Park Golf Club
Trent Park Public Golf Course
Trevour Hill
Tunbridge Wells Cricket Club
UK Active
UK Golf Course Owners Association (UKGCOA)
Valley Gymnastics Academy
Vesta Rowing Club
Warley Park Golf Club
Warrington RUFC
Welsh Sports Association
West Herts Golf Club
Whitehill Golf
Winchmore Hill Sports Club
Windermere Golf Club
Woodland Manor Golf
Workington RFC Ltd
York Golf Club

There were 10 responses from individuals.