

EXPLANATORY MEMORANDUM TO
THE COMMUNITY AMATEUR SPORTS CLUBS REGULATIONS 2014

2014 No. []

- 1.** This explanatory memorandum has been prepared by HM Revenue & Customs (HMRC) on behalf of the Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

- 2. Purpose of the instrument**

2.1 These Regulations make changes to the Community Amateur Sports Clubs (CASCs) scheme. The CASCs scheme provides qualifying sports clubs with a restricted range of tax reliefs normally only available to charities, including on income and business rates.

- 3. Matters of special interest to the Select Committee on Statutory Instruments**

3.1 These Regulations amend sections 658, and 660 of the Corporation Tax Act 2010 (CTA 2010) and insert a new section 661.

- 4. Legislative Context**

4.1 Sections 658 to 671 of CTA 2010 contain the main provisions for registration of CASCs by HMRC, eligibility to tax reliefs, and CASCs related HMRC decisions and appeals.

4.2 Section 658 of CTA 2010 sets out the meaning of `Community Amateur Sports Club` and `registered club` for tax purposes. A club will be a CASC if they meet conditions A and B. To meet condition A clubs must be `open to the whole community`, be `organised on an amateur basis`, and have as its `main purpose the provision of facilities for, and the promotion of participation in, one or more eligible sports`. To meet condition B clubs must meet “the location condition” and the “management condition”. These regulations introduce a new condition C - the income condition - which must be satisfied in order for a club to be a CASC.

4.3 Section 659 of CTA sets out the meaning of `open to the whole community`. Amongst other conditions section 659 provides that a club will be open to the whole community if its fees (if any) do not represent a significant obstacle to membership, use of its facilities or full participation in its activities. If the costs associated with membership exceed a specified amount the club must make arrangements to ensure that the costs do not represent a significant obstacle to membership.

4.4 These regulations make further provision in relation to how membership fees and other costs associated with membership of the club are to be calculated. In particular they provide that the amount specified for the purposes of section 659(2A) is £520 per year. The regulations also provide that a CASC may not receive membership fees exceeding £1612 in respect of any member in respect of any year.

4.5 Section 660 CTA 2010 sets out the meaning of `organised on an amateur basis` and for this purpose sets out the meaning of `ordinary benefits of a CASC`. These regulations make minor amendments to the definition of organised on an amateur basis, make provision in relation to paid players and provision in relation to travel and subsistence.

4.6 Section 660A CTA 2010 provides that a club will not be eligible to be a CASC if the percentage of its members who are social members exceed the percentage specified in regulations. These regulations specify that percentage as 50%. Section 660A defines a social member as a member who does not participate or who participates only occasionally in the sporting activities of the club. These regulations define what is meant by participating in the sporting activities of the club and makes further provision about participation.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 The Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:

In my view the provisions of the Community Amateur Sports Clubs Regulations 2014 are compatible with the Convention rights.

7. Policy background

7.1 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 CASC. A review by HMRC had found that the original legislation was unclear, causing confusion for clubs and making it hard for clubs and HMRC to operate correctly.

7.2 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.

7.3 HMRC launched a consultation on the detailed proposals for the regulations on 3 June 2013 and the consultation closed on 12 August 2013.

7.4 These proposals included suggestions –

- that registered clubs should have a non-member `income` limit to avoid unfair competition with businesses offering similar facilities.
- that the meaning of `sporting main purpose` should be more specifically defined to ensure their genuine sporting character by setting an upper limit for social members for clubs membership.
- that the meaning of `open to the whole community` should be more specifically defined to ensure their genuine community character by setting upper limits for participation costs.
- that the scope of what is allowed under the `ordinary benefits of CASC membership` should be extended to allow clubs to make payments for playing and pay more generous travelling and subsistence expenses when participants attend away matches.

8. Consultation outcome

8.1 The Government's response, was published in November 2013 and included detail on feedback from the public. This response can be found at the link

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260944/CASCs_Consultation_Response.pdf .

The response announced –

- A new income condition for CASCs, with a limit of £100,000 a year of trading income and property income.
- That registered clubs would be subject to an upper limit of 50% of social members.
- That registered clubs could charge membership costs of up to £520 a year for members without having to make special arrangements to ensure that costs were not a significant obstacle to membership and a maximum of £1612 per member.
- That registered clubs could make payments for playing totalling up to £10,000 a year and pay subsistence expenses when participants attend away matches.

8.2 The Government's Technical Consultation Document, published alongside this Memorandum, sets out fully how the commitments in the Government's response will be introduced by regulations and how these regulations will work.

9. Guidance

9.1 HMRC's guidance on CASCs will be amended by 1 April 2015 to reflect the changes made by this Statutory Instrument.

10. Impact

10.1 An Impact Assessment is attached to this memorandum and will be published alongside the Explanatory Memorandum on www.legislation.gov.uk.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The impacts of this measure will be kept under review by HMRC.

13. Contact

David McDowell at HM Revenue & Customs Tel: 03000 585284 or email: david.mcdowell@hmrc.gsi.gov.uk can answer any queries regarding the instrument.