

Community Amateur Sports Clubs

Summary of responses

December 2014

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1. Introduction

Background

- 1.1** The Community Amateur Sports Club (CASC) scheme provides a number of charity-type tax reliefs to support local amateur sports clubs. In order to access these reliefs, clubs must meet certain conditions and must register with HM Revenue & Customs (HMRC).
- 1.2** The government introduced new eligibility conditions for CASCs in the Finance Act 2013 including provisions to make detailed rules in regulations. A consultation on the detailed proposals for the regulations was launched in June 2013 and a summary of responses to that consultation was published in November 2013. The consultation document and the summary of responses can be found through the link below.

<https://www.gov.uk/government/consultations/community-amateur-sports-clubs-casc-scheme>
- 1.3** The summary of responses included the government's decisions on the detail of the new rules, taking into account views and suggestions received from sports clubs and the public as well as those obtained through close working with the various sports' national governing bodies. HMRC officials have also been consulting with various representatives of the sports sector through the CASC Forum to develop the detailed rules that will apply to CASCs.
- 1.4** HMRC have now produced a set of new regulations for the CASC scheme based in part on the feedback received.
- 1.5** This document summarises the responses received to the recent technical consultation held by HMRC on the proposed new draft regulations.

Overview of responses received

- 1.6** HMRC received a total of 83 written responses from sports clubs, representative bodies, legal/accountancy firms and individuals. A list of respondents to this consultation can be found in the annex section of this document. Although responses were received from a wide cross section of the sports sector, the largest percentage of responses came from the particular sports of rugby union, gliding and sailing, which together accounted for 63 out of the 82 responses received. Indeed Rugby Union alone comprised 42 of the responses received.
- 1.7** The government is very grateful to all those who responded to the consultation.

- 1.8** The responses showed that although many respondents generally believed the new regulations achieved their stated objectives, there was some concern that they would cause some problems.
- 1.9** The purpose of this consultation was to seek answers to two direct questions on whether the new regulations as drafted would achieve their intended effect. This was a technical consultation, and it was not therefore seeking views on the underlying policy. Some respondents did not actually answer either of the questions directly, but instead provided more general responses around the policy.

2. Responses

- 2.1** This technical consultation posed only two questions. Many questions concerning policy issues had already been raised and answered in the substantial consultation on policy held last year. The present consultation was therefore primarily concerned with ensuring that the new proposed regulations arising from the responses received during the previous consultation were actually fit for business and fulfilled their purpose.
- 2.2** **HMRC asked the question “do the regulations as drafted achieve their objectives as described?”**
- 2.3** Out of the 83 respondents to the consultation, 23 respondents did not directly answer this first question.
- 2.4** Several of the respondents from a number of different sports felt that the regulations did indeed generally achieve their intended purpose as set out.
- 2.5** One respondent believed that the new regulations themselves were generally well-drafted, they were short and to the point, and covered the proposals set out in the consultation.
- 2.6** Another felt that a considerable amount of useful work had been done in drafting the revised regulations by HMRC in response to contributions from participating organisations.
- 2.7** However, not all were convinced. One respondent stated that although the revised rules for the CASC scheme were a benefit to the clubs, this was only if the scheme proved manageable to operate overall.
- 2.8** Another felt that the proposed new legislation did not appear to be properly addressing the founding principle of the CASC scheme.
- 2.9** A common theme among many of the rugby clubs who responded was that the overall proposed new framework was complicated and prescriptive, particularly those rules covering membership.
- 2.10** Several clubs stressed the need to ensure that both the regulations and the accompanying guidance were written in the clearest and most straightforward English, so that it was not difficult for clubs (especially small ones with limited means to engage expert advice) to understand the legislation and take appropriate action to comply, without fear of subsequent penalties for non-compliance. They advised that complicated documentation inevitably increased the burden on their volunteers and potentially also raised costs.

- 2.11** One respondent advised that they believed there were two critical factors in the survival of sports clubs - time and money. Any changes to the CASC scheme regulations should not increase a club's administration costs. However, the prime factor was volunteer time; volunteer-run sports clubs needed people in order to function. High administrative burden was a recognised barrier to volunteering.
- 2.12** Another respondent expressed concern that the draft regulations were not clear enough in a number of important respects, particularly with setting up trading subsidiaries and the details of the management and accounting of income from members and non-members within the £100,000 maximum permitted income.

Government's Response on question 1

- 2.13** The main concerns here are around complexity and additional administrative burdens. The Government is committed to ensuring that the guidance accompanying the regulations is clear and readable, so enabling it to be understood and easily followed by clubs.
- 2.14** The new rules are more advantageous than the existing rules. The proposed changes mean that the majority of clubs with high levels of active participation will benefit and will not need to consider the new rules in detail. The new advantages are that clubs will have –
- total income from trading and property under £100,000 on top of unlimited income from full voting members before they cease to qualify as CASCs;
 - trading receipts under £50,000 tax free; and
 - property income under £30,000 tax free.
- 2.15** The advantages mentioned above will potentially benefit some 85% of the clubs that already exist, without requiring them to make any significant changes.
- 2.16** For those clubs that will be affected, most of the rules that would require a club to make some kind of check are set out in terms of clear 'yard-sticks' and rely on records that clubs would need to keep in any event. For example, a club would be able to use its existing records of mutual trading, non-mutual trading and property income to assess its position for the 'income condition'. Similarly, the rules on paid players and expenses are largely based on existing employment income tax rules, which clubs would need to consider already where they are making such payments.
- 2.17** It is true that some rules may require clubs to make assessments and perhaps keep additional records that they did not need to keep in the past. This largely affects

those clubs with relatively high levels of non-participants. In general, this 'social membership limit' rule is necessary to ensure the scheme continues to provide tax reliefs for genuine amateur sports clubs and prevent taxpayer subsidies going to what are in effect social clubs.

- 2.18 HMRC asked a second question, “Do these draft regulations produce any unintended consequences?”**
- 2.19** Out of the 83 respondents to the consultation, 18 respondents did not directly answer this second question.
- 2.20** This question produced a range of responses around two particular areas - 50% social membership and minimum proposed participation level of 12 times per year.
- 2.21** In the case of sports such as sailing respondents believed that it would be impossible to keep records, as many of their members sailed by themselves at various times of the week and this was not, and could not reliably be, recorded.
- 2.22** A number of respondents proposed that if participation had to be at least 12 days in a calendar year, there should be a rider to this where illness/injury made it impossible for the 12 days to be completed. In addition clubs that were seasonal asked for this to be taken into consideration when calculating this annual figure.
- 2.23** Generally most respondents felt that recording participation would take up too much of their volunteering time. One respondent felt it would be a potential administrative nightmare and would actually not contribute in any positive way to the running of an amateur sports club.
- 2.24** Rugby clubs in particular expressed their concerns about the 50% ratio of playing members to social members. Many mentioned the work that parents of junior members carried out and felt the rules should enable them to be seen as participating members too. Others expressed similar concerns about activities undertaken by essential volunteers which are currently excluded from the definition of activities but they felt should count as participating in sport.
- 2.25** One respondent expressed their concern that the regulations appeared to discourage the valuable contribution of non-playing members and parents of participating young people in club life.
- 2.26** One respondent recognised that not every parent of a junior player should be considered participating by virtue of their association with the player; however, they felt that where one parent was a participating member - by virtue of their volunteer role - it would be appropriate to deem both parents (if members) as participating members for the purpose of this test.

- 2.27** On a more pragmatic theme, one respondent enquired why a parent who took children to an away fixture should be considered different from one who drove a minibus. At his club parents took their children without charge to away fixtures. If they did not, his club would have to provide transport and so incur the associated costs of hiring or buying a minibus.
- 2.28** One respondent expressed the view, “Provided the guidelines are clear that ‘the opportunity to participate’ includes the periphery activities described above, then we are reassured that we can comply with the future structure. However, if the definitions were to be tighter than stated, then the consequence would be likely to be a loss of members due to increased costs and potentially the closure of this club, removing the opportunity of people to participate without travelling long distances.”
- 2.29** Finally one respondent supported the changes but with a rider. They understood that clubs that were not genuinely sports clubs needed to be excluded from CASC benefits, but feared that unless flexibility was applied, many genuine sports clubs might be excluded.
- 2.30** On a more general point, one respondent believed the income limit of £100,000 per year should be doubled to £200,000.
- 2.31** Another said that their key concern would be the referenced guidance that would be produced to support the new regulations. This was seen as being critical to the success of the new scheme, and therefore required clear input from national governing bodies and sporting organisations that had a wealth of experience when working with their club networks.

Government’s response on question 2

- 2.32** The main areas of respondent concern are the social membership limit, and the participation threshold.

The social membership limit

- 2.33** The Government has considered two potential alternatives to address the objections raised. The first is to allow parents to count as participating members, and to balance this by reducing the social membership limit from 50% to 10%. The second is that clubs close to this limit should form separate 'supporters clubs' and that the parents should join the supporters club instead.
- 2.34** Decreasing the social membership limit from 50% to 10% would adversely affect some clubs and would require a fresh consultation, meaning that the new rules could not be brought in during this Parliament. Any further delay and uncertainty

would require HMRC to enforce the existing rules which, as explained above, are less generous than the new rules.

- 2.35** The 'supporters club' solution seems clearly preferable, since it enables parents to be fully involved in the CASC as volunteers while not counting as social members. It also allows the changes to proceed as announced and avoid the delay and uncertainty that would arise if HMRC had to apply the existing, less generous, rules.

Participation threshold

- 2.36** The Government does not accept that record keeping for this purpose will be unduly onerous unless a club has a very high level of social members.
- 2.37** The Government will however amend the new regulations to make it clear that a day will count towards the threshold provided that any planned participation in an event is made impossible due to the event being cancelled owing to extreme circumstances beyond the club's control, such as severe weather.
- 2.38** In addition, the Government will also amend the new regulation to make clear that such things as training activities count and that all eligible sports are fully and equally covered. The Government accepts that there may be a need for greater recognition of essential volunteers despite the breadth of the existing provisions. The Government will continue to look at the issue and bring forward any necessary changes once the new rules have bedded in and it is clearer what may be needed.

3. Next Steps

- 3.1 HMRC will make any changes to the draft regulations needed to reflect the commitments in the **Government's response** sections of this paper before the new regulations are laid before Parliament for approval.
- 3.2 The new regulations are expected to come into force no later than 1st April 2015 and will be supported at the time of introduction by new detailed guidance.

However some of the changes made by the regulations will take effect from 1 April 2010, to enable HMRC to backdate the registration of clubs whose applications have been put on hold during the review of the legislation. The regulations will be kept under general review for their effectiveness and any necessary changes will be made in due course.

Existing clubs

- 3.4 All existing CASCs will retain their CASC status, subject to meeting the existing rules, until the law is changed. HMRC will continue to challenge the CASC status of a club if it appears not to meet the current rules, for example by discriminating against sections of the public.
- 3.5 When the new regulations have come into force, HMRC will publish detailed guidance and ask all registered clubs to check that they meet the new rules.
- 3.6 Some CASCs may need to make changes in order to retain their CASC status. For example, a club that charges high fees would need to introduce some arrangement for people on low or modest incomes to ensure they could participate fully in the club.
- 3.7 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.
- 3.8 If, exceptionally, a club no longer meets the qualifying conditions and decides that it does not want to change the way it operates in order to remain a CASC, HMRC will deregister the club. HMRC would waive any deregistration charge that would be due provided that the club has been fully compliant with the existing guidance and there is no other reason for seeking to deregister the club.

Applications that have been put on hold

- 3.9 A number of applications from clubs seeking CASC registration have been put on hold while HMRC has been reviewing the CASC rules. Once the new rules have come into force, these cases will be reviewed as quickly as possible.

New applications for CASC registration

- 3.10** HMRC will continue to accept applications from clubs wishing to register as a CASC pending the introduction of the new regulations.
- 3.11** During this period, HMRC may register a club, subject to a future review pending the coming into force of the new regulations.

Annex A: List of stakeholders consulted

Aldeburgh Yacht Club
Aston Edwardian Association Ltd
Association of Tax Technicians
Bath, Wilts & North Dorset Gliding Club
Beckenham RFC
Bidford Gliding and Flying Club
Blandford RFC
Bowland Forest Gliding Club
Bowmoor Sailing Club
British Gliding Association
Buckingham RUFC
Buckminster Gliding Club
Burnham-on-Crouch Golf Club
Cleve RFC
Coventrians RFC
Dalgety Bay Sailing Club
Datchworth RFC
Dorchester Sailing Club
Durham City RFC
East Retford RUFC
English Cricket Board
Ellingham and Ringwood RFC
Golf England
Goring Thames Sailing Club
Gosport & Fareham Rugby Football Club
Hastings & Bexhill RFC

Herefordshire Gliding Club
Horning Sailing Club
Hullensians RUFC
Huntingdon RUFC
ICAEW
Keresley RFC
Leigh RFU
Letchworth Garden City RUFC
Long Buckby RUFC
Lawn Tennis Association
Lymm RFC
Manchester Football Club and Cheadle Hulme Cricket Club
Mylor Yacht Club
National Golf Clubs Advisory Associate
Northholt RFC
Nuneaton Old Edwardians RFC
Old Parkonians Association
Old Parkonians Association Limited
Old Reigatian RFC
Oldfield RFC
Oxford RFC
Penryn RFC
Red Wharf Bay Sailing and Watersports Club
Retford RFC
Rugby Football League
Rugby Football Union
Ripon RFC
Rochford RFC
Royal Yachting Association

Shalbourne Gliding Club
Sidmouth RFC
South Wales Gliding Club
Sports Recreation Alliance
Stockbridge RUFC
Stone King
Tamesis Club
The Football Association
The Roundhegians RFU
Thomson Reuters Practical Law
Torwoodlee Golf Club
Truro RFC
Tudor Sailing Club
Wensleydale Rugby Club
Westcliff RFC
Woodford RFC
Workington RFC
Wrigleys
Yarnbury RFC

8 responses were received from individuals