



HM Treasury

# Corporate contributions to grassroots sports:

consultation

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March 2016





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# Preface

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<b>Subject of this consultation:</b>	As announced at Autumn Statement 2015 the government is consulting on how to expand the support that can be given to grassroots sports through the corporation tax system.
<b>Scope of this consultation:</b>	This consultation seeks to identify additional ways in which the government can support contributions to grassroots sports from companies through the corporation tax system. HM Treasury would welcome representation aiming at (1) identifying what constitutes grassroots sports contributions for the purpose of this measure; and (2) ensuring that contributions made by companies are delivered in a way that is both straightforward and transparent.
<b>Who should read this:</b>	All grassroots sports providers (including National Governing Bodies (NGBs), sports clubs, counties and regional grassroots organisations); businesses, representative bodies, public and third sector organisations, think tanks, academics and other interested parties.
<b>Duration:</b>	The consultation was launched on 24 March and will conclude by 15 June 2016.
<b>Lead official:</b>	Joanna Yearley, Corporation Tax Team, HM Treasury.
<b>How to respond or enquire about this consultation:</b>	<p>Please respond to this consultation by emailing <a href="mailto:grassrootsportconsultation@hmtreasury.gsi.gov.uk">grassrootsportconsultation@hmtreasury.gsi.gov.uk</a>, or alternatively send responses to:</p> <p>Joanna Yearley Corporate Tax Team 1 Yellow, HM Treasury 1 Horse Guards Road London SW1A 2HQ</p>
<b>Additional ways to be involved:</b>	HM Treasury and HMRC will also welcome the opportunity to meet with interested parties to discuss these proposals.
<b>Sharing consultation responses:</b>	Responses from this consultation will be shared with HM Revenue and Customs (HMRC) and the Department for Culture Media and Sports (DCMS).
<b>After the consultation:</b>	The government will consider all responses submitted to this consultation and is likely to publish its formal response at Autumn Statement 2016. Depending on the outcome of this consultation, the government may follow up with more detailed consultation on policy design and implementation.
<b>Getting to this stage:</b>	Since the announcement at Autumn Statement 2015, the government has been undertaking a review of the deductions currently available for companies providing support to grassroots sports. This involved reviewing evidence on the operation of existing schemes, integrating new evidence set out in DCMS 'Sporting Future' strategy, and engaging with a range of businesses and other bodies to inform this consultation.
<b>Previous engagement:</b>	Previous engagement includes meetings with National Governing Bodies (NGBs), membership bodies representing sports clubs and the wider activity sector, as well as not-for-profit companies and other private providers to grassroots sport.



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# Foreword

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Investing in sport delivers many returns, both in economic terms and in terms of the health and social benefits that wider participation in sport provides in our communities. When the government invested £10 million in the Tour de France Grand Depart in 2014, this initiative helped unlock a massive £128 million contribution to GDP. And there is strong evidence that regular sporting activity provides both physical and mental health benefits.

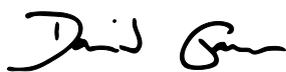
Investing in sport also helps strengthen our communities and inspire and engage our young people – and this is particularly true at the grassroots level. The achievements of Jessica Ennis-Hill, Sir Bradley Wiggins and Rebecca Adlington have all been made possible by investments of time, money, energy and expertise in the very early stages of their respective careers.

Through its support to National Governing Bodies, regional and local communities, as well as various sports programmes, the government is a lead contributor to the development of grassroots sports in the country. And thanks to the strategy ‘Sporting Future: A New Strategy for an Active Nation’ recently published by the Department for Culture, Media and Sport, I am confident that government funding will continue to support organisations delivering both physical and mental wellbeing, as well as individual, social and community development.

Supporting grassroots sport will help us become a more active and healthier country, strengthen community cohesion and offer young people the opportunity to develop valuable skills such as teamwork and self-confidence. These are all values that we share as a nation. This is why the government is committed to support initiatives from all sides that are aimed at increasing participation in sport.

Yet, in the time of pressure on the government finances, it is crucial that government, the private sector and the sport industry work together to consider new ways of ensuring the long-term financial sustainability of the sector.

This consultation aims at expanding the support that can be given to grassroots sports through the corporation tax system. I hope this initiative will serve as an opportunity for a wide variety of stakeholders – from current or potential contributors to all types of sports providers – to create a new partnership that will help get more people, more active, more often.



David Gauke

Financial Secretary to the Treasury



# 1 Introduction

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**1.1** Building on the success of recent major sporting events in the UK, the government announced at Autumn Statement 2015 its intention to “expand the support that can be given to grassroots sports through the corporation tax system”.

**1.2** Since the announcement, the government has reviewed the scope of existing arrangements, considered new trends set out in DCMS strategy ‘Sporting Future: A New Strategy for an Active Nation’ and engaged with a range of businesses and other bodies to inform this consultation. As the next stage of this review, this consultation seeks views on the design of proposals aimed at expanding circumstances where corporation tax deductions can be given for contributions to grassroots sports.

**1.3** Evidence provided by interested parties suggests that there has been an increase in activities that may be considered to be sport. In that regard, increased government support for companies’ contributions to grassroots sports could help provide a better and more flexible allocation of resources across the activity sector.

**1.4** As DCMS ‘Sporting Future’ strategy outlined, continued pressure on public funding increases the need to reduce the over-reliance of some organisations on the public sector and move towards a more sustainable mixed funding model. By reaffirming its support to private initiatives, the government wishes to encourage sports clubs to fully exploit the potential of alternative income streams. The outcomes of this consultation should contribute to the creation of new sources of funding for sports activities and foster a more joined-up approach to delivery and funding.

**1.5** The corporation tax system already provides ways in which companies and National Governing Bodies (NGBs) can receive beneficial tax treatment for their support to grassroots sporting activity. Contributions from companies can be eligible for deduction from corporation tax profits through sponsorships, donations to Community Amateur Sports Clubs (CASCs) or charitable giving (see Annex A: Relevant current legislation).

**1.6** Whilst the sports sector acknowledges that existing schemes already provide useful support, some have commented that these schemes are limited in scope and could be more straightforward. For example, the CASC scheme involves tax reliefs for the sports club itself as well as for any contributors and, necessarily, involves some restrictions and a certain amount of administration. The government considers that there would be value in developing a deduction to complement the CASC regime for corporate donations to support a wider and more diverse range of sports including sports clubs which do not currently benefit from the CASC regime. The government is open to suggestions, but at present the preferred approach is to create a specific rule that will provide a deduction for eligible companies who make qualifying contributions. Consulting on possible changes will enable the government to develop a reform that will help better deliver support to grassroots sports and focus on the types of activity where further support is needed.



# 2 Objectives

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2.1 The government will consider reforms that meet the following objectives:

- increase percentage of the population taking part in sport and physical activity
- increase the amount of non-public investment into sport bodies which are in receipt of public investment
- simplify rules and reduce administrative costs for grassroots sports providers
- delegate responsibility for funding and projects to the most appropriate and effective level



# 3 Defining contributions to grassroots sports

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**3.1** The proposed reform aims at expanding circumstances where corporation tax deductions can be given for contributions to grassroots sports. The broad outline proposed is that to be eligible for corporation tax deductions, contributions would need to (1) be directed towards a sport recognised as eligible; (2) benefit ‘grassroots sports’; (3) fit a category on the list of ‘qualifying contributions’. The contributions would also have to be made to an organisation classed as an eligible recipient in order for a corporation tax deduction to be given. Chapter 4 sets out options aimed at identifying who these recipients should be.

## Defining eligible sports

**3.2** The Sport(s) Council(s), composed of UK Sport, Sport England, Sport Northern Ireland, Sport Scotland and Sport Wales, provide a useful list of sporting activities and governing bodies which they officially recognise as sports.<sup>1</sup> Using a direct reference to this recognition process would have the advantage of ensuring that the definition of sports takes into account the evolving context.

## Targeting grassroots sports

**3.3** The proposed reform is aimed specifically at increasing funding available to sports played at grassroots level. ‘Grassroots’ is a term that is widely recognised, and most people have an intuitive sense of what it means – but defining it in more specific terms is more difficult. A key part of this consultation is to reach a shared understanding of what constitutes ‘grassroots sport’ for the purposes of the proposed new tax deduction.

**3.4** In particular it is important to emphasise that this tax deduction is not intended to further fund elite, professional or semi-professional sport.

**3.5** Several frameworks already draw a distinction between elite sports and grassroots sports. The way funding responsibilities are divided between UK sports focusing on elite sports on one hand, and national sport bodies funding grassroots on the other, may constitute a useful starting point. It would also be useful to understand whether and how NGBs distinguish in their accounts between grassroots and elite expenses, and support to amateur from support to professional and semi-professional sport.

## Qualifying contributions

**3.6** An objective of this reform is to simplify private sector contributions to grassroots sports. We think that this would be achieved by requiring that a contribution is made for the purpose of meeting a prescribed category of expenditure. The government considers that the following categories may be appropriate purposes:

- provision of grassroots facilities (such as pitches and changing rooms)
- playing kits and equipment
- volunteer training and support

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<sup>1</sup> The list of ‘Sporting Activities and Governing Bodies recognised by the Sports Councils’ is available at: <http://www.sportengland.org/media/359647/recognised-ngb-and-sport-list-august-2014.pdf>

- coaches and coaching
- recruitment and training of referees, officials and judges
- competition and affiliation costs related to local grassroots sports events

**3.7** When their contributions qualify, companies may be eligible for a deduction for the cost incurred in making a contribution. In order to better inform the cost of this reform to the Exchequer, the government would welcome evidence of the nature and level of contributions made by NGBs and other companies to grassroots sports.

**3.8** We would also welcome views on whether these categories reflect the range of costs involved in the practice of grassroots sports and if not, how this list should be amended.

### **Questions**

#### **Definitions**

- 1 Do you agree that eligible sports for the purpose of this reform should be based upon the Sport(s) Council(s) recognition process? If not, which framework(s) would you see as suitable alternative(s)?
- 2 Are you aware of any existing frameworks, method or criteria, which could provide useful input to the definition of grassroots sports?

#### **Qualifying contributions**

- 3 Can you provide evidence of the nature and level of contributions made by NGBs and other companies to grassroots sports?
- 4 Do you think any elements should be added or deleted from the suggested list of eligible purposes for contributions? Please provide evidence supporting your response.

## 4 Ensuring sound delivery

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**4.1** This chapter covers the possible options aimed at establishing which sports bodies could be considered 'eligible recipients'. The eligible recipients refer to the bodies to which a qualifying contribution can be made in order for that contribution to potentially qualify as a deductible expense for corporation tax purposes for the donor company.

**4.2** The government wishes to ensure that a deduction is only available for contributions made in circumstances which comply with the intended purpose of this measure. On this basis it is imperative that the definition of who will be an eligible recipient is clear from the outset. A clear definition of who can be considered an eligible recipient will ensure that the funding reaches the intended purpose.

**4.3** The key requirement is that the recipient should be involved in the development and delivery of grassroots sport. This could, in principle, encompass a wide range of providers. However, the government wants to ensure that the framework for allowing a deduction provides sufficient transparency and assurance both to contributors and to the public in general that the funds are being used for the intended purposes. In particular, the government will consider what rules are necessary to ensure that the scheme is not misused – for example, rules to prevent deductions for payments made to clubs or activities where there is a significant personal benefit to the contributor. The government also recognises that any monitoring or reporting requirement should be reasonable and commensurate with the aims of the overall scheme.

**4.4** With these principles in mind the government seeks views on two possible options.

### **Option 1: Qualifying contributions made to and by National Governing Bodies**

**4.5** A qualifying contribution would be allowed as a deductible expense where that contribution is made by a donor company to a recognised NGB and the NGB applies the contribution to grassroots sports. In turn the NGB would be able to deduct the contributions it makes that are qualifying contributions to grassroots sport.

**4.6** Funding through NGBs would enable the NGBs to deploy the funds provided in accordance with their national strategies for sports development.

**4.7** NGBs already provide funding to grassroots support in a variety of ways aimed at increasing and maintaining participation in sport. They are likely to have appropriate award systems and processes to ensure that funds are allocated to the eligible recipients and for the eligible purposes. They are also equipped to ensure that there would be clear reporting. Allowing deductions for contributions to NGBs would increase the funding available whilst also taking advantage of existing systems and processes.

**4.8** NGBs themselves are often incorporated and operate to facilitate not only grassroots sport but also elite sport. These bodies are currently unable to directly deduct their contributions to grassroots sport against tax, which means that they generally have to set up indirect structures. Allowing a deduction for qualifying contributions made to and by NGBs may simplify both the way in which companies can donate to grassroots sport and the processes through which the NGBs are available to distribute funding to the grassroots sporting community.

**4.9** However, a considerable amount of grassroots sport is carried on outside the remit of the NGBs. Therefore, if NGBs were to be recognised as the only eligible recipients, there is a risk that

the proposed reform would miss out on certain areas for growth and development of the sport sector, particularly with regard to less traditional sports.

**4.10** There is also a risk that this reform could create disparity across NGBs, as smaller NGBs may not have the resources to deal with and distribute funding in the way their larger counterparts do.

## **Option 2: Qualifying contributions made to a wider defined range of providers**

**4.11** A qualifying contribution could be allowed as a deductible expense where that contribution is made by a donor company to a wider range of organisers and providers of grassroots sports who do not operate to generate profit on this activity.

**4.12** This option would increase the amounts of funding made available to sports clubs and grassroots organisers without the need to seek funding through an NGB. This would allow contributions to also reach those areas which do not fall within the scope of NGBs, to include alternative types of practice such as those highlighted in DCMS 'Sporting Future' strategy. This option would also ensure that contributions from corporate NGBs would be eligible for tax deductions.

**4.13** However, this option would encompass greater risk that funding does not reach its intended purpose. This may in turn lead to higher administrative burden for sports. In particular, sports clubs would have to demonstrate that the funds were being used strictly for sporting purposes and not to enhance social facilities (i.e. such as clubhouse facilities which would not fall within the scope of this reform). NGBs, regional and county bodies would also need to demonstrate that they were using the funding for grassroots sport and not as additional support for their elite programmes.

**4.14** Some of the key elements of the Community Amateur Sports Club (CASC) scheme rules could be used to determine what will be an eligible club.<sup>1</sup> Although the full body of CASC criteria may not be appropriate, some of these criteria could constitute a useful starting point. Similarly, criteria used by the Clubmark schemes<sup>2</sup> may help establish a set of recognised criteria. The government welcomes views as to what criteria may be used here and in particular where it is considered that amateur sport will end and semi-professional/professional sport begins.

**4.15** As this reform intends to support the development of grassroots sport, sporting clubs operating and competing at a professional level will not be considered as eligible recipients. More detailed provisions will also require that clubs are open to all and do not provide personal benefit to the donors.

**4.16** The deduction will not be extended to contributions intended to support commercial activities. Providing tax deductions for a company to fund a business would carry risks of unfair competition, particularly where the giving and the recipient companies may have some degree of connection.

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<sup>1</sup> The following link contains information about CASC schemes, as updated following changes in April 2015:  
<https://www.gov.uk/government/publications/community-amateur-sports-clubs-detailed-guidance-notes/community-amateur-sports-clubs-detailed-guidance-notes>

<sup>2</sup> Clubmark criteria can be found at the following link: <http://www.sportenglandclubmatters.com/club-mark/clubmark-faqs/>

## Questions

### Eligible recipients

- 5 Which option do you think is the most suitable and why?
- 6 If the scheme is not to be limited solely to payments made to NGBs, what should be the scope and definition of an eligible recipient? What specific exclusions should be considered?

## Reporting requirements

**4.17** Rules will need to be put in place to ensure that deductions are correctly targeted and allowed only where needs be. The government seeks views on what reporting requirement should be placed on those making or receiving eligible payments to ensure that the deduction will benefit grassroots sports. The government would also welcome evidence on possible one-off and ongoing costs related to these reporting requirements.

**4.18** The government will also consider whether it would be desirable to set an annual payment limit under which contributions would be exempted from reporting requirements.

## Questions

### Administration and reporting requirements

- 7 What reporting requirement should be placed on those making or receiving eligible payments to ensure that the deduction will benefit grassroots sports? Please provide evidence about possible one-off and ongoing costs from reporting requirements.
- 8 Do you think that an annual payment limit should be put in place under which contributions should be exempted from reporting requirements? If so, at what level do you think this limit should be set?



# 5 The consultation process

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

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

**5.2** This consultation is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before consulting later on a specific proposal for reform.

## How to respond

**5.3** Please respond to this consultation by 15 June 2016 by emailing [grassrootsportconsultation@hmtreasury.gsi.gov.uk](mailto:grassrootsportconsultation@hmtreasury.gsi.gov.uk).

**5.4** Alternatively send responses to:

Joanna Yearley  
Corporate Tax Team  
1 Yellow, HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

If you have any queries, please contact Joanna Yearley at the following number: 0207 270 4895.

**5.5** A summary of the questions in this consultation is included in Annex B.

**5.6** Paper copies of this document or copies in Welsh and alternative formats (for accessibility reasons) may be obtained free of charge from the above address. This document can also be accessed from the HM Treasury website. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

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

## Confidentiality

**5.8** Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1988 (DPA) and the Environmental Information Regulations 2004.

**5.9** If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must

comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

**5.10** HM Treasury will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## **Consultation principles**

**5.11** This consultation is being run in accordance with the government's consultation principles.

**5.12** The consultation principles are available on the Cabinet Office website:  
<https://www.gov.uk/government/publications/consultation-principles-guidance>

**5.13** If you have any comments or complaints about the consultation process please contact:

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

Email: [hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk](mailto:hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk)

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

# A Relevant current legislation

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**A.1** Generally, payments made to sports clubs or in connection with sporting events are not likely to be allowable deductions in calculating profits of a trade for tax purposes, as the payments would not normally meet the test of being 'wholly and exclusively for the purposes of the trade'. However, there are three specific ways in which a deduction can be given:

- sponsorship
- payments to Community Amateur Sports Clubs (CASCs)
- payments to charitable bodies

## Sponsorship

**A.2** This is in effect a form of advertising. The business sponsors an event, a club or a person as a means of promoting their own business and brands. However, not all expenditure will qualify:

- where it involves business entertaining (this is a general restriction in the tax code)
- where the person sponsored is a close friend or relative of the business owner, or is the business owner themselves
- where the commerciality is not clear – for example, there does not seem to be any significant brand advertising, or the impact is in the wrong part of the country, or the business does not review the benefits of the sponsorship

## Community Amateur Sports Clubs

**A.3** Payments made to CASCs can be deducted as if the CASC was a charitable body. In order to qualify as a CASC a club must:

- be open to the whole community
- be organised on an amateur basis
- have as its main purpose the provision of sports facilities

## Charitable bodies

**A.4** Sporting bodies registered as charities can receive payments that can be deducted against the donating company's tax.



# Summary of consultation questions

## B

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### Definitions

- 1 Do you agree that eligible sports for the purpose of this reform should be based upon the Sport(s) Council(s) recognition process? If not, which framework(s) would you see as suitable alternative(s)?
- 2 Are you aware of any existing frameworks, method or criteria, which could provide useful input to the definition of grassroots sports?

### Qualifying contributions

- 3 Can you provide evidence of the nature and level of contributions made by NGBs and other companies to grassroots sports?
- 4 Do you think any elements should be added or deleted from the suggested list of eligible purposes for contributions? Please provide evidence supporting your response.

### Eligible recipients

- 5 Which option do you think is the most suitable and why?
- 6 If the scheme is not to be limited solely to payments made to NGBs, what should be the scope and definition of an eligible recipient? What specific exclusions should be considered?

### Administration and reporting requirements

- 7 What reporting requirement should be placed on those making or receiving eligible payments to ensure that the deduction will benefit grassroots sports? Please provide evidence about possible one-off and ongoing costs from reporting requirements.
- 8 Do you think that an annual payment limit should be put in place under which contributions would be exempted from reporting requirements? If so, at what level do you think this limit should be set?



# C Assessment of impacts

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## Summary of impacts

The Exchequer impact will be informed by the outcome of this consultation.





## **HM Treasury contacts**

This document can be downloaded from  
[www.gov.uk](http://www.gov.uk)

If you require this information in an alternative  
format or have general enquiries about  
HM Treasury and its work, contact:

Correspondence Team  
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1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 5000

Email: [public.enquiries@hmtreasury.gsi.gov.uk](mailto:public.enquiries@hmtreasury.gsi.gov.uk)