



HM Treasury

Corporate contributions to grassroots sports:

response to the consultation

December 2016



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Executive summary

At Autumn Statement 2015 the government announced its intention to expand the support that can be given to grassroots sports through the corporation tax system. This was followed by a consultation, from 24 March 2016 until 15 June 2016, which sought stakeholders' views on the most effective way of achieving this. This document summarises the responses received and sets out the government's policy proposals.

Since the consultation closed, Olympians and Paralympians representing Team GB have delivered unprecedented success in Rio, inspiring many here at home. This government is determined that we should build on this legacy, by taking steps to encourage participation at all levels. Through expanding the circumstances under which corporation tax deductions can be given for contributions to grassroots sports, this measure will help to ensure that as many people as possible can benefit from the advantages which sport can offer.

The consultation set out the government's broad approach. For contributions to be eligible for a deduction they would need to be directed towards a sport recognised as eligible; benefit 'grassroots sports'; and fit in a category on the list of 'qualifying expenditure'.

In order to make the scheme attractive to potential contributors and to allow as many organisations that support grassroots sports to benefit as possible, it should be designed with simplicity in mind. Therefore the new deduction builds on existing legislation, and utilises existing processes and definitions which are commonly understood.

The government received 12 responses to the consultation. Responses to the consultation communicated the breadth of different organisations which play an important role in supporting participation in grassroots sports from the recognised sport governing bodies which invest millions of pounds across the country to small clubs that operate on a local level.

The legislation is intended to support both sport governing bodies which play an important strategic role at a national level and small grassroots sports organisations that are integral to local communities. Companies will be able to make deductions from their taxable profits for all contributions to grassroots sports which they make through sport governing bodies, and sport governing bodies will also be able to make deductions for all their contributions to grassroots sports. Companies will be able to make deductions of up to a defined annual value for the contributions which they make directly to grassroots sports. The government believes this will incentivise contributions to grassroots sports and in doing so facilitate participation.

1 Defining eligible sport and targeting grassroots sports

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 alternatives(s)?

1.1 The consultation set out the government's preferred approach that eligible sports should be defined according to the Sports Councils' recognition process. The Sports Councils provide a central list of sporting activities and governing bodies which they officially recognise.

1.2 There was a broad recognition among respondents that the Sports Councils' recognition process was the correct method to establish whether a sport was eligible or not.

2. Are you aware of any existing frameworks, method or criteria, which could provide useful input to the definition of grassroots sports?

1.3 The government emphasised in the consultation that the deduction was not intended to further fund elite, professional or semi-professional sport and that the contributions would need to target the grassroots level of sport in order to be eligible under the scheme. Views were sought on the definition of grassroots sports.

Summary of responses

1.4 There was a broad consensus that non-professional participation is a key element of what defines grassroots sports. One respondent suggested a definition of non-professional as those individuals who are not compensated for their participation beyond travel expenses. Another respondent felt that it should be left to the sport governing bodies to define grassroots sports under their current practices. One respondent did feel that sports clubs with a professional or semi-professional involvement, who encourage grassroots development, should not be excluded from the reliefs.

The government's response

1.5 In line with the government's statement in the consultation and the broad consensus from the responses received the government proposes using the Sports Councils' list of eligible sports to define sports eligible under the scheme. This list is already used to determine eligibility under the Community Amateur Sports Club (CASC) rules. The Sports Councils' recognition process will also be used to define recognised sport governing bodies.

1.6 To ensure that contributions are targeted at grassroots sports the deduction will only be available for contributions to facilitate participation in eligible amateur sport. A broad definition of grassroots sports will be used to capture the range of amateur sporting activity which takes place. This will be based on definitions used for charitable purposes which also contains a 'public benefit' requirement.

2 Qualifying contributions

3. Can you provide evidence of the nature and level of contributions made by sport governing bodies and other companies to grassroots sports?

2.1 To get an understanding of the existing level and type of investment in grassroots sports the consultation asked for evidence of current contributions.

Summary of responses

2.2 There was evidence of substantial investment in grassroots sports by sport governing bodies (for example one sport governing body reported that it had invested over £50 million in each of the last 5 years). There was also anecdotal evidence of smaller organisations making significant contributions to grassroots sports.

4. Do you think elements should be added or deleted from the suggested list of eligible purposes for contributions? Please provide evidence supporting your response?

2.3 The consultation proposed that, in order to be eligible, a contribution must be made for the purpose of meeting a prescribed category of expenditure, and set out examples of what the government felt was eligible expenditure under the scheme. This included expenditure on:

- provision of grassroots sports facilities (such as pitches and changing rooms)
- playing kits and equipment
- volunteer training
- coaches and coaching
- recruitment and training referees, officials and judges
- competition and affiliation costs related to local grassroots sports events

Summary of responses

2.4 There was some agreement from respondents that the examples of eligible expenditure provided in the consultation were sensible. However, there was a broad consensus that it was not sufficiently wide to cover all elements of expenditure that facilitate participation in grassroots sports. Some respondents gave examples of expenditure which they felt should be included – for example insurance. Others felt that it was not possible to produce an exhaustive list of genuine grassroots expenditure and felt that the reform should follow a purposive approach which allowed direct and indirect expenditure on grassroots sports.

The government's response

2.5 The government is keen to encompass the breadth of expenditure which facilitates participation in grassroots sport and it recognises the difficulty in producing an exhaustive list. It has therefore decided against setting out a prescriptive list in legislation. Instead the reform will be open to all expenditure which facilitates participation in eligible amateur sport for the public benefit. This excludes expenditure that gives a narrow benefit to a small number of people to the exclusion of the wider public. Eligible expenditure includes that by a commercial provider of grassroots sports, so long as the expenditure itself satisfies the requirement of directly facilitating participation in grassroots sports. Expenditure will not be eligible if it is for social facilities.

3 Eligible recipients

5. Which option do you think is the most suitable and why?

3.1 The government consulted on two suggested models for who should be considered an eligible recipient under the scheme:

- Option 1 – qualifying contributions made to and by sport governing bodies

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

- Option 2 – contributions made to a wider range of providers

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

Summary of responses

3.2 Many respondents recognised the benefits of Option 1 given the important role that sports governing bodies play in developing grassroots sports and the strategic oversight they have of their respective sports. Some respondents felt that sport governing bodies were best placed to ensure that investments made in the game were complementary to existing funding programs. A number of responses argued that a more comprehensive approach would be to give sport governing bodies a full exemption from corporation tax.

3.3 Option 2 also received support with responses flagging the important role that other bodies and organisations play in developing sports at a grassroots level. One respondent flagged that Option 2 would add value given the disparate nature of local sports organisations and the difficulty for sport governing bodies in reaching all of them.

3.4 A number of respondents felt that the reform should harness the benefits of the sport governing bodies role in Option 1 with the opportunity for a wider range of recipients benefit as envisaged in Option 2.

The government's response

3.5 The government recognises that supporting and developing sport at a grassroots level involves a wide range of contributors and participators. It has therefore decided to incorporate aspects of both options into the reform. Companies will be able to get deductions for any contributions for grassroots sports which they make via sport governing bodies. In turn sport governing bodies will be able to get deductions for all their contributions to grassroots sports. This will enable sport governing bodies to get deductions for the provision of grants to grassroots sports organisations whether monetary or by the provision of equipment etc.

3.6 The government would also like to incentivise and encourage companies to make contributions direct to smaller local grassroots sports activity. The government will therefore make it easier for them to do this by allowing companies to make deductions of up to £2500 annually for their direct contributions to any grassroots sports activity.

3.7 The government considered representations from sport governing bodies that suggested they should be exempt from the charge of corporation tax. Ultimately it was decided that it is

right that sport governing bodies pay corporation tax on their commercial activity in the same way as other commercial organisations do and that a specific deduction for grassroots sport was a more targeted approach.

6. If the scheme is not to be limited solely to payments made to sport governing bodies, what should be the scope and definition of an eligible recipient? What specific exclusions should be considered?

Summary of responses

3.8 A number of responses stressed the need for a definition of eligible recipient which was inclusive, straight forward and easy to understand. A number of responses also suggested drawing on elements of existing definitions such as the CASC regime or the Club Mark scheme to define eligible recipients.

3.9 There was support for private sector bodies acting as eligible recipients with the view expressed that funding should be based on what an organisation can contribute to outcomes.

The government's response

3.10 In recognition of the broad range of organisations involved in grassroots sports the government has decided to make the scheme available as widely as possible. Rather than attempting to capture every suitable recipient in legislation, contributions will be eligible for relief if the expenditure has been incurred for the purposes of facilitating grassroots sports. As outlined above, this will include contributions made through commercial bodies that deliver grassroots sports activity, that meet the public benefit test. Any expenditure for which a deduction can already be obtained is excluded, and any payment to a charitable body or a CASC will also be excluded as a deduction can be obtained via routes already available.

4 Reporting requirements

7. What reporting requirements should be placed on those making or receiving eligible payments to ensure that the deduction will benefit grassroots sports? Please provide evidence about the possible one-off and ongoing costs from reporting requirements.

8. Do you think that 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?

Summary of responses

4.1 The consultation sought views on the level of reporting requirements placed on those making or receiving eligible payments to ensure the deduction was targeted at grassroots sports, and whether there should be a threshold amount under which contributions should be exempted from reporting requirements.

4.2 Some respondents felt that reporting requirements were important to ensure that contributions are properly targeted and it is clear that they benefit grassroots sports. However, there was broad consensus that reporting requirements should be simple and easy to comply with as many grassroots sports organisations are run by volunteers who will have limited time and capacity. There was also concern that excessively burdensome reporting requirements would make the scheme unattractive to contributors. There was a broad consensus that there is strong case for contributions below a certain level to be exempt from reporting requirements.

The government's response

4.3 The government recognises the importance of proportionate reporting requirements in ensuring that contributions are properly targeted and that they genuinely benefit grassroots sports. It also recognises the need to ensure the scheme is attractive to both contributors and recipients including even the smallest grassroots sports organisations who will have limited administrative capacity. The reporting requirements will therefore form part of the normal Corporation Tax Self-Assessment process. A company (including a sport governing body) will include the payment as part of its qualifying donations, to be claimed as a deduction against the company's total profits for corporation tax purposes. HMRC will apply existing compliance procedures and if contributions are found not to benefit grassroots sport then deductions will not be allowed.

A List of respondents

- Association of Accounting Technicians
- American Football Development Ltd
- Association of Taxation Technicians
- England and Wales Cricket Board
- Football Association
- ICAEW
- London Federation of Sport and Recreation
- London Sport
- PwC
- Rugby Football Union
- Richard Baldwin MBE, FCA, CTA
- Sport and Recreation Alliance

HM Treasury contacts

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