



Disclaimer: The Scottish Golf Union and the Scottish Ladies' Golfing Association have sought advice from financial advisors on the implications for golf clubs across Scotland of Community Amateur Sports Clubs (CASCs) – Tax Exemptions and Reliefs from HMRC. This guidance note sets out a summary of that advice. Please note that the advice provided in this guidance is general in nature and is based on an understanding at an early stage of how the legislation will work in practice. Clubs may wish to take additional legal advice tailored to their own particular circumstances.

Community Amateur Sports Clubs ('CASCs') – April 2015 update

In May 2014 we advised clubs of the proposed changes that HM Revenue & Customs ('HMRC') were intending to implement for CASCs. These new regulations were implemented on 1st April 2015, although there is a period of grace until 1st April 2016. This document supersedes the May 2014 update. It should be noted this document may be relevant to Private Member Clubs but not Proprietary Clubs as only Private Member Clubs could be a CASC, should they satisfy the conditions.

Summary of the new regulations

Two of the six changes that were implemented on 1st April 2015 now make it, on the whole, more difficult for your club to either maintain or attain CASC status. All six changes are considered separately later in this document. Where a club does not qualify to be a CASC but did so prior to 1st April 2015, HMRC will not remove the club from the CASC register until 1st April 2016 i.e. there will be a period of grace for one year. However, HMRC has also stipulated if during this period of one year, your club makes changes to ensure it complies, then your club will be allowed to remain a CASC beyond 1st April 2016.

The two new regulations which will present most difficulty for clubs are summarised as follows:

- Where a club receives trading income (income from non-members) exceeding £100,000 it does not qualify to be a CASC; and
- Where a club's most expensive membership is above £1,612 or it does not offer a membership costing £520 or less, it does not qualify to be a CASC. This regulation has additional complexities, however, these are outlined in more detail later in this document.

The new regulations from 1st April 2015

The new regulations have resulted in six changes:

1. Increases in exemptions from Corporation Tax;
2. The new limit on income from non-members;
3. The requirement that CASCs have 50% participating members;
4. Travelling and subsistence expenses;
5. Payments to players; and
6. Restrictions on the level of membership costs

HMRC released detailed guidance notes and its 24-page document can be accessed via [this link](#)

The document itself has a number of links, including five annexes, a copy of the Corporation Tax Act (CTA) and the new Community Amateur Sports Clubs Regulations 2015. The five annexes provide the following detail:

- Annex 1 - overview of Corporation Tax and VAT rules for CASCs;
- Annex 2 - incorporating an existing CASC into a company;
- Annex 3 - multi-sports clubs;



- Annex 4 - seasonal sports; and
- Annex 5 - model clauses

It is unlikely that annexes 3 and 4 are going to affect your club. As regards annex 1, we recommend that your club discusses the Corporation Tax implications with your club's accountant who will know the individual circumstances prevalent to your club. The VAT regulations for a CASC are simple in that they are identical to any other business. However, we should always consider that clubs have partial exemption issues in connection with VAT as it receives taxable income (i.e. bar income) and also exempt income (i.e. membership subscriptions). It is recommended that annexes 2 and 5 are discussed with the club's legal representatives.

Prior to considering how the six changes in CASC regulations may affect your club, which may currently be a CASC or considering applying for CASC status, we examine in more detail what a CASC is and the benefits and potential drawbacks of being a CASC.

What is a CASC?

CASCs are bodies that are afforded tax exemptions and reliefs from HMRC. CASCs were introduced in 2002 and since then 6654 have registered with HMRC (HMRC: 12th January 2015). HMRC advise that these clubs have claimed over £12m in Gift Aid and an estimated £100m has been saved in respect of business rates. There are 890 golf clubs in the UK with CASC status. There are 758 in England, 78 in Scotland, 53 in Wales and 1 in Northern Ireland.

Can my Club qualify as a CASC?

The conditions for becoming a CASC prior to the implementation of the new regulations on 1st April 2015 were easier to meet. Prior to 1st April 2015 your Club must have complied with the following and included them as requirements in the Club rules/constitution:

- Have been open to the whole community, without any discrimination;
- Have been organised on an amateur basis, including being non-profit making. This requirement therefore excluded Proprietary Clubs from being a CASC;
- Have had as its main purpose, providing facilities for, and promoting participation in one or more eligible sports. Golf was one of the eligible sports;
- Have met the location requirement. If your club was located in the UK, it met the location requirement; and
- Met the management condition. This condition was met where a club had managers who were fit and proper persons to be managers of the club. Club managers mean persons having the general control and management of the administration of the club.

However the six changes that were implemented on 1st April 2015 now make it, on the whole, more difficult for your club to either maintain or attain CASC status. All six changes are considered separately later in this document.

What are the benefits of being a CASC?

The main benefit is that CASCs are eligible for a range of tax exemptions and reliefs. The exemption from Corporation Tax applies only if the CASC uses its funds for qualifying purposes. 'Qualifying purposes' are defined as:

- Providing facilities for one or more eligible sports; and
- Promoting participation in one or more eligible sports.



CASCs are exempt from Corporation Tax on:

- Trading income, if the turnover is no more than £50,000 a year (£30,000 prior to 1st April 2015);
- Income from letting property, if the rent received is no more than £30,000 a year (£20,000 prior to 1st April 2015);
- Interest;
- Chargeable gains; and
- Donations from individuals and also companies (from 1st April 2014) under the Gift Aid scheme.

It is very important that CASCs can differentiate income received from members (non-trading income) and income received from non-members (trading income). Trading income would include use of facilities (green fee for a course), hiring function rooms, catering and bar income. However, where receipts from trading or letting exceed the prescribed limit then all the income from trading or letting, respectively, becomes chargeable to Corporation Tax and not just the excess. In addition, the threshold for exemption from Corporation Tax of £50,000 is a totally separate threshold from the new £100,000 threshold (on income from non-members) that cannot be exceeded if a Club wishes to obtain/retain its CASC status. In summary, trading income from non-members may be above the Corporation Tax threshold of £50,000 but under the CASC threshold of £100,000. It is recommended that Clubs seek assistance from their accountant in connection with their Corporation Tax position as the accountant will have the tax knowledge to apply the specific circumstances of their client (Club) to the proposed new legislation regarding CASCs.

CASCs can claim business rates relief of 80% provided their property is used wholly or mainly for the purposes of a CASC. Local authorities may provide a further 20% of relief at their discretion. This is probably the most valuable relief for most CASCs because it reduces the annual costs associated with any land or buildings used by a club.

CASCs can also claim Gift Aid on qualifying donations from UK taxpayers. As long as the rules of the Gift Aid scheme are met, a club can claim back basic rate tax on donations made by individuals. Detailed guidance notes on Gift Aid can be found in paragraphs 7.1 to 7.11 of HMRC's November 2013 document via [this link](#)

Potential drawback of being a CASC

If a club ceases to meet the eligibility conditions then HMRC will deregister the club. The club may incur a Corporation Tax charge on deregistration. This is because the club is deemed to have disposed of its assets and immediately reacquired them at market value at the time of deregistration. Any increase in the value of the property from the time it was originally acquired is crystallised as a chargeable gain which is chargeable to Corporation Tax. The purpose of this provision is to ensure that clubs do not abuse the tax reliefs available to CASCs for future private gain.

However, there is good news in this respect in connection with the new regulations implemented on 1st April 2015. HMRC has outlined that if a club cannot meet the new rules it will not be removed by HMRC from the CASC register until 1st April 2016 i.e. a period of grace of one year. Possibly of greater significance is HMRC's commitment that if a club met all the CASC conditions prior to the implementation of the new regulations on 1st April 2015, it will not incur any charges on being removed from the CASC register. We suggest a note of caution here as HMRC do not provide any additional detail here and it is recommended that clubs discuss this section with their accountant. This commitment by HMRC is contained in a summary document HMRC released on 27th March 2015. This document, intended as high-level summary of the 24-page detailed guidance notes, can be accessed via [this link](#)



Are there any constitutional changes required to become a CASC?

Sports clubs must be formally constituted so that the conditions of the scheme become binding on the members and their governing committees. This means that clubs wishing to apply for CASC status will need to look carefully at their constitutions to make sure these fit in with the CASC requirements before they apply to HMRC. Your club can use any form of constitution such as a set of rules or a memorandum and articles of association but it must be formally adopted by the members to be acceptable.

Brief background to 2013 review by HMRC on CASCs resulting in the new 1st April 2015 regulations

Following a review by 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 employees and volunteers who run CASCs to understand their obligations.

Following this consultation the Government intention was to implement new, clearer, rules to provide clarity for those running CASCs and also encourage more clubs to register for the scheme. HMRC released a detailed 59-page document on 25th November 2013. This document formed the basis for the new regulations implemented on 1st April 2015. The full document can be accessed via [this link](#)

Summary of new rules for CASCs from 1st April 2015

The new regulations have resulted in six changes:

1. Increases in exemptions from Corporation Tax;
2. The new limit on income from non-members;
3. The requirement that CASCs have 50% participating members;
4. Travelling and subsistence expenses;
5. Payments to players; and
6. Restrictions on the level of membership costs

We consider each of the changes below. **For a club to remain a CASC it must satisfy ALL of the six changes, in addition to complying with the regulations prior to these changes on 1st April 2015.** Where we believe it will have little or no impact on clubs we have provided little comment and refer you to HMRC's detailed guidance notes should you wish to understand that particular change in more detail. HMRC's detailed guidance notes can be accessed via [this link](#)

It is expected that HMRC will be shortly be writing to each club which currently has CASC status and advising it of the new regulations from 1st April 2015 and asking clubs to confirm if it still qualifies to be a CASC. Where a club does not qualify to be a CASC but did so prior to 1st April 2015 HMRC will not remove the club from the CASC register until 1st April 2016 i.e. there will be a period of grace for one year.

1. Increases in exemptions from Corporation Tax

The threshold on the exemption from Corporation Tax on 'trading income' increased from £30,000 to £50,000 from 1st April 2015.

The threshold on the exemption from Corporation Tax on income from 'property' increased from £20,000 to £30,000 from 1st April 2015.



It is recommended that clubs discuss this section with their accountant as the accountant will have first-hand knowledge of a club's income streams. HMRC has provided more detail in Annex 1 of their detailed guidance that can be accessed via [this link](#)

2. The new limit on income from non-members

This new income limit of £100,000 from non-members may be a major issue for a number of clubs which are either currently CASCs or considering applying for registration as a CASC. This income includes trading income and also income from property. This £100,000 limit is based on a club's annual accounting year.

The first issue a club may have is its ability to identify income from non-members. This will include all income from non-members, including:

- Income relating to green fees from non-members, including member/guest income. More detail on this can be obtained on this at para 3.3 of Annex 1 to HMRC's detailed notes. This can be accessed via [this link](#)
- Income from social members (non-playing members) unless the social members are allowed a vote at meetings such as the AGM. More detail on this can be obtained on this at para 3.6 of Annex 1 to HMRC's detailed notes. This can be accessed via [this link](#);
- Bar and catering income;
- Income from rent of on-course houses that had possibly been used in prior years by either the bar steward or head greenkeeper; and
- Hire of function suite or dining rooms by non-members for such events as weddings, funerals and birthday parties.

Depending on the till system operating at a club it may not be possible to accurately record the level of non-member income from bar and catering sales.

The second issue, should clubs successfully negotiate the first issue above i.e. in identifying income from non-members, is the total income from non-members cannot exceed £100,000 in an accounting year.

In summary, it is a possible scenario that many clubs which currently have CASC status will not be able to comply with this new regulation and as such will be deregistered by HMRC from 1st April 2016. There is however a possible alternative if the income condition is the only one that your club does not comply with in order to retain CASC status. This alternative would be to set up a trading subsidiary which is owned by the CASC and non-member trading income passes through the trading subsidiary. HMRC outline this possibility in their detailed guidance notes in para 2.22.5 and 2.23 and these can be accessed via [this link](#)

Should a club be considering this as an option it is crucial that it seeks both accountancy and legal advice prior to setting up such a trading subsidiary.

3. The requirement that CASCs have 50% participating members

Unlike the new income limit of £100,000 from non-members (see 2 above), this requirement seems to be far less onerous for clubs to administer and possibly comply with. To comply with this condition, clubs require at least 50% of its members actively participating in golf. Most clubs have two types of memberships, a 'playing' membership and a 'social' membership.

If your club's membership is at least 50% 'playing' rather than 'social' it is highly likely that you will satisfy this new requirement. However, it is not automatic that your club will satisfy this condition as each of your 'playing' members must play at least once a month on average over the year. There may



be a few 'playing' members who do not satisfy this criteria but as long as your 'playing' membership is well in excess of 50% then a small number of members who do not play at least once a month on average will not result in this requirement not being met. More detail on this requirement can be found in para 2.21 of HMRC's detailed guidance notes via [this link](#)

4. Travelling and subsistence expenses

We have not considered this new regulation in any level of detail as it is very unlikely that a golf club would provide travelling and subsistence expenses for the purposes of a team match. This may affect other sports such as rugby or football where large distances may be travelled on some occasions. Should you consider this may be an issue for your club, please refer to para 2.12 of HMRC's detailed guidance notes via [this link](#)

5. Payments to players

Similar to 'travel and subsistence expenses' above, it is not likely that this will affect golf clubs. This reason for this is that total payments to all players at your club cannot exceed more than £10,000 in any financial year. Should you consider this may be an issue for your club, please refer to para 2.15 of HMRC's detailed guidance notes via [this link](#)

6. Restrictions on the level of membership costs

This is by far the most complicated new requirement from 1st April 2015. Prior to considering this in any detail we must first consider the reasoning behind HMRC's inclusion of this requirement, namely it is 'open to the whole community'. In addition to outlining the regulations below, we have provided four examples to assist clubs in determining if they meet the conditions of this regulation. Where a club feels that their specific circumstances are not covered, HMRC advise a club can contact it to confirm if their circumstances are acceptable. The address for the CASC Unit is at the end of this document.

When a club wishes to be registered as a CASC it must be able to demonstrate it is 'open to the whole community'. To be open to the whole community a club must:

- Have a membership that is open to all without discrimination;
- Have facilities that are open to all members without discrimination; and
- Have fees that do not represent a 'significant obstacle' to membership or use of its facilities.

For the purposes of this document we are not considering the first two bullet points as they are both well documented in HMRC's detailed guidance at para 2.2, 2.3 and 2.4 which can be accessed via [this link](#)

We now consider membership fees. This section of the new legislation is fairly complex for golf clubs as golf clubs have many different types/range of memberships on offer to members. As such, golf clubs are more complex than most other types of clubs that have fewer types/range of memberships on offer.

When deciding whether your club has fees/costs that represent a 'significant obstacle' to membership you must check:

- Does your club charge membership fees over £1,612 a year;
- Are the costs associated with being a member of the club more than £520 a year; and
- Where costs associated with being a member are more than £520 a year, does the club make a satisfactory provision for those who can't afford to pay more than this amount.

Due to the complexity here it is best to consider the above three bullet points as three separate stages.



Stage 1 - Where a club charges any member more than £1,612 a year for membership then it would not be considered open to the whole community. The club would therefore not be eligible for CASC status even if they offered discounted or cheaper memberships to other members. HMRC stipulate the cost of membership fees include not only the annual subscription, but also joining fees. Therefore if your club's most expensive membership fee (including joining fee) is less than £1,612 then you can progress to stage 2 and consider the 'other costs' that are a condition of membership. This is where the new regulations become more confusing.

Stage 2 - HMRC provide a number of examples in its detailed guidance notes, see para 2.7 via via [this link](#). In para 2.7.18, HMRC helpfully provide a worked example of a golf club. In this example it details the following 'other' costs in addition to the membership (of £846), as £20 for the purchase of second hand golf clubs, and £10 for the purchase of the shoes. Golf shoes are included here as a club requires golfers to wear golf shoes on the course. The total cost of membership in this example is £876. As this amount is in excess of £520 the club must make provision for any members who cannot afford to pay more than £520 i.e. offer an alternative (stage 3). It should be noted that this example provided by HMRC does NOT include 'joining fees' that should be included in the total cost of £876.

Stage 3 – An alternative membership where the total cost of membership and 'other costs' does not exceed £520. HMRC provide an additional example in para 2.8.6 where a club has a cost of membership totalling £800, being the annual membership of £770 and 'other costs' of £30 (clubs £20 and shoes £10). As this is above £520, this club must offer an alternative membership and crucially it must be open to all members. The club offers an alternative 4-day membership at a cost of £450 per year. This membership allows for play 3 days during the week and 1 weekend day. Taking the 'other' costs of the golf clubs (£20) and golf shoes (£10) in the example in the paragraph above, the total costs (excluding any joining fee) would amount to £480 per year i.e. below £520. This would appear to allow this club to be a CASC, assuming there is no joining fee. However, HMRC in para 2.8.10 advise 'as a rule of thumb HMRC would expect membership to allow playing outside of typical working hours and on at least one day at the weekend'. This comment may be detrimental to many clubs who offer 5-day membership at a reduced rate but only allow play on Monday to Friday.

We now consider the final aspect with this new condition on membership costs, the joining fee. The joining fee was more common in golf clubs 10 or more years ago but it is still present in many clubs today. HMRC provide a couple of examples with joining fees, para 2.7.13 (a tennis club) and 2.7.17 (a squash club). In both of these examples the joining fees are very low compared to golf clubs and neither example details what happens in many golf clubs where, the joining fee may be paid up over a period of between 3 and 5 years. What we can say unequivocally is that the joining fee requires to be included in the membership cost when considering the thresholds of £1,612 and £520. However we cannot opine on whether HMRC would allow the joining fee to spread over a number of years. As one of the main objectives is to make the sport 'affordable' we would hope HMRC views this leniently and accepts the spreading of joining fee over a number of years. A problem may arise when a club that charges a joining fee accepts a single joining fee payment from one or more members and this takes the membership cost for that particular year either beyond the £520 threshold (if there is no cheaper alternative) or beyond the £1,612 threshold. It is recommended that any club which has a query with the joining fee seeks guidance direct from HMRC. The contact address for HMRC is detailed at the end of this document.

As this particular change in the legislation is the most complex, we provide four examples below to assist your club in determining if it satisfies this new legislation in respect of membership and 'other costs'. We have provided two examples where a club does satisfy the new legislation two others where it does not.



Please note in each of the examples below we have made the following assumptions:

- There is no joining fee. Should there be a joining fee this will require to be included in the total cost when considering both the £520 and £1,612 thresholds;
- The affiliation fees to local and national golf unions, and any insurance costs that are compulsory for membership are included in the membership cost in the examples below; and
- We have utilised HMRC's values from the examples provided in their detailed guidance notes that the cost of second hand clubs are £20 and the cost of golf shoes are £10.

Example 1 – Fees and costs below £520

- Cost of most expensive membership £400;
- Cost of second hand golf clubs £20;
- Cost of golf shoes £10;
- No joining fee; and
- Total cost £430.
 - Club qualifies as a CASC

Example 2 – Fees and costs between £520 and £1,612

- Cost of most expensive membership £620;
- Cost of second hand golf clubs £20;
- Cost of golf shoes £10;
- No joining fee; and
- Total cost £650.
- Club does not offer 'alternative cheaper membership'
 - Club does not qualify as a CASC

Example 3 – Fees and costs between £520 and £1,612

- Cost of most expensive membership £620;
- Cost of second hand golf clubs £20;
- Cost of golf shoes £10;
- No joining fee; and
- Total cost £650.
- Club offers 'alternative cheaper membership' – a 4-day rate of £450. It should be noted that HMRC 'as a rule of thumb' would expect the membership would allow playing outside of typical working hours and on at least one day at the weekend. For the purposes of this example we will assume this is the case.
- Total cost of alternative membership is £480 i.e. less than £520
 - Club qualifies as a CASC

Example 4 – Fees and costs between £520 and £1,612

- Cost of most expensive membership £1,650;
- Cost of second hand golf clubs £20;
- Cost of golf shoes £10;
- No joining fee; and
- Total cost £1,680;
 - As the cost of the membership alone (£1,650), without the 'other' costs exceeds £1,612 then the club cannot be a CASC even if it offers an alternative membership at a total cost of no more than £520



What happens next?

It is likely that HMRC will write to all clubs that currently have CASC status to seek confirmation they still qualify in light of the new legislation as of 1st April 2015. Where a club does not now qualify for CASC status, HMRC will remove the club from the CASC register from 1st April 2016. Should this be the situation with your club, HMRC has intimated it will not levy a tax charge on deregistration on the proviso that your club met the CASC regulations prior to 1st April 2015. Should you have any queries on this [we recommend](#) you contact the club's accountant for the specific tax advice relevant to your own club.

It is our understanding HMRC had not been processing a number of CASC registrations until the new legislation came into force on 1st April 2015. Should your club be one of these, we recommend you contact the CASC Unit.

We have interpreted the new legislation and summarised it in this document giving examples where applicable. However, should your club's specific circumstances not be covered either by this document or HMRC's detailed guidance notes we recommend you contact the HMRC's CASC Unit. HMRC's detailed guidance notes can be accessed via [this link](#)

The address of the CASC unit is as follows:

HMRC Charities
CASC Unit
St Johns House
Merton Road
Liverpool
L75 1BB

This document has been prepared by Gary Moore of VAT Services (Scotland) Ltd on behalf of the SGU on 20th April 2015.

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