



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')

Many private member clubs have requested information on CASCs, and in particular how the rules may shortly change. The proposed new rules were first outlined on 25th November 2013 in a 59-page document (accessed [via this link](#)) and it was thought that they would have been implemented by April 2014. However, this is not the case, and after further liaison with HM Revenue & Customs ('HMRC') we can outline the current position.

It is projected that these proposed new rules will be laid before Parliament later this year and implemented shortly thereafter. However, this timescale is only an estimate. As such we have detailed the current rules in this document with the proposed new rules (and amended values) detailed in brackets.

What is a CASC?

CASCs are bodies that are afforded tax exemptions and reliefs from HMRC. CASCs were introduced in 2002 and since then over 6000 have registered with HMRC. 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 existing conditions for becoming a CASC are relatively easy to meet. Your Club must fit in with these in practice as well as having these as requirements in the Club rules. Your club must:

- Be open to the whole community, without any discrimination;
- Be organised on an amateur basis, including being non-profit making. This requirement therefore excludes Proprietary Clubs from being a CASC;
- Have as its main purpose providing facilities for, and promoting participation in one or more eligible sports. Golf is one of the eligible sports;
- Meet the location requirement. If your club is located in the UK, it meets the location requirement; and
- Meet the management condition. This condition is met where a club has managers that are 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.

Where your Club has been operating for some time it is usually fairly easy to show how it meets these conditions. Newly formed Clubs might find it more difficult because HMRC need evidence of how your Club is operating before it can register the Club as a CASC. Detailed guidance notes in relation to existing conditions prepared by HMRC can be accessed [via this link](#).



The new rules, which are proposed to be introduced late in 2014/early 2015, are outlined on page 3. These proposed new rules were thought (by HMRC) to be necessary as the current legislation governing CASCs is unclear and causing confusion for Clubs. **Probably the most important proposed new rule and the one that will stop Clubs seeking CASC status is the limit on income of £100,000 from non-members.** This includes visitor fee income, bar and catering income. This proposed new rule will also result in Clubs who are currently registered as a CASCs requiring to be de-registered. Further guidance on this from HMRC can be accessed [via this link](#), (see and para 8.45 and para 9.2 to 9.6).

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 from non-members is no more than £30,000 a year (proposed to be increased to £50,000);
- Income from letting property, if the rent received is no more than £20,000 a year (proposed to be increased to £30,000);
- Interest;
- Chargeable gains; and
- Donations from individuals and also companies (from 1 April 2014) under the Gift Aid scheme.

It is 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 £30,000 (proposed to be increased to £50,000) is a totally separate threshold from the £100,000 threshold that cannot be exceeded if a Club wishes to obtain/retain its CASC status (see fourth bullet point at the top of page 4 for more detail). In summary, trading income from non-members may be above the Corporation Tax threshold of £30,000 (proposed to be increased to £50,000) but under the CASC threshold of £100,000. It is recommended that Clubs seek assistance from their local accountant in connection with their Corporation Tax position as the accountant will have the 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 that 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, HMRC has intimated that it will waive any de-registration charge which arises as a result of a Club de-registering following implementation of the proposed new rules.

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.

Background to 2013 review by HMRC

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 is now bringing forward 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 25 November 2013. For brevity we have summarised below these proposed new rules, and where the rules are likely to have an impact on Private Members Golf Clubs, we have commented where appropriate. It should be pointed out that Proprietary Golf Clubs cannot attain CASC status. The full document can be accessed [via this link](#)

Summary of new rules for CASCs

We summarise the proposed new rules that will be implemented as a result of the consultation last year as follows:

- Clubs that charge more than £520 a year must make special provisions for members on a low or modest income to participate for £520 or less, subject to an upper membership fee threshold of £1,612. This rule is not particularly concise and will result in some doubt for Golf Clubs. Where a Club has a membership charge in excess of £520 a year the Government will require a Club to introduce various arrangements for people on low and modest incomes. Clubs will require to demonstrate to HMRC's satisfaction that they have put in place relevant and practical arrangements to ensure that people on low incomes are able to participate for no more than £520 a year. HMRC advise that they will provide detailed guidance on acceptable arrangements to assist clubs with this requirement. It is



not clear at this stage if HMRC will provide general advice in due course or whether they will only provide advice on a 'case by case' (Club by Club basis). It is a possibility that this will become clearer when HMRC release a short technical document on CASCs later this year;

- Clubs will be able to pay any number of players to play up to a total limit per club of £10,000 a year (including the cost of any benefits). This is unlikely to affect Golf Clubs as these types of payments are more common in other types of clubs other than Golf Clubs;
- Clubs will be able to pay reasonable subsistence expenses and club tours subject to limits that will be set out in HMRC guidance. Again this is unlikely to affect Golf Clubs. However, should it be a potential issue for your Club, please refer to paragraphs 4.30 to 4.60 of HMRC's guidance [via this link](#);
- At least 50 per cent of a club's members must be participating (sporting) members. Many Golf Clubs have a non-playing membership, also known as social members. These members may be former playing members or spouses of current members. It is unlikely that this regulation would affect Golf Clubs as it is uncommon for at least 50% of the membership are social (non-playing) members;
- A participating member will be defined as a person who participates in the sport at least 12 times a year. This regulation is not likely to cause any issue for a Golf Club as playing members are likely to play at least once a month on average. Our reasoning here is that a participating member is unlikely to pay an annual subscription if they are playing less than 12 times a year;
- Clubs will be able to generate **unlimited income from their members**;
- Clubs will be able to generate **up to £100,000 turnover (receipts)** from trading and other miscellaneous transactions with **non-members** and still retain their CASC status or obtain CASC status. It is important to note that this threshold of £100,000 relates to the obtaining or retaining CASC status and has no correlation to the threshold for Corporation Tax (currently £30,000 and proposed to be increased to £50,000 – see page 2 for more detail). This threshold of £100,000 may be a barrier to Clubs becoming or remaining a CASC.

An area that may cause Clubs an issue is income from visitors who are commonly given 'temporary membership'. Many Clubs constitution grant visitors temporary membership automatically as it assists in complying with licensing regulations. Visitor income is deemed to be income from non-members. This may result in many Clubs being ineligible for CASC status or Clubs who currently having CASC status requiring to de-register. The area of trading income from non-members resulted in the most comment by participants in HMRC's 2013 consultation process. One of the main issues that Golf Clubs were concerned with was the recordkeeping requirements to comply with this condition. However, HMRC did not see this as an issue as Golf Clubs should already be keeping records of their transactions with members and non-members if they are claiming exemption from Corporation Tax on their trading income. However, should it be a potential issue for your Club, please refer to paragraphs 6.1 to 6.65 of HMRC's guidance [via this link](#);



- The threshold on the exemption from Corporation Tax on trading income is currently £30,000 (proposed to be increased to £50,000). Clubs will pay no tax on trading income so long as the turnover from non-members is no more than £30,000 (£50,000);
- The threshold on the exemption from corporation tax on income from property is currently £20,000 (proposed to be increased to £30,000). Clubs will pay no tax on income from property so long as the receipts from non-members are no more than £20,000 (£30,000); and
- All companies will be able to obtain tax relief on qualifying donations to a CASC under corporate Gift Aid. The Government has decided to extend corporate Gift Aid to qualifying gifts of money to CASCs made by any company. It is proposed that the new provisions will apply to qualifying donations made on or after 1 April 2014. This date has now passed and we are still awaiting confirmation. It is expected that this will be confirmed in the new legislation that will be laid before Parliament late in 2014/early in 2015 (see section 'What is happening next?' on page 5).

The extension in corporate Gift Aid will benefit Golf Clubs with high levels of trading income from non-members that need to set up a trading subsidiary company in order to meet the new income condition. It is not known accurately how many Golf Clubs will be in receipt of corporate Gift Aid, although it is not expected to be many.

What is happening next?

HMRC advised on 15th April 2014 that the current plan and timescales are as follows:

- HMRC is currently drafting a short technical consultation;
- HMRC is expected to release a consultation document this summer; and
- It is likely that the new legislation will be laid before Parliament late 2014/early 2015

The proposed new legislation cannot take effect until it is ratified by Parliament. There it is possible that Parliament may seek amendments before implementing any of the proposed amendments. It is our intention to provide an update for Private Members Golf Clubs when the technical consultation is released this summer. We will also provide an update once the new legislation has been ratified (or otherwise as the case may be). However, it should be noted that timescales for the above processes to be completed have slipped since last year.

How do the new rules affect existing CASCs?

All existing CASCs will retain their CASC status, subject to meeting the existing rules, until the law is changed. HMRC will continue to challenge a club's CASC status if a club appears not to meet the rules, for example unfairly discriminating against sections of the public.

Once the regulations have been made, HMRC will publish detailed guidance and ask all registered clubs to check that they meet the new rules.

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 arrangements for people on low and modest incomes to ensure they can participate fully in the club. Some clubs may wish to consider hiving off trading activities to a subsidiary company.



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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. 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 de-register the club. HMRC would waive any de-registration charge that would be due provided that the club has been fully compliant with the existing guidance and that there is no other reason for de-registering the club.

How do the proposed new rules affect clubs who have applied for CASC registration?

A number of applications from clubs seeking CASC registration have been put on hold while HMRC has been reviewing the CASC rules. HMRC is writing to each of those clubs to draw their attention to this document and the Government's proposals.

How do the proposed new rules affect new applications for CASC registration?

HMRC will continue to accept applications from clubs wishing to register as a CASC whilst the regulations are being developed.

HMRC may register a club, subject to a future review, where the club doesn't meet the current rules but would qualify if the proposed new rules applied. For the purposes of considering whether a club meets a condition before the law is finalised, HMRC will use the figures below.

Where a club's application would satisfy the following thresholds for fees or paying players, HMRC will offer to register the club subject to a later review (see paragraph below):

- membership and participation costs – up to £520 a year
- paying players – one player up to a maximum of £10,000 a year (including benefits).

If a club registered on this basis does not meet the rules specified in the final version of the regulations, then HMRC will de-register a club if it chooses not to make the changes necessary to meet the qualifying conditions. This de-registration could be back to the date of the club's registration or another date, depending on the exact circumstances. If HMRC de-registers the club then the club would need to account to HMRC for any reliefs received as a consequence of being a registered CASC.

If a club would prefer not to be registered subject to a future review it can ask HMRC to put its application on hold until the new law is finalised.

This document has been prepared by Gary Moore of VAT Services (Scotland) Ltd on behalf of the SGU on 16 April 2014.

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