

# TAXATION & SPORT

What tax information  
do I need to know?

If you would like to attend a workshop, organise a workshop for a group, or simply purchase or download another resource from the Running Sport series, visit the following website for further information:

[www.sportengland.org/runningsport](http://www.sportengland.org/runningsport)

Sport England is an organisation committed to creating opportunities for people to start in sport, stay in sport and succeed in sport.

Sport England is the strategic lead for delivering the Government's sporting objectives in this country, and we distribute both Lottery and Exchequer funds to sport.

Our vision is to make England an active and successful sporting nation.

This resource forms part of the Running Sport series

**Running Sport**  
SPORT  
ENGLAND

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## Glossary of terms

**Accounting period:** The period for which the accounts are drawn up

**Capital Gains Tax:** A capital gain arises when something you own (that is an asset), is given away, exchanged, sold or disposed of in any other way, and its value has increased since you acquired it. Examples include stocks and shares, land and businesses. Tax is charged not on the asset but on its increase in value

**Charities:** Are non-profit distributing bodies established to advance education; advance religion; relieve poverty, sickness or infirmity or carry out certain other activities beneficial to the community

**Corporation Tax:** Corporation Tax is the tax charged on the profits of any corporate body or unincorporated association

**De Minimis:** A test designed to allow recovery for minimal values of exempt input tax

**Dispensation:** An exemption from declaring expenses or benefits provided to an employee to the Inland Revenue

**Gift Aid:** Payments under a gift aid donation are treated as being net of basic rate tax. The charity can recover the tax deducted providing it can show an audit trail between the gift and the donor

**Income Tax:** If you earn or receive income over a certain amount in a tax year - you pay income tax. Income tax is charged at various rates depending on the level of income earned

**Input Tax:** Input tax is the VAT paid or payable by taxable persons/companies on goods or services supplied to them, which are used, or to be used, for the purpose of their business. VAT registered persons/companies can reclaim input tax

**Limited company:** A limited company has a separate identity from that of the individual shareholders. A company belongs to its shareholders, who share in any profits according to the size of their individual holding

**Limited Liability Status:** The shareholders of a Limited Company are not personally liable for the debts of the company, unless they have stood as personal guarantors for any particular sum

**Merger:** A combination of two or more clubs/organisations in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a considerably different club/organisation after the merger, it retains its original identity

# Welcome

**Welcome to this Running Sport resource.** This forms part of Sport England's education & training programme that provides recognition, information and learning resources aimed at supporting volunteers in relation to the administration and management of their sporting organisation, club, group, team, or governing body.

I hope that you find the information of use in your sporting role and that you will continue to contribute to helping people participate in sport in England. Through you, a valued resource, one of 5.8 million – we know that we are on our way to achieving our goal of making England an active and successful sporting nation!

Thank you for all your support and good luck for your volunteering future – long may you continue!

**Roger Draper**  
Chief Executive  
Sport England

# Why is tax important?

Sport clubs/organisations should be aware that tax will have an impact on their affairs. Sports clubs, associations, leagues and governing bodies enjoy no special exemptions from tax, something that is often not been widely understood. Often, therefore, unexpected tax liabilities arise and opportunities to minimise tax are lost. This resource attempts to explain, at a basic level, the taxes which volunteers should be aware of.

## The main taxes that you should be concerned with are:

- Corporation Tax on income and capital gains
- Pay As You Earn
- Value Added Tax

The Inland Revenue and Customs and Excise take a hard line on the collection of tax that is due, often going back over a number of years, and pursuing related interest and penalties. To assist clubs, societies and associations, the Inland Revenue have published a guidance leaflet, IR46, which can be obtained from your local tax office.

In the first instance, the tax burden will fall on the club or association, whether or not incorporated as a limited company. However, volunteers, club/organisation members and officials of unincorporated clubs/organisations could find themselves with a tax liability. Club/organisation members, volunteers and officials may therefore like to consider restructuring the activities through a limited company to obtain protection from personal liabilities.

Corporation Tax could be due whether or not the sporting activities are conducted through a limited company or through an unincorporated association. There may be an opportunity to save tax by obtaining charitable status, or by legitimate tax planning. This will be considered later in detail.

# Whose responsibility is it?

The committee members of your sport club/organisation have ultimate responsibility for ensuring that tax responsibilities have been met. If your club/organisation does not enjoy limited liability status, then the members could be personally liable and pursued for any tax, interest or penalties.

Often, it falls on the Treasurer to ensure that proper books and accounts are kept, from which tax liabilities will be determined. The Treasurer will also probably have responsibility for preparing budgets and fund-raising. The tax issues should not be forgotten when considering both of these!

*(For further information about the treasurer see the 'The Role Of The Treasurer' resource, another of the downloadable Running Sport series on this website).*

# What is, and what is not taxable?

If your income is derived solely from members, e.g. from subscriptions, and surpluses are applied for benefit of those members, then the mutual trading Corporation Tax exemption is likely to apply. No taxable profit can arise where income is derived from members and accrues for their benefit, since they cannot make a profit out of themselves. If the mutual trading exemption applies, then the income from subscriptions is not taxed, but the day-to-day expenses met out of that income are not tax deductible.

Taxable income is determined by reference to each particular source of income involved. The tax liability is calculated after deducting certain allowable expenses, often including allowances on certain capital assets.

## The following are likely to be taxable:

- Investment income, including bank, building society and other interest
- Income from property
- Income from other third parties, e.g. sponsorship income
- Trading income
- Income from fund-raising activities, such as social evenings, jumble sales and annual festivals *(For further information in this area see the 'Grants Fundraising & Sponsorship' resource, another of the downloadable Running Sport series on this website)*
- Lotteries, raffles and prize draws
- Profits on the sale of capital assets, e.g. land, buildings

Not all income and gains are taxable. You should be aware of what is and what is not taxable. Unusual transactions may give rise to unexpected liabilities, e.g. on a merger of clubs/organisations, and should be carefully considered in advance.

# Registering as a charity

## Having charitable status can result in substantial benefits. These include the following:

- 80% mandatory business rate relief on premises used wholly or mainly for charitable purposes (plus a further possible 20% discretionary relief)
- The potential to avoid paying income/Corporation Tax (in the case of some types of income), capital gains tax, or stamp duty, and gifts to charities are free of inheritance tax
- Special VAT treatment in some circumstances
- The ability to raise funds from the public, grant-making trusts and local government more easily than non-charitable bodies
- If you are a charity, the ability to raise extra income through deeds of covenant and gift aid

Most of the tax exemptions apply only to the extent to which income is applied for charitable purposes.

Obtaining charitable status can be quite difficult for clubs/organisations, although some of the activities clubs/organisations they offer may qualify. The basic requirement is to be established for a qualifying charitable purpose, therefore:

- For the relief of poverty
- For the advancement of education
- For the advancement of religion
- For other purposes 'beneficial to the community'
- In relation to the provisions of the Recreational Charities Act 1958

Sport could qualify, specifically under the latter. The provision of facilities for recreation or leisure time will normally be accepted as being exclusively charitable if they are provided:

- For the public benefit
- In the interests of social welfare
- With the intention of improving conditions of life

It may be appropriate to ensure that, if your sports club or organisation has a youth section, it is independently organised with an appropriate constitution, so that it comes within the educational charitable purpose, i.e. it is providing facilities which assist in the physical education and development of young people.

Further guidance on this subject can be obtained from the leaflet RR11 'Charitable Status and Sport' published by the Charities Commission. To view a copy visit the Charities Commission website or click on the following weblink & type RR11 into the search engine [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

There are restrictions on what charities can do, both in terms of the types of work they do, and the ways in which they can operate:

- A charity must have exclusively charitable purposes. Some clubs/organisations may have a range of activities, some of them charitable, some of them not. To become a charity that club/organisation would have to stop its non-charitable activities. (The non-charitable activities can, of course, continue if carried out by a separate non-charitable club/organisation)
- Strict rules apply to trading by charities. Guidance on this can be found in 'Charities and Trading' (CC35). To view a copy visit the Charities Commission website, or click on the following weblink & type 'Charities and Trading' into the search engine [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)
- Trustees are not allowed to receive financial benefits from the charity that they manage unless this is specifically authorised by the governing document of the charity or by the Charities Commission. Financial benefits include salaries, services, or the awarding of business contracts to a trustee's own business from the charity. Benefits, which are incompatible with the establishment of an club/organisation for exclusively charitable purposes, cannot be authorised at all

- Trustees must avoid any situation where charitable and personal interests conflict
- Charity law imposes certain financial reporting obligations; these vary with the size of the charity. Further details may be found in Charities Commission guidance 'Charity Accounts: The Framework' (CC61). To view a copy visit the Charities Commission website, or click on the following weblink & type 'Charity Accounts: The Framework' into the search engine <http://www.charity-commission.gov.uk>

Charities may still find themselves caught within the tax net. It is rare to escape tax on trading activities carried on within a charity. For example, where a charity wishes to benefit substantially from permanent trading for the purpose of fund-raising, trustees should consider creating a subsidiary trading company. This avoids the risk of committing a breach of trust, and the profits of the trade may be passed on to the charity in a tax-efficient way under the Gift Aid Scheme (which includes payment made under deeds of covenant).



# Community Amateur Sports Clubs (CASCs)

Under the Finance Act 2002 tax exemptions were made available to registered Community Amateur Sports Clubs (CASC). In order to register as a CASC, a club must be:

- Open to the whole community without discrimination
- Have reasonable membership fees
- Be organised on an amateur basis
- Have as its main purpose the provision of facilities for, and promotion of, participation in one or more eligible sports

This requires the club to be non-profit making, providing ordinary benefits for its members and their guests and using surplus funds for the purposes of the club. On dissolution any surplus must be paid to another CASC or eligible sports ruling body or a charity. Ordinary benefits are the provision of sporting facilities, sporting equipment, qualified coaches or coaching courses, post-match refreshments for players and match officials, sale of food and drink associated with the sporting activities.

Sports clubs that are eligible to register as CASCs are treated as companies for tax purposes. Consequently, their profits may be chargeable to Corporation Tax. If a club has been registered as CASC for the whole of the relevant accounting period they will be able to claim the following tax reliefs:

- Exemption from Corporation Tax on profits from trading where the turnover of the trade is less than £15,000
- Exemption from Corporation Tax under Schedule A on income from property where the gross income is less than £10,000
- Exemption from Corporation Tax on interest received
- Exemption from Corporation Tax on chargeable gains
- Repayment of basic rate income tax on donations under Gift Aid

Clubs who have only been registered for part of an accounting period will only be able to claim a reduced proportion of the exemption amounts of £15,000 (for trading) and £10,000 (for income from property). Only interest and gains received after the club is registered are exempted.

For more details on the benefits, visit the [Community Amateur Sports Clubs page](#) of the Inland Revenue website [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

This page also contains links to other useful websites. You can also download 'Growing Community Sport' (PDF 120kb), a Government (DCMS) leaflet about Community Amateur Sports Clubs.

# What costs can be deducted

The question of which costs can be deducted depends to a large extent on whether the club/organisation is considered to be carrying on a trade. If not, then the scope for deducting expenses is limited, and will not normally include the costs of running the club. If the club/organisation is trading, then relief will normally be due for expenses that are incurred wholly and exclusively for the trade.

## Case study

An all members' golf club provides services and facilities to non-members on a commercial basis and all transactions between the club and non-members are trading transactions e.g. income such as green fees, bar, catering and gaming machine receipts. The expenses incurred in earning the fee income are deductible in computing assessable profits.

Generally expenditure falls within three broad headings:

- Wholly for members
- Partly for members and non-members
- Wholly for non-members

You should disallow all of the expenditure wholly for members, allow all of the expenditure for non-members and apportion expenditure for partly for members and non-members.

If your club/organisation is running a lottery or raffle, then it is likely to be regulated by the provisions of the Lotteries and Amusements Act 1976. This will determine the proportion of expenses that can be paid. For tax purposes, however, there may be scope for claiming notional or 'economic' costs in addition to the direct expenses allowed under the Lotteries Act.

The expenses, which can be deducted against income from property, are limited to insurance, repairs and rent and management expenses, such as letting fees and legal costs. Where the expenses exceed the incomes and losses arise, those losses can only be used to offset against future profits from the same source.

Generally, no expenses are deductible from investment income. Tax is due at the appropriate rate on the gross amount (i.e. the net amount received plus the tax credit). From that figure the tax suffered at source is deducted. If, therefore, your club/organisation is paying tax at the lower rate of 25%, the tax due will be covered by the tax deducted at source.

Tax allowances, known as capital allowances, are available on certain assets, such as plant and machinery. Capital allowances can be deducted from trading income and are given at 25% per annum on cost less allowances already given.

If your club/organisation receives capital or revenue grants, the tax position will need careful consideration. A capital grant will be one where the monies are for the provision of particular buildings, facilities or equipment, e.g. towards a new court. A revenue grant is a contribution towards expenditure, such as the costs of organising a competition. You should ensure that the monies, which you receive towards equipment, do not restrict the tax allowances that you can claim. This can be achieved if the grant is a contribution towards an asset that does not qualify for any sort of tax relief. Your advisors will be able to assist you. A revenue grant will prohibit a tax deduction against income to the extent that it meets expenditure, which qualifies for a tax deduction.

The disposal of capital assets can be a complex area and is one where you will benefit from professional advice. The cost of the asset, costs of acquisition and any enhancement expenditure can be deducted from the disposal proceeds in arriving at the capital gain. Additionally, an indexation allowance will normally be available to mitigate the effects of inflation. This cannot, however, be used to create a capital loss. The most common disposal is probably of land used by a sports club, which often gives rise to a capital gain. Such gains may be deferred if the proceeds are reinvested in certain assets used by the club, within a specified period.

# What Corporation Tax is payable, and when?

Most clubs/organisations will operate either as unincorporated associations or limited companies. As such, they will be liable to pay Corporation Tax on any taxable profits.

If your club is liable to pay tax, you must complete a company tax return every year within 12 months of the end of the accounting period. Penalties will be charged if the return is late. Any tax that is due should be paid no later than nine months and one day after the end of the accounting period. Interest will run from that date on any unpaid tax. It is your duty to pay the tax due, even though the Inland Revenue may not have asked for it.

The standard rate of Corporation Tax is currently 30%. However, the profits of most sports clubs are likely to be low enough to benefit from the nil rate band for profits under £10,000 and the lower small company rate of 19% for profits between £50,000 and £300,000. Profits between £10,000 and £50,000 are subject to tax at 23.75%. Where profits exceed £300,000, but are lower than the current higher threshold of £1,500,000, then you will pay tax on that band at a marginal rate (currently 32.75%).

## How to avoid paying corporate tax

There are many legitimate means of avoiding/mitigating a tax liability. Many of these involve some structured planning. Many clubs/organisations will fall out of the tax net simply because they are regarded as mutual traders by the Inland Revenue. If this does not apply to your club/organisation, then you could consider other means, such as:

- Try to generate income from donations, which will not normally be taxable if there is no corresponding obligation to provide something in return
- Maximise tax deductible expenses by carefully timing when expenses are incurred
- Structure fund-raising activities so that they will avoid tax, either by forming a limited company which can pass up funds to its charitable parent, or by taking advantage of an Inland Revenue concession which applies to some fund-raising activities, where small scale events are organised. The Inland Revenue have recently issued a guidance booklet on this subject entitled 'CWL4 - Fund-raising events: Exemption for charities and other qualifying bodies', which applies to certain voluntary clubs/organisation as well as charities. *To view a copy visit the Inland Revenue website, or click on the following weblink & type 'CWL4' into the search engine [www.hmrc.gov.uk](http://www.hmrc.gov.uk)*
- Time your capital expenditure to maximise capital allowances. Make sure that capital grants are a contribution to assets that will not qualify for capital allowances
- Obtain clearance from the inspector of Taxes that you do not have a liability tax, where a reasonable case can be made
- Re-invest proceeds from disposals of assets to avoid a capital gains tax charge

# Dealing with VAT

Your club/organisation will have to register for VAT if the annual value of taxable supplies (i.e. those which are standard or zero rated) exceeds or is likely to exceed the registration threshold, which currently stands at £60,000. You may also be able to register voluntarily if your turnover is less than the current threshold. This would enable you to reclaim VAT on your expenditure, but would also mean that you have to charge VAT on any standard rated supplies that you make.

If your club/organisation is VAT registered, then it will be able to reclaim at least part of the VAT that it suffers on its expenditure (input tax). The amount of input VAT that can be reclaimed depends on the type of supplies that the club/organisation is making.

If your club/organisation is partially exempt, then it will not normally be able to reclaim all the VAT that relates to exempt supplies, unless the exempt input VAT is below the minimum limit of not more than £625 per month on average, and half of your total input tax in the relevant period. Partly exempt businesses must undertake a calculation each time they complete their VAT return, which works out how much input tax they may recover.

If the annual value of taxable supplies (excluding VAT) is not more than £600,000, your club/organisation will be eligible to account for VAT on the cash accounting scheme. This scheme allows returns to reflect VAT only when payments are made to suppliers or payments received.

You may also apply for permission to submit annual returns, rather than quarterly returns. To be eligible, you must have been VAT registered for at least one year, and your taxable turnover must be below £600,000. If you are approved to use this scheme, you will submit one return per year and account for VAT by making interim payments (calculated using your previous annual VAT liability) with a balancing payment due two months after the end of the annual accounting period.

## VAT exemption

With effect from 1 January 2000 the scope of VAT exemption for sporting services which was available to all non-profit making bodies was restricted to supplies by eligible bodies. An eligible body for VAT purposes must be a non-profit making club/organisation that is not subject to any commercial influences. All the profits or surpluses are to be used to benefit the club/organisation with no profits being distributed to the members.

This exemption covers the following types of services provided:

- Subscriptions and joining fees paid by active club members
- Provision of court, pitch and facility fees for members
- Use of changing rooms, playing equipment and locker hire for members
- Coaching and refereeing provided to members

Charges for other services will continue to be standard rated. These will include subscriptions paid by non-playing members, bar, restaurant, catering and meal charges.

## Reducing VAT costs

Since VAT generally represents a cost to sports clubs/organisations, you may want to lessen your VAT burden by any of the following means:

- Segregating multi disciplinary clubs/organisations into separate members groups to ensure that the taxable supplies of each are less than the registration threshold
- Organising certain events outside the club so as not to breach the registration threshold
- Generating income from donations and grants that fall outside the scope of VAT. To fall outside the scope of VAT, no benefit must be conferred on the donor, e.g. publicity or advertising should not be given in return for the donation
- Taking full advantage of the VAT exemption for fees and subscriptions, by undertaking a careful review of the position

# Dealing with PAYE

You should treat anyone you employ under a contract of service as an employee, including casual and part-time workers, and anyone who is an office holder. Care must be taken with any payments that are made to casual employees, e.g. bar staff and event-day staff, since these are often caught within the PAYE net. Generally, it is advisable to seek prior clearance from the tax authorities if there is any doubt about whether to account for PAYE and National Insurance contributions (NIC).

Volunteers and members of sports club/organisations should also consider the employment status of the individuals to whom payments are made. If the individual is an employee, then there is a requirement to account for PAYE and NIC. If the individual is self-employed, then the responsibility for tax falls on the individual. The tests for establishing an individual's employment status are complex and not clear cut, because the tax legislation does not provide any definitions. The classic test is, however, whether there is a 'contract for services', (self-employment) or a 'contract of service' (employment). The Inland Revenue will normally give clearance on which applies if they are given the relevant facts. Further guidance is available in the Inland Revenue's leaflet IR56, 'Employed or self-employed? - A Guide for Tax and National Insurance'. To view a copy visit the Inland Revenue website, or click on the following weblink & type 'IR56' into the search engine [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

It is your clubs/organisations responsibility to establish the correct position, since if you fail to deduct PAYE and NIC where it is due, the Inland Revenue is likely to look to you for the tax that is due, rather than pursue the individual concerned.

For employees, you must deduct PAYE and NIC from the salary each week or month and together with employer's NIC pay over the amounts on a monthly basis to the Inland Revenue. At the end of the tax year you are required to submit an end of year return (P35) and end of year summary for each employee (P14s) by the 19 May following the tax year in question. A penalty will be charged for late submission, and the Inland Revenue has the power to collect penalties and commercial interest on any unpaid tax and any late returns.

From 2004/05 if a club/organisation has 250 or more employees you must file your Employer's Annual Return online. For small employers (< 50 employees) online filing will become compulsory in 2009/10. However, to encourage small employers to file online early the Inland Revenue have introduced an incentive scheme offering tax free cash payments for each year between 2004/05 and 2008/09 totalling up to £825 tax free over the five years.

# Expenses & benefits

Clubs/organisations have responsibility for reporting to the Inland Revenue expenses paid and benefits provided to employees. For this purpose, employees are split into two categories; details for those earning less than £8,500 per annum are reported on different forms than those for directors and/or employees earning more than £8,500.

The measure of the taxable benefit is generally the cost of providing it to the 'higher paid' employee. The employee will pay tax on this unless he can justify a claim for expenditure wholly, exclusively and necessarily incurred in the performance of his duties.

Forms do not have to be prepared for unpaid directors or clubs/organisations that are non-profit making, i.e. not carrying on trade or investment activity. Examples of items that are normally included on both types of form are reimbursement of travelling or subsistence costs and entertainment costs.

If you are paying round sum allowances as expenses, tax must also be deducted at source, unless, of course, the Inland Revenue have agreed in advance that it is not necessary. It is usually better to reimburse costs on a specific basis rather than paying round sum allowances.

Travelling costs from home to the club are also subject to PAYE if the club pays them for.

Where no tax is payable on expenses, you can apply for a dispensation from the Inland Revenue, if permitted, you will no longer be required to report expense payments and benefits in kind on form P11D. These expenses will generally be either 'qualifying travelling expenses' (other than business mileage payments) or amounts incurred wholly, exclusively and necessarily in the performance of the duties of the employment. Also, the Inland Revenue normally accepts that expenses payments which are covered by a dispensation do not count as earnings for National Insurance contributions (NICs) purposes. Where an employer has a dispensation the items listed will not be treated as a benefit in kind and liable to Class 1A NICs.

# Government grant for business on payroll giving

From 26 January 2005, charities are set to get a cash boost with a multi-million pound government initiative to encourage smaller firms to set up payroll giving schemes and to encourage employees to channel monthly donations directly from their salaries to their favourite good causes.

The Payroll Giving Grants programme will reward small and medium sized enterprises (SMEs) that set up Payroll Giving with a grant of up to £500 before the end of December 2006. Any employer, business or charity alike, is eligible for a grant so long as the club/organisation has fewer than 500 employees. Grants are tiered according to the number of employees:

- 1 to 199 employees £300
- 200 to 249 employees £400
- 250 to 499 employees £500

The Government will also match employee donations pound for pound up to a maximum of £10 per month, for a period of six consecutive months (from the point at which an individual employee signs up).

The Payroll Giving Grants programme is a Government funded initiative, administered and promoted by the Institute of Fundraising ([www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)) in partnership with Business in the Community ([www.bitc.org.uk](http://www.bitc.org.uk)).

## Improving facilities

You may wish to consider maximising the income generating potential of your facilities, and thus may want to look at improving the quality and nature of what is being provided. Such projects occur only occasionally, and carry with them significant financial and tax risks and opportunities. Budgets and detailed cash flows should be prepared, incorporating payments and receipts as appropriate for Corporation Tax and VAT. The club/organisation may not have needed to concern itself with tax in the past, but many now need to, particularly if the new facility is to be used by non-members.

### The following will need to be considered:

- The way in which finance is raised, e.g. by way of debentures, loans, shares (both Corporation Tax and VAT can be important here)
- The taxation of the income from the facility itself, e.g. will either the mutual trading or VAT sports exemptions be available?
- The VAT costs of the project – will the VAT paid be recoverable in part or in full?
- Will tax allowances be available on the expenditure as plant and machinery for offset against taxable income from the facility?

The amounts involved will often be large; therefore, seeking professional advice is advisable.

## Fundraising

Fund-raising activities can create income that will give rise to tax liabilities. Any regular activities are likely to be construed by the Inland Revenue as a trading activity and they will seek to charge tax on the profits.

The Inland Revenue have confirmed that the running of a lottery on a regular basis is a trade. This is despite the fact that the provisions of the Lotteries and Amusements Act, which govern most lotteries, have strict rules about the level of prizes and expenses that can be paid.

However, a supporters' club may promote or run a lottery in order to provide funds for the sports club on the basis that a stated percentage or fraction of the cost of each ticket will be given to a club or body conducted and established wholly or mainly for one or more of the purposes specified in Section 5(1) of the Lotteries and Amusements Act 1976. This would include participation in, and support of, athletic sports and games. Where this applies the Inland Revenue will accept that the donation element, as stated in the cost of each ticket, may be excluded in computing (for tax purposes) the profits of the trade of promoting the pool or lottery.

It is increasingly common for sports clubs/organisations to receive sponsorship from commerce. Sponsorship is to be distinguished from a donation, since usually the sponsor is receiving something in return, e.g. advertising or publicity, free tickets etc. Additionally, it is normal for there to be a written sponsorship agreement between the parties involved. Since the sponsor will want to claim tax relief for the payments it is making to your club/organisation, the Inland Revenue expect to tax the income in your hands.

Unfortunately, the direct costs, which you incur in obtaining the sponsorship, will probably not be substantial, and will not significantly mitigate the amount of taxable income. There may, however, be scope for agreeing with the Inspector of taxes that a proportion of general overheads and running costs can be allocated against the income.

Other one-off fund-raising events may not fall within the tax net if they do not constitute a trade. Whether or not a tax liability will arise will largely depend on how often the activities occur. The Inland Revenue's guidance booklet 'CWL4 - Fund-raising events: Exemption for charities and other qualifying bodies' contains guidelines. To view a copy visit the Inland Revenue website, or click on the following weblink & type 'CWL4' into the search engine [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

For further information in this area see the 'Grants Fundraising & Sponsorship' resource, another of the downloadable Running Sport series on this website.

# Governing bodies & leagues

Governing bodies and leagues, which are developing grass roots sport, should not imagine that they are going to escape tax liabilities arising on the income they generate or tax problems arising due to the way in which monies are spent. Indeed, there are very wide variations in the way such clubs/organisations are taxed in practice, and there may be considerable scope for tax planning.

Governing bodies and leagues may be able to take advantage of the new VAT exemptions mentioned above.



# What to do next & useful related websites

In the light of the responsibilities and obligations outlined in the resource, your sports club/organisation should now review its position, paying particular attention to:

- Value Added Tax
- Corporation Tax
- Pay As You Earn

If you anticipate any problems, you should seek professional advice sooner rather than later.

If problems have arisen then you may have a tax exposure for at least the last six years.

The tax authorities are generally helpful and will look favourably on attempts to put matters right.

## Useful Related Websites

### Government Sites

Inland Revenue  
[www.hmrc.gov.uk](http://www.hmrc.gov.uk)  
Customs & Excise  
[www.hmrc.gov.uk](http://www.hmrc.gov.uk)  
Department for Work & Pensions  
[www.dss.gov.uk](http://www.dss.gov.uk)  
Department for Trade & Industry  
[www.dti.gov.uk](http://www.dti.gov.uk)

### Government Agencies/Regulators

Data Protection Registrar  
[www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)  
Charity Commission  
[www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)  
Companies House  
[www.companies-house.gov.uk](http://www.companies-house.gov.uk)  
Advisory, Conciliation and Arbitration  
[www.acas.org.uk](http://www.acas.org.uk)  
Business Link  
[www.businesslink.gov.uk](http://www.businesslink.gov.uk)  
Institute in the Community  
[www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)  
Business in the Community  
[www.bitc.org.uk](http://www.bitc.org.uk)

# Useful contacts

## Central Council For Physical Recreation

Francis House  
Francis Street  
London  
SW1P 1DE  
Tel: 020 7854 8500  
Fax: 020 7854 8501  
Email: [info@ccpr.org.uk](mailto:info@ccpr.org.uk)  
Website: [www.ccpr.org.uk](http://www.ccpr.org.uk)

## Child Protection In Sport Unit

NSPCC National Training Centre  
3 Gilmour Close  
Beaumont Leys  
Leicester  
LE4 1EZ  
Tel: 0116 234 7278/7280  
Fax: 0116 234 0464  
Email: [cpsu@nspcc.org.uk](mailto:cpsu@nspcc.org.uk)  
Website: [www.thecpsu.org.uk](http://www.thecpsu.org.uk)

## Clubs For Young People

371 Kennington Lane  
London  
SE11 5QY  
Tel: 020 7793 0787  
Fax: 020 7820 9815  
Email: [office@nacyp.org.uk](mailto:office@nacyp.org.uk)  
Website: [www.clubsforyoungpeople.org.uk](http://www.clubsforyoungpeople.org.uk)

## English Federation Of Disability Sport

Manchester Metropolitan University  
Alsager Campus  
Hassall Road  
Alsager  
Stoke On Trent  
ST7 2HL  
Tel: 0161 247 5294  
Fax: 0161 247 6895  
Email: [federation@efds.co.uk](mailto:federation@efds.co.uk)  
Website: [www.efds.net](http://www.efds.net)

## Running Sport Hotline (general enquiries)

Tel: 0800 363373

## Running Sport Support Team (workshop & resource enquiries)

3rd Floor, Victoria House  
Bloomsbury Square  
London  
WC1B 4SE  
Tel: 0207 404 2224  
Fax: 0207 383 5740  
Email: [runningsport@coachwise.ltd.uk](mailto:runningsport@coachwise.ltd.uk)  
Website: [www.sportengland.org/runningsport](http://www.sportengland.org/runningsport)

## Sport England

3rd Floor, Victoria House  
Bloomsbury Square  
London  
WC1B 4SE  
Tel: 0845 850 8508  
Fax: 0207 383 5740  
Email: [info@sportengland.org](mailto:info@sportengland.org)  
Website: [www.sportengland.org](http://www.sportengland.org)

## Sporting Equals

Commissions for Racial Equality  
3rd Floor Lancaster House  
67 Newhall Street  
B3 1NA  
Tel: 0121 710 3014  
Fax: 0121 710 3022  
Email: [sportequal@cre.gov.uk](mailto:sportequal@cre.gov.uk)  
Website: [www.cre.gov.uk/sportingequals/about.html](http://www.cre.gov.uk/sportingequals/about.html)

## sports coach UK (general enquiries)

114 Cardigan Road  
Headingley  
Leeds  
LS6 3BJ  
Tel: 0113 274 4892  
Fax: 0113 275 5019  
Email: [coaching@sportscoachuk.org](mailto:coaching@sportscoachuk.org)  
Website: [www.sportscoachuk.org](http://www.sportscoachuk.org)

## sports coach UK Business Support Centre (workshop enquiries)

Sports Development Centre, Loughborough University  
Loughborough  
Leicestershire  
LE11 3TU  
Tel: 01509 226 130  
Fax: 01509 226 134  
Email: [bsc@sportscoachuk.org](mailto:bsc@sportscoachuk.org)  
Website: [www.sportscoachuk.org](http://www.sportscoachuk.org)

## Sports Leaders UK

Clyde House, 10 Milburn Avenue  
Oldbrook  
Milton Keynes  
MK6 2WA  
Tel: 01908 689180  
Fax: 01908 393744  
Email: [info@sportsleaders.org](mailto:info@sportsleaders.org)  
Website: [www.bst.org.uk](http://www.bst.org.uk)

## Women's Sports Foundation

3rd Floor, Victoria House  
Bloomsbury Square  
London  
WC1B 4SE  
Tel: 020 7273 1740  
Fax: 020 7273 1981  
Email: [info@wsf.org.uk](mailto:info@wsf.org.uk)  
Website: [www.wsf.org.uk](http://www.wsf.org.uk)

## Youth Sport Trust

Sir John Beckwith Centre for Sport  
Loughborough University  
Loughborough  
Leicestershire  
LE11 3TU  
Tel: 01509 226600  
Fax: 01509 210851  
Website: [www.youthsporttrust.org](http://www.youthsporttrust.org)

## Volunteering England (London)

Regents Wharf  
8 All saints Street  
London  
N1 9RL  
Fax: 020 7520 8910

## Volunteering England (Birmingham)

New Oxford House, 16 Waterloo Street  
Birmingham  
B2 5UG  
Fax: 0121 633 4043

For both offices:  
Tel: 0845 305 6979  
Email: [information@volunteeringengland.org](mailto:information@volunteeringengland.org)  
Website: [www.volunteering.org.uk](http://www.volunteering.org.uk)