KENT ARCHERY ASSOCIATION

www.archerykent.org.uk

CLUB GUIDE

TAX FOR CLUBS

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INTRODUCTION

This guide **only** applies to clubs that are constituted and act as Not for Profit Organisations (NfPOs), as described in the separate KAA Club Guide. If your club is not an NfPO, then it is likely that it will be treated as a normal business.

Additionally, if your club is run by a school, college, academy or university for its students, or run by a company for its employees, then it is likely that this guide does not apply to you.

We will start with the bad news and get it out of the way, but don't despair, because there is plenty of better news later on, so please read to the end before you throw your arms up in horror!

A widely held misconception is that members' clubs, societies and associations are exempt from tax.

Unfortunately this is not true – under UK tax law, all organisations (including amateur Archery Clubs) are liable to Corporation Tax just like any other business. The misunderstanding has probably arisen because most such clubs are quite small and their trading profits fall well within the £10k exemption that *used to exist*. It is also likely that the "Tax Man" saw little or no value in pursuing tax returns for clubs, when it was unlikely that they would have to pay any tax at the end of it!

The £10k exemption was removed in 2007 and that simple action has totally changed the playing field. Whether or not we like it and whether or not we think it fair, the fact remains that clubs have a number of legal obligations to the 'Tax Man' – but there are a number of *important exemptions* and *tax breaks* available that can greatly reduce both the burden and the damage.

This guide cannot provide anything but the most general advice and certainly cannot give detailed advice about the tax liabilities of an individual club – for individual advice you will need to consult a qualified accountant or HM Revenue & Customs (HMRC). Accountants can be expensive, unless you happen to have a tame one in your club or circle of friends, but HMRC (contrary to reputation) are normally very helpful, provided that you approach them courteously and constructively.

The main taxes that might apply to a typical amateur sports club are:

Corporation Tax: the main subject of this guide;

Income Tax (PAYE): only likely if you:

- have paid employees of the club,
- are distributing profits to members or third parties (in which case you are no longer an NfPO);

Value Added Tax (VAT): only likely if you have substantial trading income, as opposed to the normal provision of club facilities/activities.

Income Tax and VAT are unlikely to be relevant to archery clubs as they currently exist in Kent; this guide will therefore concentrate on Corporation Tax.

The remainder of this guide concentrates first on why it is necessary to take Tax seriously and the risks of not doing so, then goes on to show why it is unlikely that any but the most unusual club is likely to need to pay Corporation Tax.

DISCLAIMER

This guide is not and does not purport to be a comprehensive guide to taxation, nor will the advice in it apply in all circumstances. For detailed information about your specific tax status, you should seek qualified professional advice.

Corporation Tax

Although the club treasurer may be the person responsible for maintaining the club's accounts, HMRC will consider all the committee members to be "jointly and severally[i]" responsible for ensuring that the club's tax obligations are met. In the case of membership clubs (such as the great majority of archery clubs), the members themselves could also be personally liable for tax, interest and penalties owed.

It is therefore important that clubs keep their tax affairs up to date, as failing to do so could affect their members. Remember that, even if it transpires that the club does not actually owe any tax, HMRC can impose penalties for failing to provide a tax return within the prescribed time scale.

HMRC Requirements

Clubs are normally required to:

- inform HMRC of their existence,
- pay any Corporation Tax due within 9 months of the end of the club's financial year and
- submit a Corporation Tax return within 12 months of the end of the club's financial year.

Late payment or submission can result in additional interest and/or penalties.

Standard Exemptions

OK that's all of the theory and bad news out of the way, so now we can start looking at some realistic scenarios and see how typical clubs might fare.

1. If your club's income comes *only* from your own members (fees, donations, etc.) and that income is used only for the benefit of those members, then it is extremely unlikely that any corporation tax liability exists. (Note that members of other similar clubs are unlikely to count.)
2. However, if you get income from investments (e.g. bank interest), fund-raising activities (e.g. tournaments, raffles, jumble sales) or trading (e.g. selling merchandise), then the profits from those activities might be taxable. If you are a normal members' club and the Corporation Tax due on that activity is less than £100 (i.e. the *taxable* profit is less than £500 at current tax rates), then HMRC may deem you to be "dormant" for Corporation Tax purposes – but note that this is a decision for HMRC, not one that you can make yourself.

At this point, we have probably included most clubs, because they fall into one or other of these categories *every* year; but what happens if you don't?

Charity and CASC Status

3. The Recreational Charities Act 1958 allowed charitable status for many clubs and the Charities Act 2006 extended charitable status to explicitly include amateur sports clubs, so this is one route that can be considered, as it provides considerable benefits and exemptions. However, there are a number of obligations imposed as a result and this might not be a suitable route for most clubs.

Registration as a charity should be researched carefully and not undertaken lightly, but fortunately there is a further option that is very much simpler and may be more suitable.

4. Since the Finance Act 2002 it has been possible to register as a "Community Amateur Sports Club" (CASC) to gain considerable tax relief and future exemption from submitting Corporation Tax returns. Archery is an eligible sport, because of its inclusion as an Olympic sport – although the Olympic Games only features target archery with the recurve bow, the CASC scheme includes all archery. An important limitation is that once in the CASC scheme you cannot withdraw from it.

Again this is not a scheme to rush into without careful consideration, but the Corporation Tax exemptions alone are likely to include the remaining clubs in the county.

But one warning: the tax reliefs and exemptions do not start until you have registered as a CASC – profits made before then do not qualify, so there is value in considering this option sooner rather than later.

Further Information

Printed

Some of the following are available to download from www.runningsports.org free of charge in PDF format, but registration is normally required – they publish information on a wide range of topics associated with sports club administration

Name	Published by:
Taxation and Sport[ii] www.runningsports.org/club_support/all_resources/quick_guides/taxation_sport	RunningSports
The Role of the Treasurer[iii] www.runningsports.org/club_support/all_resources/quick_guides/treasurer_role.htm	RunningSports
Fund-raising, Grants and Sponsorship www.runningsports.org/club_support/all_resources/quick_guides/fundraising.htm	RunningSports

Workshops & Courses

Name	Published by:
How to get Tax Breaks for your Club (new course in 2011)	RunningSports
Funding for your Club www.runningsports.org/club_support/all_resources/workshops/funding	RunningSports

Internet

Address	Maintained by:
www.hmrc.gov.uk/ct/index.htm[iv]	HM Revenue and Customs
www.hmrc.gov.uk/charities/casc/index.htm[v]	HM Revenue and Customs
www.cascinfo.co.uk[vi]	Sport & Recreation Alliance (formerly CCPR)
www.deloitte.com/uk/sportsconsulting	Deloitte

[i] "Joint and Several" liability means that HMRC may recover all amounts owing to it from any member of the committee, without having to deal with the whole committee.
[ii] A highly recommended and easily readable introduction to tax, charitable status and the CASC scheme – an ideal starting point.
[iii] Quite a basic guide, containing information about planning, end of year accounts and tax.
[iv] Detailed information about Corporation Tax; not an easy read, but in plain English.
[v] Detailed information relating specifically to the CASC scheme; almost all is written in plain English.
[vi] A very good overview of the CASC scheme – moderate detail and well presented.