

Charitable Status and Sport

Updated 26/04/2010

Recognition by the Inland Revenue

When considering a claim for exemption under Article 41 of the 77 Rates Order we generally acknowledge that if an organisation has been accepted by the Inland Revenue as being a charity that it is a charity and that no further investigation is needed – except as to the actual use of the premises.

In relation to sports clubs it must be clearly understood that two forms of relief are available from the revenue – only one of which is charitable relief. The background here is that:

- On 30 November 2001 the Charity Commission announced that it would recognise as charitable “the promotion of community participation” in healthy recreation by the provision of facilities for the playing of particular sports.
- Then on 17 April 2002 the chancellor introduced a package of tax relief to support Sports Clubs as an alternative route for those clubs unable or unwilling to apply for charitable status.

Sports clubs in NI are then free to choose to apply to the Inland Revenue for either:

- charitable status, and the tax treatment that accrues to it; or
- for the tax relief specifically aimed at sports clubs.

Relief in relation to charitable status is provided under Section 506 (1) of the Income and Corporation Taxes Act 1988 and the revenue normally issue an “XT” number

Relief in relation to sports clubs that are not charities is provided by Schedule 18 to the Finance Act 2002 and the revenue normally issue a “CH” number

All applications are dealt with by the revenue at their Bootle office and further details can be found on the website:

www.hmrc.gov.uk

If a sports club provides us with a letter from the Inland Revenue in support of a claim for exemption it is vital that we establish whether charitable status has been accepted or whether the letter relates to the specific package of tax relief. **Distinguishment as exempt under the provisions of Article 41 of the 77 Order will only apply to those clubs that have been accepted as charities.**

For background reading on this whole topic a useful publication is RR11 – Charitable Status and Sport which can be found on the Charity Commission Website – www.charity-commission.gov.uk. As a general guide however the following can be noted:

Q. What type of sports club can be charitable?

A. To be regarded as a charity a club must be organised on an amateur basis and must promote **community participation** in **healthy recreation** by the provision of facilities for playing particular sports provided that two criteria are satisfied.

(1) The sport in question is capable of promoting health and fitness.

(2) The clubs facilities are genuinely available to all members of the public who wish to use them.

Q What is healthy recreation?

A. Sports that are capable of providing ‘healthy recreation’ are any sport that, if practised with reasonable frequency, will tend to make the participant healthier, that is, fitter and less susceptible to disease. The charity commission has identified nine sports that appear **not** to meet this criteria.

- Angling
- Ballooning
- Billiards
- Pool and Snooker
- Crossbow shooting
- Rifle and pistol shooting
- Flying
- Gliding
- Motor sports
- Parachuting

Q What is community participation?

A Membership of a club needs to be available to **all** members of the public, who wish to join, and hence membership fees will need to be affordable for the majority of the community the club serves and there must be no test of skill for admission.

Q Is coaching permissible?

A A club might properly provide coaching for participants geared to their individual level of skill. But any assistance for better players could not be at the expense of other participants and would be permissible only if directed solely to providing an incentive for participation by all.

- Q Can a club have social members?
- A All club members have to be playing members (or volunteers or helpers) rather than 'social members'.
- Q Can a club run a bar?
- A Essentially no. If a club provides refreshments it can only do so in connection with games or matches and not at times when no games or matches are being played.
- Q Can a club operate exactly as it does now?
- A In many cases, yes. **But to become a charity the club constitution will have to be amended so that its stated purpose is specifically and exclusively charitable.**
- Q What about those clubs which currently enjoy S&R relief?
- A Clubs, which do not qualify as charities, can continue to be considered for relief under Article 31.
- Q Under what Article is exemption being considered?
- A. Either 41(2)(c) or (e) would apply. Note that the test in both is "mainly" not "wholly". However given the qualifying criteria it is difficult to think of circumstances where an apportionment would be appropriate. In most circumstances a club would either be wholly charitable or not at all.
- Q. What procedure should VLA apply?
- A In all cases where a club is seeking distinguishment as exempt an enquiry should be made about any previous reference to the Inland Revenue. As a general rule exemption should not be granted unless the IR has accepted that the club is a **charity**.

ALAN HANNA
26th April 2010