

EXPLANATORY MEMORANDUM TO
THE COMMUNITY AMATEUR SPORTS CLUBS (EXEMPTIONS) ORDER 2014

2014 No. 3327

1. This explanatory memorandum has been prepared by HM Revenue & Customs [HMRC] on behalf of the Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Community Amateur Sports Clubs (CASCs) scheme provides qualifying sports clubs with a restricted range of tax reliefs normally only available to charities, including on income and business rates. This Order makes changes to two CASCs tax reliefs.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 Chapter 9 of Part 13 of the Corporation Tax Act 2010 (CTA 2010) defines what is meant by a CASC and provides for various tax reliefs and exemptions.

4.2 Section 662 of CTA 2010 provides CASCs with an exemption from corporation tax for trading income up to £30,000 a year if certain conditions are satisfied.

4.3 Section 663 of CTA 2010 provides CASCs with an exemption from corporation tax for UK property income up to £20,000 a year if certain conditions are satisfied.

4.4 The exemptions are in the form of thresholds rather than allowances. This means, for example, that a CASC's total trading income will be taxable where the threshold is exceeded, not just the amount above the threshold. The same will apply for the property income threshold.

4.5 This Order increases the trading income threshold from £30,000 to £50,000 and the UK property income threshold from £20,000 to £30,000.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 The Exchequer secretary to the Treasury has made the following statement regarding Human Rights:

In my view the provisions of the Community Amateur Sports Clubs (Exemptions) Order 2014 are compatible with the Convention rights.

7. Policy background

- What is being done and why

7.1 In April 2013, the Government consulted on wide ranging proposals to change the tax treatment of CASCs.

7.2 These proposals included suggestions that the existing tax-exempt thresholds for CASCs' trading income, currently set at £30,000, should be increased to £40,000 and that the UK property income threshold of £20,000 should be increased to £25,000.

7.3 The existing threshold were set when the scheme was established in 2002.

8. Consultation outcome

8.1 The Government announced in April 2013 that it would introduce new rules to clarify the eligibility conditions for sports clubs to be registered as a Community Amateur Sports Club (CASC). A review by HM Revenue & Customs (HMRC) had found that the original legislation was unclear, causing confusion for clubs and making it hard for clubs and HMRC to operate correctly.

8.2 To ensure changes would be made as swiftly as possible, the Government introduced new eligibility conditions for CASCs in the Finance Act 2013 including provisions to make detailed rules in regulations.

8.3 HMRC launched a consultation on the detailed proposals for the regulations on 3 June and the consultation closed on 12 August.

8.4 The Government's whole response, was published in November 2013 and included detail on feedback from the public. This response can be found at the link https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260944/CASCs_Consultation_Response.pdf.

8.5 Include in the response was an announcement that the tax exempt thresholds would be increased from £30,000 to £50,000 in the case of trading income, and £20,000 to £30,000 in the case of UK property income.

8.6 Regulation 2 will amend section 663(5) (a) of CTA to increase the threshold of the exemption from corporate tax for trading income from £30,000 a year to £50,000 a year.

8.7 Regulation 3 will amend section 663(5) (a) of CTA to increase the threshold of the exemption from corporate tax for property income from £20,000 a year to £30,000 a year.

8.8 No other changes are being made to CASCs tax exemptions.

9. Guidance

9.1 HMRC's guidance will be amended by 1 April 2015 to reflect the changes made under this Statutory Instrument.

10. Impact

10.1 A Tax and Information and Impact Note entitled Community Amateur Sports Clubs: Changes to Rules will be published online at <http://www.gov.uk/government/collections-tax-information-and-impact-notes-tiins>.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The impacts of this measure will be kept under review by HMRC.

13. Contact

David McDowell at HM Revenue & Customs Tel: 03000 585284 or email: david.mcdowell@hmrc.gsi.gov.uk can answer any queries regarding the instrument.