



Tax and your club/league

An overview of the different taxes and where to find further information on these taxes.

WHAT WILL BE COVERED;

By the end of this podcast you should ...

- 1) Understand what the different taxes are that might be relevant to your club
- 2) Understand how your club structure might help you make tax savings

VAT

What is it

- A tax paid on transactions (not profit)
- Your club must register for VAT if the value of your taxable supplies exceeds £85k in a 12-month period
- You can register online with HMRC
- If you are not VAT registered, you don't charge VAT
- If you are VAT registered, you will charge VAT on some good and services, how much will depend
 - Standard rate @ 20% (e.g. sponsorship)
 - Reduced rate (e.g. children's car seats)
 - Zero rate
 - Exempt (e.g. sports activities)
- You submit a VAT return to HMRC every 3 months where you will either reclaim or pay VAT owed
- For a big capital project you may be able to claim VAT back on some of the purchases, but each case is different so you should seek professional help

VAT

Detailed guidance

HMRC outlines the VAT position of various sports supplies. In particular, it covers:

- The basic conditions of your organisation (club) that will need to be met
- The VAT liability for various sporting services such as detailed guidance on membership fees, providing pitches, paying referees, entry fees, bar sales and charging spectators;

<https://www.gov.uk/guidance/sport-supplies-that-are-vat-exempt-notice-70145>

CORPORATION TAX

What is it

- A tax on profits to the Government, currently 19%
- If you are trading and making a profit, then you will need to file a corporation tax return
- Unincorporated associations (clubs), are treated the same as incorporated bodies
- Various relief/allowances e.g. you may be able to deduct cost of machinery & equipment from your profits before you pay tax
- Possible exemptions might help clubs e.g. income from member subscriptions or bar income if it can be defined as 'mutual trading'
- Other income may be taxable such as bank interest, trading with non-members and rental income.

'Dormant' status

HMRC might consider your club to be 'dormant' for corporation tax purposes if:

- Your club's annual corporation tax liability is less than £100
- Your club is run exclusively for the benefit of its members

HMRC will write to you proposing to make the club 'dormant' and will review every 5 years

BUSINESS RATE

What is it

- A tax on property that is used for business purposes e.g. offices, pubs, shops and sports facilities
- What you pay depends on the 'rateable value of your property' with different values applied based on the size and type of facility
- Be aware how facility improvements can impact your business rate bill
- There are rate reliefs and exemptions, notably for charities and Community Amateur Sports Clubs (80%)
- You may be able to negotiate a better deal from your Local Authority
- In response to COVID-19 The Government announced there will be 100% rate relief in 2020/21 for properties which include sports grounds & clubs
- Your Local Authority will send a bill in February or March each year, payable in 10 instalments

You can check how your business rate valuation is calculated online at www.gov.uk/correct-your-business-rates

How the valuation was calculated

Parts of the property

Floor	Description	Area m ² /unit	Price per m ² /unit	Value
Ground	Changing room	78.08	£20.00	£1,562.00
Ground	Clubhouse	46.08	£30.00	£1,382.00
Ground	Playing field	0.64	£12,500.00	£8,000.00
Total		124.8		£10,944.00

Additional details

Description	Area m ² /unit	Price per m ² /unit	Value
Spectator stand	28.06	£10.00	£281.00
Spectator stand	78.73	£10.00	£787.00
Total			£1,068.00

Plant and machinery

Description	Value
Plant and machinery	£2,349.00
Total	£2,349.00

Total value **£14,361.00**

PAY AS YOU EARN (PAYE) & NATIONAL INSURANCE (NI)

What is it

- PAYE is HMRC's system to collect income tax and NI from employment
- If your club has employees you may have to deduct tax and NI, although it is only relevant for employees who are paid £120+ per week
- Each employee will have a tax code which will tell you what to pay
- You report employee's payments and deductions to HMRC on or before each payday
- You must use HMRC recognized software to report – free software is available if less than 10 employees
- The club may have to pay an employers NI contribution (an extra cost to the club)
- If you expect to pay less than £1,500 per month you can arrange to pay quarterly

Other considerations

- National Living Wage is £8.72 P/H
- Your employer responsibilities will be based on the type of contract you offer and their employment status e.g. a self-employed coach isn't paid through PAYE and won't have the same rights & responsibilities; <https://www.gov.uk/contract-types-and-employer-responsibilities>

FACILITY DEVELOPMENT

Examples of likely tax issues you'll encounter

- Raising money from sale of land will have tax implications
- How your club is structured can provide opportunities with tax exemptions and gains
- The rules on VAT are complex for example
 - Reconstructing an existing building so that it meets the definition of an 'annexe' could be considered zero rated
 - A new building that is used for a 'relevant charitable purpose' might be able to achieve zero rating
 - If zero rating is met and the construction costs exceed £250k +VAT the use of the facility will be monitored for 10 years & changing the use might result in extra payments due to HMRC
- Raising money from individuals/members – tax incentive schemes like Social Enterprise Investment Scheme and Enterprise Investment Scheme could be relevant and help save those investors up to 30%

TAX STATUS - CASC

Area	Features
What is it	<ul style="list-style-type: none">• A special type of status available to some sports clubs e.g. open to whole community, amateur
Key features	<ul style="list-style-type: none">• Can be incorporated or unincorporated• Benefits include:<ul style="list-style-type: none">• Giftaid on donations (you can claim back online)• Business rate relief of at least 80% (factored in to your bill)• No tax to pay on trading profits if turnover under £50k• No tax to pay on income from rental income up to £30k• You don't pay tax on capital gains (e.g. profit on selling or disposing of an asset)• You can't be a charity and a CASC• Evolving....changes made in 2015, payment of players, thresholds etc• You still need to register for VAT if your taxable turnover is more than £85k
Responsibilities	<ul style="list-style-type: none">• Reporting to HMRC on things like tax you pay, changes to the organisation
Clubs it might suit	<ul style="list-style-type: none">• Small turnover• Asset owning• Primarily receive income from members• History of receiving donations
How to set it up	<ul style="list-style-type: none">• Register with HMRC

TAX STATUS – CHARITABLE STATUS

Area	Features
What is it	<ul style="list-style-type: none">• An institution that is established for charitable purposes only
Key features	<ul style="list-style-type: none">• Can be any legal structure (including CIO)• Benefits include<ul style="list-style-type: none">• Giftaid on donations• Business rate relief of at least 80%• Generally don't have to pay income/corporation tax• Some exemptions from VAT• No capital gains tax if income is used for charitable purposes• Need to meet one or more charitable objectives for public benefit• Can't distribute profits to members• Trading income kept separate (unlike CASC)
Responsibilities	<ul style="list-style-type: none">• Regulated by Charities Commission
Clubs it might suit	<ul style="list-style-type: none">• Larger turnover• Asset owning• Significant income from non-members/property income• Bigger profile
How to set it up	<ul style="list-style-type: none">• Register with Charities Commission and then HMRC to get tax benefits

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