Can my club become a charity?

Unincorporated associations, companies limited by guarantee and community benefit societies can be charities. A Charitable Incorporated Organisation must be a charity.

A club will normally have to amend its constitution before it becomes a charity, as it must have objects, which are exclusively charitable in law. It will only be charitable if it promotes amateur football (and/or other healthy amateur recreations) for example by providing facilities, or promotes education or community participation by reference to sport. In all cases the club must exist for the public benefit.

Advantages

Charities have more tax advantages than Community Amateur Sports Clubs (CASCs).

Local Authority business rate relief of at least 80 per cent is available, with some Local Authorities giving 100 per cent relief.

Gift Aid can be claimed on donations from individuals to the club (but not on membership fees).

Even if your club doesn’t own its own facility, it can still benefit from Gift Aid.

Gift Aid means the Government adds 28.5p to every £1 received as a donation to a charity.

Charities have full exemption from tax on profits that they may make from their membership fees, bank interest or investment income. Gift aid can be claimed on donations from companies as well as donations from individuals. Local authority business rate relief is the same as for CASCs, and there is similarly no inheritance tax payable on legacies left to charities.

People are more willing to fundraise for a charity, and charities are allowed to run certain types of lottery and other fundraising activities that are banned or licensed for non-charities.

Disadvantages

Once a club has become a charity, it cannot stop being a charity. All members of the club must be playing members, it cannot have ‘social members’. Players must be amateur and may not be paid.

The club must have membership open to all. Although there can be competition to get into, for example, the first team, everybody must have an equal opportunity to use the club’s facilities. The level of fees must be low enough so that everyone has the opportunity to join the club.

A subsidiary company should be set up to run any bar that the club has, but this is not difficult to do. Any profits from the bar can be paid under gift aid to the charity to avoid payment of corporation tax by the subsidiary.

A charity must register with the Charity Commission if its annual income is over £5,000. This means that it must submit annual accounts and an annual return to the Commission. It must also comply with charity law, although there is a lot of guidance on the Commission’s website www.charitycommission.gov.uk to help clubs to comply with these requirements.