

GIFT AID

INFLATING YOUR CLUB'S FINANCES

A toolkit to help maximise Gift Aid at your community sports club

Specifically covers :

Membership fees and subscriptions
Sponsored fundraising
Volunteer expenses



Produced in association with Work Out For Sport

A Programme from Winning Scotland Foundation in partnership with **sportscotland** and the founding corporate partner, Deloitte.

It is estimated that charities in the UK are currently missing out on over £740 million in Gift Aid each year¹.

An estimated £100 million per year is lost by sports clubs in the UK not registered as Community Amateur Sports Clubs (CASCs)².

With more than 12,000 sports clubs³ in existence in Scotland and many of them unincorporated entities there are undoubtedly opportunities for more sports clubs in Scotland to benefit from Gift Aid.

References :

1. Institute of Fundraising website – <http://www.tax-effective-giving.org.uk/>
2. Deloitte monthly analysis of registrations.
3. Scottish Sports Alliance – Scotland's Sporting Chance - A Manifesto for Sport published 2011

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Thanks also to the Scottish FA for their support of the Toolkit and helping to raise the issue of Gift Aid within football clubs.

Disclaimer

The following toolkit has been produced to help sports clubs in Scotland maximise the collection of Gift Aid if they are set up as a charity or as a CASC. This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend on the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Neither Deloitte LLP nor Winning Scotland Foundation accepts any duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Useful Links

http://www.hmrc.gov.uk/casc/casc_guidance.htm

<http://www.hmrc.gov.uk/charities/guidance-notes/intro.htm>

<http://www.oscr.org.uk/about-scottish-charities/becoming-a-charity/>

<http://www.helpforclubs.org.uk/TopicNavigation/Admin+and+management/Club+Structures.htm>

First edition of this web only resource - October 2011 Further case studies from other sports will be published in future editions of this toolkit.

This toolkit is delivered in PDF. PDF is a file format that lets you view and print a document in a style which matches the look and feel of the paper version - including fonts, colours, images and layout. To view and print these documents you need to use a PDF file viewer such as Adobe Acrobat Reader which is available to download free of charge from the Adobe website.

Gift Aid enables charities or Community Amateur Sports Clubs (CASCs) to increase the value of monetary gifts from UK taxpayers by claiming back the basic rate of tax paid by the donor which at present equates to 25p in the pound. With more than 12,000 sports clubs in existence in Scotland and many of them unincorporated entities, there are undoubtedly opportunities for more sports clubs in Scotland to benefit from Gift Aid.

1. The purpose of the toolkit

The purpose of this toolkit is to explain how sports clubs that are registered as charities or as CASCs can maximise claims for Gift Aid on:

1. Membership fees and subscriptions,
2. Sponsorship and fundraising events, and
3. Volunteer expenses.

The toolkit includes a practical case study based on the football club, Broxburn United Sports Club (BUSC) which is a registered charity. Further case studies on other sports will be included in future editions of this toolkit.

Is your club already a charity or a CASC?

If so turn to page 5 to hear how you can restructure membership fees and subscriptions to maximise Gift Aid in your club. There are also other ideas on how to claim Gift Aid on volunteer expenses and how to maximise Gift Aid through sponsorship and at fundraising events.

If your club is not a charity or a CASC or you are unsure of its status.....

Then turn to page 2 to see what you need to consider before becoming a charity or a CASC. This toolkit does not attempt to cover every issue connected with registering for charitable status or as a CASC, however the decision chart for clubs considering registration on page 4, together with the summary and comparison of each option on pages 20-23, should help eligible clubs decide whether to register as a charity or as a CASC or simply to remain as they are. Appropriate independent advice should be taken before deciding to register as a charity or a CASC.



2. Sports clubs - Charity, CASC or do nothing?

Introduction

It is estimated that there are in excess of 12,000 sports clubs in Scotland involved in a wide range of sports. In an age of increasing obesity, social and mental health issues their place in society has never been more important. However despite the widely acknowledged role that sports clubs play in our society in promoting social and community inclusiveness and improving health through regular exercise, many clubs are under threat through a combination of lack of funding and inadequate facilities.

The financial plight of sports clubs continues to suffer in the current economic climate, however despite the financial hardship faced, figures released by the Institute of Fundraising suggests that charities in the UK are currently missing out on over £740 million in Gift Aid each year¹. In addition, estimates based on professional services firm Deloitte's monthly analysis of registrations indicate that around £100 million per year is lost by sports clubs across the UK not registered as CASCs.

Understanding the background

Please refer to the tables in Appendices 1-3 for more detailed information on CASCs and charities and a comparison of both. The decision chart on page 4 provides some high level guidance on the options.

Before April 2006, the vast majority of sports clubs were not eligible to apply for charitable status. This meant valuable tax concessions designed to both encourage donations and benefit from tax reliefs were not available. The Charities and Trustee Investment (Scotland) Act 2005 introduced a new regime for the regulation of charities in Scotland. One of the key effects of this reform of charity law is that sports clubs are, from April 2006, eligible to apply for charitable status (assuming they satisfy all other criteria).

At the same time, the designation Community Amateur Sports Club, or CASC, was introduced as a way of bringing some of the benefits of being registered as a charity to sports clubs not eligible for charitable status.

So Amateur sports clubs are now able to take advantage of valuable tax reliefs by registering either:

- As a Charity – with the Office of the Scottish Charity Regulator (OSCR); or
- As a CASC with HM Revenue & Customs (HMRC).

From April 2011 sports clubs can also register with OSCR as a Scottish Charitable Incorporated Organisation (SCIO), a new legal entity for registered Scottish charities. Registering as a SCIO provides trustees and office holders a degree of protection against personal liability. Whilst this is also true of a company limited by guarantee, as the SCIO is administered and regulated solely by OSCR, it has formal reporting obligations to OSCR only, instead of reporting to both OSCR and to the Registrar of Companies ('Companies House'). As a SCIO a club is able to benefit from Gift Aid in the same way as a charity.

What does it mean to be a charity or CASC and should my sports club register?

A **charity** in Scotland is an organisation which is entered on the Scottish Charity Register. An organisation can only become a charity if it meets the 'charity test', meaning that it must show it has only charitable purposes and benefits the public. (You can read more about meeting the charity test at www.oscr.org.uk).

OSCR decides whether to grant an organisation charitable status. As regulator, OSCR is also responsible for monitoring the charity to check it complies with the law. All charities must submit an annual return and formal accounts to OSCR every year.

CASCs register with HMRC and to qualify as a CASC, a club must, as its main purpose, provide facilities for and promote participation in one or more eligible sport.

Registering as a charity or a CASC is a decision that should not be taken lightly. Sports clubs come in all shapes and sizes and they must decide for themselves whether registration, which provides corporation tax exemption, business rate relief and the ability to maximise donations through Gift Aid, is worthwhile. For some clubs, registering may not be the only, or the best option. However, many sports clubs do benefit from the advantages that registration can bring.

What are the benefits?

Charitable Status – the main advantages associated with registration as a charity are as follows:

- Being a regulated organisation can assure you of public goodwill and trust.
- The ability to attract funding sources, e.g. charitable foundations, which can only give financial support to charitable bodies.
- The ability to receive donations from individuals (and companiesⁱⁱ) and maximise the value of such donations under the Gift Aid scheme.
- Rates relief in relation to premises occupied by the charity, and
- Special tax concessions which are applicable only to charitable bodies.

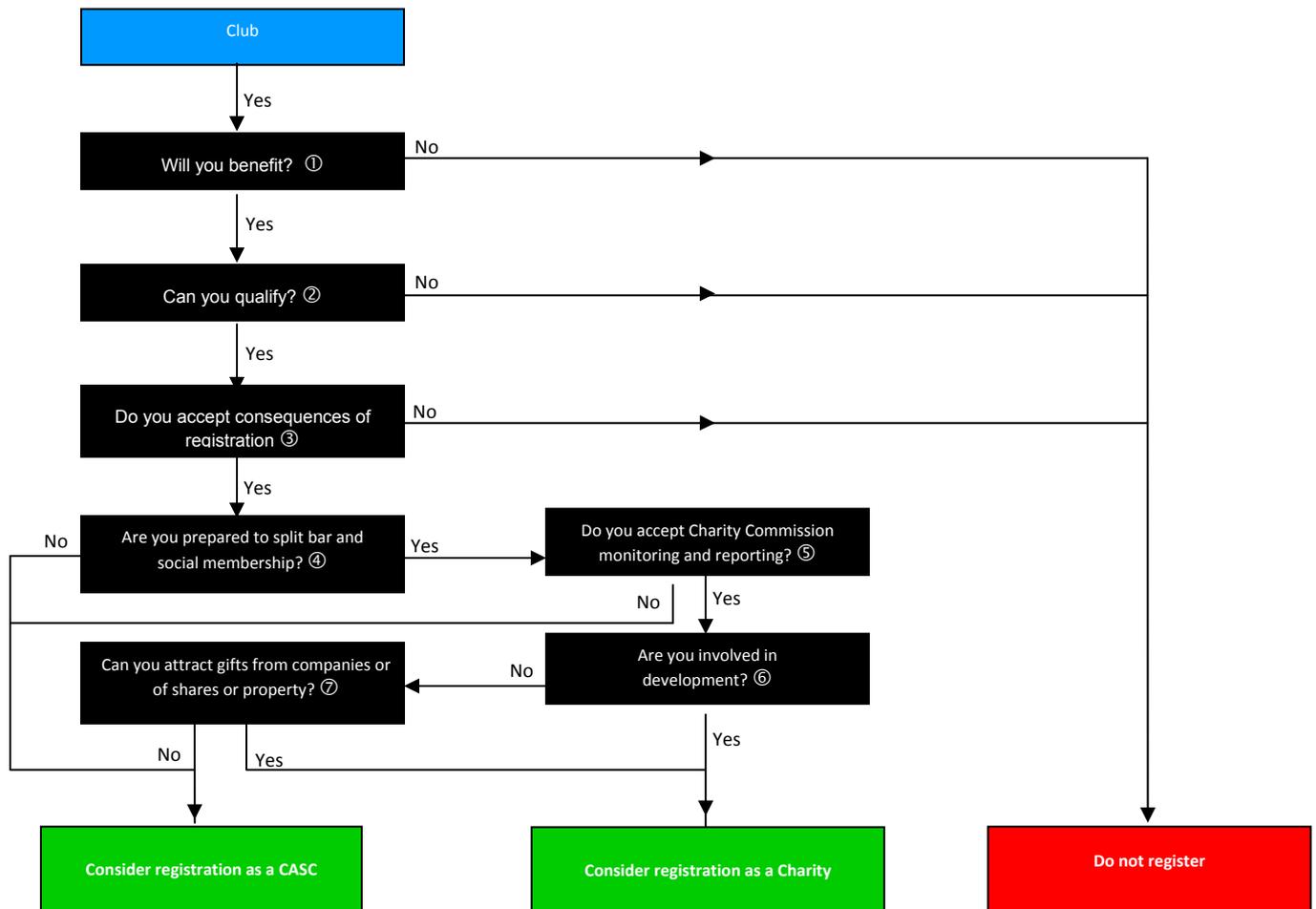
Although many voluntary organisations are registered charities, there are a range of legal and administrative requirements which have to be satisfied. Clubs should therefore seek detailed advice about the advantages, disadvantages and responsibilities of charitable status in the particular circumstances of their sports club before embarking on this option.

Community Amateur Sports Clubs – the main benefits of being a CASC come from rates relief (at least 80%) and exemption from corporation tax up to certain limits. For these reasons, becoming a CASC is particularly attractive to clubs with assets, or which generate income through trading. CASCs are also able to receive donations and maximise the value of such donations under the Gift Aid scheme.

It is worth bearing in mind however that there are some qualifying restrictions placed on becoming a CASC, including the need to be open to all members of the community and operate on a not-for-profit basis. In addition, CASC registration involves effectively making the club's assets permanently available for the community. Once registered, the cost of de-registering as a CASC could be significant, particularly clubs with property.

Charity, CASC or do nothing?

A Decision chart for clubs



Note: This chart should be used as a guide only and specific advice should be sought before registering. The tables in the appendices provide further detail.

- | | | |
|--|---|--|
| <p>1 The benefits are broadly:</p> <ul style="list-style-type: none"> ▪ Gift Aid on voluntary donations. ▪ 80% mandatory rate relief. ▪ Exemption from some levels of corporation tax. | <p>3 These consequences include:</p> <ul style="list-style-type: none"> ▪ effectively making the club's assets permanently available for the whole community. ▪ a tax charge if the club ceases to qualify or its money used for non-qualifying purposes. | <p>7 Gift Aid is extended to companies for gifts to club charities, tax relief is also extended to individuals and companies for gifts of shares and property.</p> <p>Source: Deloitte analysis</p> |
| <p>2 The qualifying tests are broadly:</p> <ul style="list-style-type: none"> ▪ players cannot be paid. ▪ membership must be open to the whole community. ▪ distributions to members are not allowed either on an ongoing basis or on dissolution. ▪ the sport(s) must qualify. ▪ the facilities should be available to all members. | <p>4 Generally a club will need a separate entity if it has a bar or social membership if it wants to register as a charity.</p> <p>5 The administrative requirements for a charity are generally more onerous than for CASC (see comparison of CASC and charitable status on page 22).</p> <p>6 Clubs involved in developing club facilities may benefit more from charitable status because</p> <ul style="list-style-type: none"> ▪ corporation tax reliefs are wider. ▪ there are more incentives for fund-raising. ▪ potential reduction of VAT costs. | |

3. Maximising Gift Aid at your club

Gift Aid is a way for charities or CASCs to increase the value of monetary gifts from UK taxpayers by claiming back the basic rate tax paid by the donor. It can increase the value of donations by a quarter at no extra cost to the donor. Gift Aid is worth nearly £1 billion a year to charities and their donors.

As well as benefiting the charity or CASC, if donors are higher rate taxpayers, they too can benefit from tax relief.

What can I claim Gift Aid on?

You can claim Gift Aid on gifts of money from individuals. A gift of money is a voluntary donation for which the donor receives little or no benefit or reward. Money can take the form of cash, cheques, direct debit or standing order payments, credit or debit card payments, telegraphic transfers or postal orders.

a. Membership fees & subscriptions

The position for CASCs and charities differ – this is summarised in more detail below. Importantly, it should be remembered that each club's circumstances will vary and the running costs of one club/team can be significantly different to another. As a result there isn't a one size fits all answer.

CASCs

Importantly, membership subscriptions to CASCs are specifically excluded by legislation from the Gift Aid scheme. CASCs are however free to set membership fees at whatever levels they like. To maximise Gift Aid, a CASC could set a basic membership fee - although this must at least cover the club's running costs e.g. pitch fees, match fees. The CASC could then suggest a voluntary donation on top of the basic fee, which could qualify for Gift Aid – but it must be clear to the person joining that they can join without paying the donation. Anyone who joins the club should have the same access to facilities without paying the extra donation.

For example, a CASC that previously had a monthly membership of £25 could restructure as follows – set its membership at £10 per month (provided this covers its running costs) with a suggested (but not compulsory) donation of £15 per month. If members then choose to pay £25 each month, the £15 donation may qualify for Gift Aid.

Remember the use of voluntary donations, whether within a charity or CASC, does, of course, have commercial risks, i.e. that the person may decide not to pay it.

Charities

Membership subscriptions paid to a charity are not gifts but unlike CASCs can be treated as such for Gift Aid purposes, provided that the payment:

- Is for membership of the charity only; and
- Does not allow any personal use of the charity's services or facilities: and
- The benefits of membership do not exceed the limits of the benefit rule.

Family memberships

If your charity offers family membership, HMRC will regard the membership subscription as a gift to your charity by an individual donor and it will qualify for Gift Aid, provided:

- The individual donor is included in the family membership and has given a Gift Aid declaration to your charity, and
- All other conditions of the Gift Aid scheme are satisfied.

Membership subscriptions that don't qualify for Gift Aid

Any membership subscription that gives the member rights to personal use of the charity's services or facilities would not be treated as a gift, but as a payment for those services and so would not qualify for Gift Aid, for example the cost of hiring a pitch or the use of equipment of a charitable sports centre.

Personal use includes:

- Providing coaching or tuition to individuals, whether alone or in a group,
- Allowing members the free or discounted use of facilities that were not available on similar terms to non-members, for example free or discounted 3G pitch hire.

Paying other people's subscriptions

Payments made by an individual for somebody else's membership is not a gift to the charity and will therefore not qualify for Gift Aid. For example, a husband pays for the annual membership subscription of his wife. The payment will however qualify if it is made by a parent or legal guardian on behalf of a child under the age of 18, or, as indicated above, if it is for a family membership that includes the donor and all other conditions of the Gift Aid scheme are satisfied.

Additional charges on top of a subscription

If your charity provides a basic membership and charges separately for other activities and benefits, only the basic membership subscription will qualify for Gift Aid provided all other conditions of the Gift Aid scheme are satisfied. The additional charges for other activities and benefits won't qualify.

When someone makes a donation the charity or CASC may want to give them (or people connected to them) a token of appreciation – a 'benefit'. As long as the value of the benefit doesn't exceed certain limits the donation will still qualify for Gift Aid. If the benefit value exceeds these limits the donation won't qualify for Gift Aid. This is covered in more detail in 'Providing benefits in return for donations: rules and limits' on page 9.



Examples

Charity

1. A community football club registered as a charity charge a basic membership subscription of £10 per player per month. In addition, each player is also required to pay £15 per month to cover the cost of monthly 3G pitch hire.

Only £10 of the total £25 paid per player per month can qualify for Gift Aid.

2. A rival community football club, also registered as a **charity**, charges a basic membership subscription of £25 per player per month. Training is held on a public grass pitch meaning the club doesn't have monthly pitch hire costs.

The full £25 per player per month membership can potentially qualify for Gift Aid.

CASC

3. A local rowing club registered as a **CASC** charge a basic membership subscription of £50 per year.

As membership subscriptions to CASCs are specifically excluded by legislation from the Gift Aid scheme, none of the annual membership subscription qualifies for Gift Aid.

4. A neighbouring rowing club, also registered as a **CASC**, charges a basic membership subscription of £10 per member per month. In addition, each member is also required to pay £15 per month to cover the cost of monthly boat hire costs.

As membership subscriptions to CASCs are specifically excluded by legislation from the Gift Aid scheme, the £10 basic membership per month does not qualify for Gift Aid. The additional charges on top of the membership subscription also do not qualify for Gift Aid as they relate to hire charges.

5. A local cycling club which is set up as a **CASC** has a basic membership fee of £7.50 per month (this is what has been calculated as required for the club to break even/cover its running costs). However, in addition to the basic membership fee, the cycling club also suggests that each member pays a voluntary donation of £15 per month. It is made clear to all potential new members that they can join the cycling club and still have the same access to facilities without paying the extra donation.

As a result, where a member chooses to pay the suggested (but not compulsory) donation, the £15 per member per month could qualify for Gift Aid. The use of a voluntary donation does, of course, have commercial risks, e.g. that the person may decide not pay it.



c. Providing benefits in return for donations: rules and limits

A charity or CASC can give donors modest (low value) tokens of appreciation - called 'benefits' - in order to acknowledge a gift but there are limits on their value. The current limits for benefits to a donor or 'connected person' are shown in the table below. These limits apply separately to each donation.

Amount of donation		Maximum value of benefits
£0 – £100		25% of the donation
£101 – £1,000		£25
£1,001 +	Made between 6 April 2007 and 5 April 2011	5% of the donation (up to a maximum of £500)
	Made on or after 6 April 2011	5% of the donation (up to a maximum of £2,500)

As well as passing the test above, the benefits must also pass a further test which says that the value of benefits received by the same donor in one tax year (6th April to following 5th April) as a result of making more than one donation to the same charity must not exceed £2,500 (£500 where the donations were made between 6 April 2007 and 5 April 2011).

A person is connected with a donor if that person is:

- The donor's wife, husband or civil partner.
- A relative of the donor (see below), or
- The wife, husband or civil partner of a relative.

Relatives include brothers, sisters, sons, daughters, parents, grandparents, grandchildren, step-children, step-grandchildren, step-parents and step-grandparents, but not nephews, nieces, uncles, aunts or cousins.

The key principle to remember is that if any donor - or person connected to the donor - benefits significantly from their donation, then their donation will not qualify for Gift Aid.



d. Volunteer expenses

If you have volunteers working for your charity or CASC, you may reimburse any reasonable and proper expenses they incur whilst carrying out their duties such as travel costs, post, or photocopying charges. Volunteers may decide to forego their right to claim expenses, or to pay back the expenses to your charity or CASC. This guide explains the circumstances in which Gift Aid can be applied to expense payments paid back to your charity or CASC as a donation.

How donated expense payments can qualify for Gift Aid

Gift Aid only applies to gifts of money. If volunteers decide to support your charity or CASC by not claiming the expenses they are entitled to, Gift Aid can't be claimed on the amount of expenses foregone – as they are not gifts of money. The rule of thumb is that unless cash is actually received by the charity or CASC and paid into the charity/CASC bank account with no condition of receipt or repayment then it is not eligible for Gift Aid.

Where your charity or CASC physically pays the expenses to a volunteer, they are free to keep the money or may choose to donate some or all of it back to your charity or CASC. Gift Aid can only apply when the volunteer makes an actual payment of money to your charity or CASC. For the payment to qualify, the other rules of the Gift Aid scheme must be met including ensuring that the limits on the value of any benefits given to the volunteer in return for donations are within certain limits.

Similar to the use of voluntary donations, the use of volunteer expenses also has a commercial risk in that the volunteer may decide to keep the reimbursed expenses and not gift them back to the CASC or charity.

For audit purposes, it is preferable that at least one of the payments by your charity or CASC, or by the volunteer, is made by cheque that this has been clearly and properly recorded. The 'value' of a volunteer's time as a 'donation in kind' does not qualify for Gift Aid.

Tax implications for the volunteer

A volunteer is not likely to have a formal contract of employment with your charity or CASC, so the expenses they claim whilst carrying out their voluntary work will not be liable to income tax. Neither will the reimbursement of any extra costs that might be incurred for example, travel expenses between home and work.

If your charity or CASC pays expenses to a volunteer which do more than reimburse costs incurred, or are at a rate which can't reasonably be regarded as simply a reimbursement of what they spend, HMRC may consider the voluntary worker to be receiving a wage or salary for their services. In that case, they could be liable to Income Tax and National Insurance contributions if it can be shown that they hold an office or employment.

Examples

1. James makes a round trip of 40 miles to purchase some football kit. The cost of the petrol used would have been £30. James informs the Treasurer not to worry about reimbursing him and for the Club just to treat the £30 as a donation. Does this qualify for Gift Aid?

Answer – No. No cash has actually been donated to the charity. James has just saved the Club an expense therefore no Gift Aid can be claimed.

2. James makes the same 40 mile round trip however the Club agrees to give him £30 (by cheque) towards the petrol but upon the condition that he gives the money back to the Club as a donation. Is Gift Aid due in these circumstances?

Answer – No. Even though the Club has actually received cash it is effectively a forced donation. The donation was only made because the Club agreed to give the money to James upon the condition that he gave it back. It is therefore the clubs own money – no Gift Aid can be claimed.

3. Club funds are running low, so James decides to donate £100 to the Club, but under the condition that if the Club has the money available at the end of the year it is repaid. Can Gift Aid be claimed?

Answer – No. This is not a donation, it is a loan. Even if the Club doesn't have the money at the year end and the £100 is never repaid it is treated as a 'waived liability' therefore it is not eligible for Gift Aid.

4. James makes a further 40 mile round trip to collect yet more football kit. The Club has a policy of paying expenses incurred by volunteers. James therefore makes an expense claim based on the mileage travelled and the Club pay him £30 in expenses. After receiving the expenses James decides that he would like to further help the Club and donates £30. Is this donation eligible for Gift Aid?

Answer – Yes. James has made a discretionary donation of £30 to the Club on which Gift Aid can be claimed.

4. Five Steps to Gift Aid

In brief:

1. Use the Decision Chart on page 4 to help decide whether your club should consider registering as either a charity or CASC or decide that Gift Aid simply isn't for your club.

Where after fully considering the advantages, disadvantages and responsibilities of each package and taking appropriate independent advice your club opts to register as a charity, the club also needs to be formally recognised by HMRC as a charity for tax purposes (recognition by HMRC as a charity for tax purposes is a separate process from a charity registering with OSCR for charitable status).

For CASCs, your club must be set up with a formal constitution (for example its rules or memorandum and articles of association). The club's written constitution must require the club to meet certain conditions, and the club must also be able to show that it actually meets these conditions in practice. The conditions to qualify for a CASC are set out in more detail on pages 3 and 20.

2. Once set up as either a charity or CASC nominate an authorised claimant official and/or nominee in order to reclaim Gift Aid from HMRC.

3. Let your members and supporters within the club know about Gift Aid – an easy way for them to increase their donations by 25% and, for higher-rate taxpayers, get additional relief for themselves too.

4. Get a completed Gift Aid declaration from each donor (either on paper or electronically). Page 15 has more on the Gift Aid declaration form, what information they should include, how long they should be kept for, etc. It's important that HMRC can verify the connection between a charity's tax repayment claim and the tax paid by the donor. In other words, every claim must be supported by a Gift Aid declaration that shows who paid the tax in the first place.

5. Keep an accurate record of the donations received throughout the course of the year then use Form R68(i) to claim tax repayments for your charity or CASC. This claim form will automatically help you to claim the correct amount as you fill in the boxes. The guidance which accompanies the form gives you step-by-step help to ensure you fill in the form correctly. Charities or CASCs are able to make repayment claims on a more regularly basis, e.g. quarterly or monthly, however if you want to claim more than once a year, each claim should be for at least £100.



The five steps in more detail:

1. For Charities, once you have registered with OSCR you should also apply to HMRC to be recognised as a charity for tax purposes. To do that you need to complete the HMRC Charities Application Form (ChA1).

To register as a CASC you should complete the CASC Registration Form (CASC A1).

Forms ChA1 and CASC A1 together with guidance on their completion are available on the HMRC website – www.hmrc.gov.uk.

Charity trustees and anyone involved in the day-to-day running of your organisation should also read HMRC's basic guidance on 'Fit and Proper Persons'. This guidance explains the need for charities to ensure that their managers are suitable to hold such posts and, in particular, that they haven't been involved in tax fraud or disqualified from being a charity trustee. It also includes a model declaration managers can sign.

Importantly, registering as either a charity or a CASC doesn't mean that your club will never have an exposure to pay tax. If your charity or CASC receives taxable (non-exempt) income or gains you need to let HMRC know and complete a tax return - either Self Assessment or Company Tax Return depending on whether you're set up as a charitable trust or company.

If your charity has business activities the VAT rules will apply to you just as they do for any other business. You may, however, qualify for certain VAT reliefs and exemptions.

Once complete, send your application to HMRC Charities at the following address:

HM Revenue & Customs Charities
St Johns House
Merton Road
Liverpool
L75 1BB

Once you're recognised by HMRC as a charity or CASC for tax purposes, HMRC will:

- Allocate a charity tax reference number for use on all correspondence and claims.
- Write and advise you of its decision and your charity or CASC tax reference.
- Explain how to find and use the Gift Aid claim forms.

2. Before you can make a repayment claim you need to nominate someone in your charity or CASC to be an authorised official and/or someone to be a nominee. This means that they can sign repayment claim forms and/or receive money on behalf of your charity or CASC.

You can nominate anyone you consider suitable for these roles - for example, your treasurer, an employee, a trustee, the charity's accountant or a claimant agency.

Nominating the authorised official and/or nominee is normally done as part of the charity or

CASC application form in Step 1, however if your club is already set up as a charity or CASC but you have not previously claimed Gift Aid, use Form ChV1 Charities Variations to update HMRC with the latest club bank account information, etc.

Toolkit Tip – Please wait until HMRC has processed the Form ChV1 and updated your information before submitting any Gift Aid repayment claims. Failure to do so may delay your application.

3. It is important that the message on Gift Aid is circulated as widely as possible within your club. To help, HMRC have produced a number of posters and flyers which you can download and print to help promote Gift Aid to your members and supporters. Use the posters to promote Gift Aid by pinning on club notice boards.



In addition, ask team officials to raise Gift Aid at all club/team meetings, both formal and social, etc. Raise Gift Aid in all club newsletters that are circulated and draft a short article on Gift Aid and post it onto the club's website.

Once the intention to introduce Gift Aid into your club is widely known, hold parents' /members' meetings over a period of weeks to explain Gift Aid as a concept highlighting what is involved.

4.

Before your charity or CASC can claim tax back on a donation made by an individual, you need to obtain a Gift Aid declaration from that donor.

A Gift Aid declaration is a statement by a UK taxpayer asking for their donations to be treated as Gift Aid payments, so that the tax they have paid on the amount donated can be claimed back by the charity receiving the donation.

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Gift Aid declaration

Name of charity or CASC _____

Please treat

The enclosed gift of £ _____ is made as a Gift Aid donation. OR

All gifts of money that I make today and in the future are Gift Aid donations. OR

All gifts of money that I make made in the past 6 years and include gifts of money that I have made in the past 6 years as a Gift Aid donation.

Please tick the appropriate box:

You must pay an amount of Income Tax and/or Capital Gains Tax for each tax year (6 April one year to 5 April the next) that is at least equal to the amount of tax that the charity or Community Amateur Sports Club will reclaim on your gifts for that tax year.

Donor's details

Title _____ Initials _____ Surname _____

Home address _____

Postcode _____ Date _____

Signature _____

Please notify the charity or CASC if you:

Want to cancel this declaration

Change your name or home address

No longer pay sufficient tax on your income and/or capital gains.

Tax reclaimed by the charity or CASC

* The charity or CASC will reclaim 25p of tax on every £1 you give up to 5 April 2008.

* The charity or CASC will reclaim 25p of tax on every £1 you give on or after 6 April 2008.

* The Government will pay to the charity or CASC an additional 10p on every £1 you give between 6 April 2008 and 5 April 2011. This transitional relief for the charity or CASC does not affect your personal tax position.

If you pay income tax at the higher rate, you must include all your Gift Aid donations on your Self Assessment tax return if you want to receive the additional tax relief due to you.

A Gift Aid declaration can be made in writing, electronically or verbally, and must contain certain information about the donor. You also need to show that you have advised the donor that they will need to pay sufficient UK tax at least equal to the amount that your charity or CASC will reclaim on their donation.

You must keep these records in support of your Gift Aid repayment claims. Each donation included in a claim must be supported by a Gift Aid declaration.

What information a Gift Aid declaration should include

There is no set design for a Gift Aid declaration. However, by law, any Gift Aid declaration you receive (whether written or verbal) must contain the following information:

- The name of your charity or CASC.
- The donor's full name - as a minimum initial and last name.
- The donor's home address - as a minimum the house number and postcode.
- A statement showing which donations are covered by the declaration.

Declarations that include all future donations are known as enduring declarations. Donors need to understand that they must pay at least as much UK Income Tax and/or Capital Gains Tax (in the year in which they donate) as the amount that will be claimed by your charity or CASC. So it's a good idea to state this clearly on your Gift Aid declaration.

HMRC doesn't require you to use an official Gift Aid declaration form, but does have a model Gift Aid declaration form on its websiteⁱⁱⁱ that you can use and adapt to suit your needs. Your charity or CASC may want to add additional information such as data protection disclaimers or bank mandate details.

Gift Aid declarations can be made in writing either on paper or electronically, for example on the Internet, or by email, fax, mobile phone or text message. They can also be made verbally - in person or by telephone. There's a different procedure for declarations relating to donations for sponsored events and this is briefly covered below.

Cancelled declarations

A donor can cancel an enduring Gift Aid declaration at any time. For example a donor may cancel his declaration because he no longer pays any UK tax. Cancellation of a declaration will not affect Gift Aid donations that have already been made but once a declaration has been cancelled any further donations from that donor won't qualify for Gift Aid. Your charity or CASC must keep records of cancelled Gift Aid declarations, including the date of cancellation.

At the parents'/members' meetings mentioned in Step 3 above, have blank Gift Aid declarations ready to hand and ask parents to complete the declaration there and then.

- 5.** HMRC Form R68(i) is the starting point for any repayment claim that your charity or CASC makes. The form uses tables known as 'schedules' to record the names of your donors who have completed a Gift Aid declaration, and the amounts they have donated.

Who signs the R68(i)?

When you register for Gift Aid, you authorise who should sign the claim. You can nominate additional authorised signatories or replace existing signatories by sending form ChV1 to HMRC, who will need to check that the person who signs the claim is an authorised person.

A charity or CASC receiving regular monthly donations may wish to claim each month. Other charities may think that a quarterly claim or an annual claim is enough. If you want to claim more than once a year, each claim should be for at least £100.

Gift Aid claims for sponsored events

Gift Aid claims for sponsored events follow a slightly different procedure, as follows:

- You should make the claim separately from any other repayment claim.
- You can make a separate claim for each sponsored event.
- You still need to complete form R68(i) Claim form.
- The name of each participant in a sponsored event can be listed on the R68(i) Gift Aid schedule together with the total Gift Aid donations on their sponsorship form(s). Alternatively the name of each sponsor and the amount of their gift should be listed on the R68(i) Gift Aid schedule.

You must still keep all of the original sponsor forms available for any audit of your claim by HMRC. You can only claim Gift Aid on the donations where the sponsorship form has been correctly completed by the sponsors. Donors who want their sponsorship payments to be treated as a Gift Aid donation must:

- Give their full name (at least their last name and initial) - Uncle Fred etc is not sufficient.
- Give their home (not work) address - as a minimum their house number and their full postcode is acceptable - HMRC accepts that some donors, for example in the workplace, may not want to give their full home address.
- Tick the column to indicate that they want your charity or CASC to treat their sponsorship payments as Gift Aid donations.



5. CASE STUDY – FOOTBALL EXAMPLE

BROXBURN UNITED SPORTS CLUB

Broxburn United Sports Club's (BUSC) impressive new clubhouse and FIFA two star, third generation synthetic pitch at Albyn Park opened in August 2010. The facility is the culmination of over a decade of hard work by local community volunteers and will deliver excellent facilities to the club's 650 members and the wider community in the Broxburn area.

The new facility has brought fresh challenges, particularly regarding the need to accrue for long term capital expenditure, and it is hoped that Gift Aid can be used in part to fund the eventual replacement of the 3G pitch within the next 10 years.

BUSC recently restructured the way it collected membership subscriptions from parents so that Gift Aid can be claimed on a proportion of the subscriptions. The following are some of the key points from the BUSC journey in implementing Gift Aid:

- BUSC is a registered charity and holds a long-term lease over the clubhouse and facilities at Albyn Park. There are 16 separate football teams that belong to the club and pay monthly subscriptions to BUSC.
- As BUSC was already registered as a charity with HMRC the initial administration work was reduced.
- Previously each of the 16 teams paid subscriptions for membership of the Club. This has now been restructured so that a proportion of the payment covers monthly running costs including 3G pitch hire fees and coaching with the remainder of the monthly payment now made as a voluntary donation. Each eligible parent has signed a Gift Aid declaration which allows BUSC to reclaim Gift Aid on the donation element of the monthly payment.
- The club received its first Gift Aid repayment of £785.70 from HMRC on 8 September 2011. The repayment relates solely to the BUSC soccer school for a period of approximately 3 months.
- The club anticipates that Gift Aid has the potential to increase revenues by approximately £15k per annum.

“The Club is an important part of the local community and by registering as a charity for tax purposes with HMRC and claiming Gift Aid it makes it easier to continue investing in the club's facilities which benefits both the members and the local community as a whole”.

James Pegg, BUSC Development Manager

The following are some practical hints and tips from the experiences at BUSC that should be considered when implementing the collection of Gift Aid at your club:

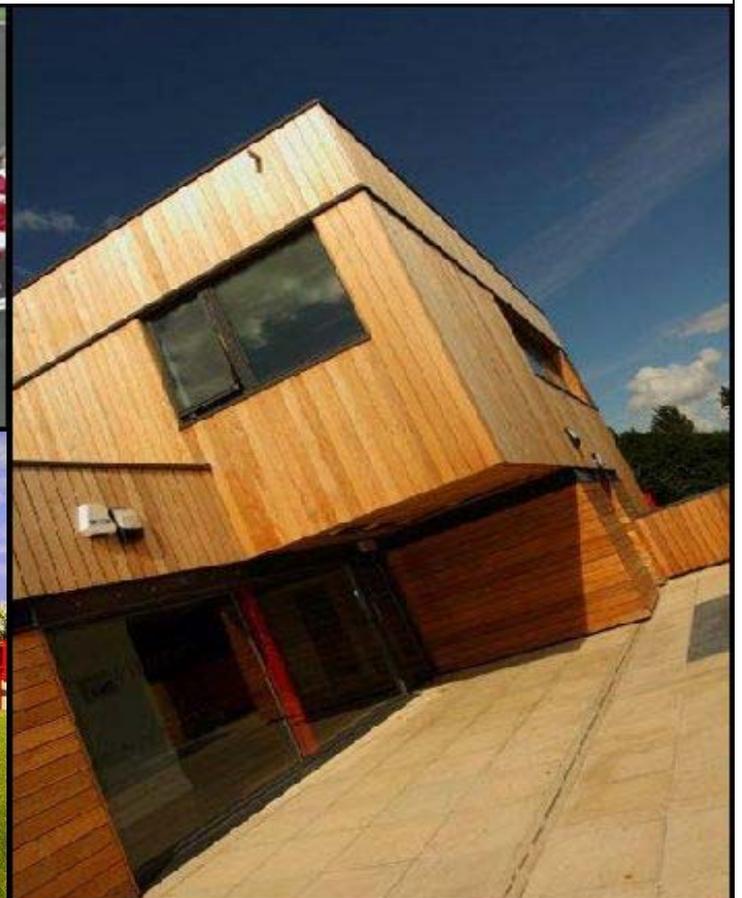
Step 1. Appoint a Club Gift Aid coordinator who will take responsibility for implementing Gift Aid and act as single point of contact for all Gift Aid related questions and issues. Appointing the right person for this role is crucial to the success of the process. Ideally appoint someone that is organised, has a good eye for detail and that is good with numbers. It also helps if they are prepared to be very persistent!

Step 2. Where your club is already registered as a charity, submit Form ChV1 to HMRC prior to making any Gift Aid repayment claims. This will avoid HMRC having to delay issuing repayments until discrepancies such as a change of contact details, authorised officials, nominees or bank account details have been resolved and HMRC's records updated.

Step 4. Ensure that the parent who makes the donation (on behalf of a child under the age of 18) is the donor who has signed the Gift Aid declaration – i.e. if donation is made from a bank account in the father's sole name, then the father should sign the Gift Aid declaration form.

Ensure the child's name is noted on the Gift Aid declaration form to avoid any confusion where surnames don't match where parents aren't married, etc.

Step 5. Ensure the R68(i) Repayment claim is complete and correct as any errors will ultimately delay the issue of the repayment. Be patient – repayment claims (even when completed correctly) can take up to 12 weeks for HMRC to process.



Appendix 1 – CASCs in more detail

Community Amateur Sports Club (CASC)					
Qualification:	This means:		Registration	Tax Reliefs	Rate Relief
<p>To qualify as a CASC a club must:</p> <ul style="list-style-type: none"> As its main purpose provide facilities for, and promote participation in, one or more eligible sports. <p>It must:</p> <ul style="list-style-type: none"> Be open to all; Be amateur; Be established within the EU; Have managers who meet HMRC's fit and proper person test. 	<p>'Eligible Sports' – a list of eligible sports is detailed on the HMRC website^{iv}.</p> <p>'Open to the whole community' – i.e.</p> <ul style="list-style-type: none"> Membership is open to all without discrimination; Any fees are set at levels that do not pose a significant obstacle to membership or use of the club's facilities. <p>'Main purpose' – i.e. The clubs constitution must make it clear that its object is</p> <ul style="list-style-type: none"> To provide facilities for and Encourage participation in one or more eligible sports. <p>It's not enough just to provide facilities. Your club's main purpose must also include encouraging all its members to take part in eligible sports, whatever their ability.</p>	<p>'Amateur' – i.e.</p> <ul style="list-style-type: none"> Players not paid but expenses can be reimbursed; Player/Coaches may be paid; Non-Profit making; Any net assets on dissolution are to be applied for approved sporting and charitable purposes; It provides the members and guests with only the ordinary benefits of an amateur sports club. 	<p>The CASC application form is available on the HMRC's website. Submit the completed application form to HMRC's Charities and CASCs Unit, together with:</p> <ul style="list-style-type: none"> A copy of the CASC's constitution. A copy of the CASC's latest accounts and bank statements. A copy of the CASC's prospectus, member's handbook, etc. <p>Top Tips for Registration</p> <ul style="list-style-type: none"> Check the club's constitution complies; if not consider submitting a revised version in draft to HMRC for approval. The form and wording of your club's governing document are very important and will help HMRC to determine whether your club meets the conditions for registration as a CASC. 	<p>To assist with registration HMRC has drafted some examples of clauses that meet the legal requirements – they are shown as model clauses on the HMRC website^v. If you decide to adopt these clauses you should ensure that other parts of your governing document do not conflict with them as this could affect your registration.</p> <p>Tax Reliefs –</p> <ul style="list-style-type: none"> Exemption from Corporation Tax on trading profits where turnover of the trade is less than £30,00 and on letting income if rent is no more than £20,000, and any interest received or capital gains made. Income and gains must be applied for qualifying expenditure to secure relief. There are no specific VAT reliefs for CASCs. 	<p>For Donors</p> <ul style="list-style-type: none"> Individuals can make gifts to CASCs using Gift Aid – however unlike charities there are no circumstances in which membership subscriptions to a CASC can qualify for Gift Aid. Relief from Inheritance Tax for gifts to CASCs. Gifts of chargeable assets to CASCs by individuals or companies are Capital Gains Tax free. <p>Rate Relief</p> <ul style="list-style-type: none"> CASCs get 80% mandatory and 20% discretionary rates relief on premises they occupy wholly or mainly for the purpose of the club.

Appendix 2 – Charitable status in more detail

Charitable Status					
Qualification:			Registration	Tax Reliefs	Rate Relief
<p>To qualify as a charitable sports club, the club must:</p> <ul style="list-style-type: none"> Either promote community participation in healthy recreation by providing facilities for playing sports or advance amateur sport; Have membership and facilities that are open to all without discrimination; Be amateur; Be for public benefit. <p>This means:</p> <p>'Healthy Recreation'</p> <ul style="list-style-type: none"> If practised with reasonable frequency will tend to make the participant healthier i.e. less susceptible to disease. <p>'Amateur Sport'</p> <ul style="list-style-type: none"> 'Sport' means sports or games which promote health by involving physical or mental skill or excursion. 	<p>'Open membership' i.e.</p> <ul style="list-style-type: none"> Facilities are open to all. Membership must be affordable. There must be no test of skill for admission. <p>'Competition and team structures' i.e.</p> <p>A charitable sports club:</p> <ul style="list-style-type: none"> Can run competitive teams, leagues and ladders. Can allocate facilities to allow competitive teams to train, play etc. Must always bear in mind that the club is promoting community participation and therefore gives equal treatment to less skilful and less competitive players. <p>'Coaching' i.e.</p> <ul style="list-style-type: none"> May be given if available for all levels of skill and can assist the better players provided this is not to the detriment of 	<p>others.</p> <p>'Playing and non playing members' i.e.</p> <ul style="list-style-type: none"> A charitable sports club cannot have a separate group of social members as such, although non-playing members that help run the club are allowed. The Charity Commission recommends that bars be run through a separate company. <p>'Amateur' i.e.</p> <ul style="list-style-type: none"> Players are not paid but expenses can be reimbursed; Player/ coaches may be paid. <p>'Public Benefit'</p> <p>A charitable sports club should comply with Charity Commission guidance on public benefit. This includes a requirement that those in poverty must not be excluded from the opportunity to benefit.</p>	<p>To be registered as a charity in Scotland you must apply to OSCR.</p> <p>You must include:</p> <ul style="list-style-type: none"> A completed application form. Completed Trustee Declaration forms – charity trustees must be aware of their responsibilities and must not be disqualified from acting as charity trustees. A copy of your constitution – this sets out your organisation's purposes and what your charity trustees can do. A recent statement of accounts – this is not required if your organisation is not yet up and running. A description of your organisations existing or proposed activities to allow OSCR to decide if you will provide public benefit. 	<p>For Charities</p> <p>Charities enjoy more extensive tax reliefs than CASCs. These are:</p> <ul style="list-style-type: none"> Exemption on most types of investment income as long as it is applied for charitable purposes only. Trading activities may be taxable, but some exemptions exist depending on the nature of the activities undertaken. Exemption on rental income as long as the income is applied for charitable purposes only. Capital gains are not taxable provided the proceeds are used for charitable purposes only. Specific VAT reliefs open to charities may apply. <p>For Donors</p> <ul style="list-style-type: none"> Companies and individuals can make gifts to charities under Gift Aid. 	<p>Charities obtain mandatory 80% rate on premises they occupy and are eligible to apply for discretionary relief for the remaining 20%.</p>

Appendix 3

FAQs – A comparison of Charitable status, CASCs and the unincorporated entity.

	Charitable Status	CASC	Unincorporated entity
Which clubs can register?	Those which promote community participation in healthy recreation or promote amateur sport.	Sports recognised by The Sports Councils and listed on the HMRC Website.	N/A
Will the club need to change its constitution?	Potentially; the club's objects must be wholly charitable i.e. to promote community participation in healthy sport or advance amateur sport.	Potentially; the club must be not for profit, this means that the constitution must for example have a winding up clause that prohibits assets being divided amongst members and instead provides for such assets to go to a charity, CASC or the sport's governing body.	No.
Can the club have social members?	No, but non-playing volunteers and helpers are acceptable. This may include parents of junior members or people who still wish to be associated with the club but are unable to play for reasons of health or old age.	Yes, as long as the substantial majority of the clubs activity are focussed on providing facilities for, and participation in eligible sport(s). As a rule of thumb over 50% of member should participate (this includes both playing and organising activities).	Yes.
Can players be paid?	No, But a player who also coaches or maintains the pitch, for example can be paid for this service. Players' expenses can be paid if it promotes participation.	No, but a player who also coaches or maintains the pitch, for example can be paid for this service. Players expenses can be paid.	Yes.
Can the club have competitive teams?	Yes.	Yes.	Yes.
Can the club run a bar?	No, this must be run through a trading subsidiary, unless the turnover is the lower of 25% of the clubs turnover or £50,000.	Yes, if it is a social adjunct to the main sporting purpose.	Yes.
What about direct tax?	Primary purpose trading income is tax free. All rental income is exempt. Capital gains and interest exempt from tax.	Gross income from fundraising and trading is exempt if turnover is less than £30,000. Gross income from property exempt where it is less than £20,000. Capital gains and interest exempt from tax. Income and gains must be applied for qualifying expenditure to secure relief.	Income from non members may be taxable.

	Charitable Status	CASC	Unincorporated entity
What about Gift Aid?	Yes – for individual and corporate donations.	Yes – donations from individuals only.	No.
Payroll Giving?	Yes	No	No
Does the club have to register?	<p>Yes – in Scotland with the Office of the Scottish Charity Regulator (OSCR). You must include:</p> <ul style="list-style-type: none"> ▪ A completed OSCR application form. ▪ Completed Trustee Declaration forms – charity trustees must be aware of their responsibilities and must not be disqualified from acting as charity trustees. ▪ A copy of your constitution – this sets out your organisation’s purposes and what your charity trustees can do. ▪ A recent statement of accounts – this is not required if your organisation is not yet up and running. ▪ A description of your organisations existing or proposed activities which allows us to decide if you will provide public benefit. 	<p>Yes with HMRC. You must include:</p> <ul style="list-style-type: none"> ▪ A completed CASC A1 Community Amateur Sports Club (CASC) registration form. ▪ A copy of the club’s governing document – this might include its Constitution and Rules or Memorandum of Association. ▪ A copy of the club’s latest accounts; and ▪ A copy of any prospectus, member’s handbook, rule book, etc. 	No.
Rate Relief?	Yes, - 80% mandatory, 20% discretionary.	Yes - 80% mandatory, 20% discretionary.	Discretionary up to 100%.
Extent of specific regulation relating to the club's status.	Annual returns need to be submitted to Companies House and/or OSCR.	Regulated by HMRC only.	None.
Can profits be distributed to members?	No.	No.	Yes.

ⁱ Institute of Fundraising website – <http://www.tax-effective-giving.org.uk/>

ⁱⁱ Companies can get tax relief on gifts of money to charities. The relief works differently than for individuals. Gifts of money made to a charity by a company should be paid gross - before tax is deducted. These donations are deductible from the total profits of the business when calculating Corporation Tax. The charity doesn't need to make a Gift Aid tax repayment claim because no tax has been paid. The charity can however claim exemption from tax on company donations.

ⁱⁱⁱ http://www.hmrc.gov.uk/charities/appendix_b1.pdf

^{iv} http://www.hmrc.gov.uk/casc/casc_guidance.htm#annex1.

^v <http://www.hmrc.gov.uk/charities/complete-form-casca1.htm#7>

