

## Tax relief for grassroots sports

In November 2017 a package of new tax reliefs was introduced to encourage investment in sport. These are useful for both national governing bodies and grassroots sports clubs alike.



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Bill has 30 years' experience working in tax. He advises on all aspects of taxation affecting charities, including VAT, PAYE and corporation tax.

### Thea Longley and Bill Lewis explain the details of the tax reliefs – and the small print

#### What is new?

There are three new opportunities to get corporation tax relief:

- Sport national governing bodies (NGBs) can now claim tax relief on investment in grassroots sports activities. Previously this was not tax-deductible activity, so they often used an associated charity.
- Corporate donors can now make tax-deductible donations to NGBs if the money is to be spent on grassroots sport. Previously this was only tax deductible as a marketing expense.
- Corporate donors can now make tax-deductible donations to local sports clubs up to a maximum of £2,500 per accounting period. Previously tax relief was only available if the club was a registered charity or registered as a CASC with HMRC.

#### What's in the small print?

NGBs and grassroots sports are tightly defined:

- NGBs will only qualify for the relief if they are a recognised sport governing body in the list maintained by the National Sports Council.
- Grassroots sport expenditure is defined in the tax legislation as 'expenditure incurred for charitable purposes which are purposes for facilitating participation in amateur eligible sport'. However the law on what sporting activity is charitable isn't completely clear cut. The law in this area is relatively new and the Charity Commission's guidance on it is not fully up to date. It is also restrictive: under charity law, sport must promote health, meaning that some sports, such as motor sports and angling, may not be eligible for the relief as the Charity Commission does not consider them to be 'healthy'. There will also be borderline issues, such as the participation costs (i.e. subscriptions and match fees) that are acceptable for a club to charge and still be seen as delivering charitable activity.

#### Will NGBs still need associated charities?

BWB has helped many NGBs set up associated charities to fund grassroots sport tax efficiently. Managing the relationship between an NGB and its associated charity creates some complexity so some NGBs may decide it is simpler to undertake this activity direct. However there are still a number of good reasons for maintaining associated charities including:

- Some sports charities have built up significant expertise in delivery of charitable grassroots sports activity and do this really well, benefiting from this being the sole focus of the organisation.
- Charities can benefit from Gift Aid on donations from individuals and inheritance tax relief on gifts left in a will, NGBs can't.
- NGBs with lumpy income may still incur tax if they don't spend funds in their financial year; they can avoid that by making a donation to an associated charity, which can use the funds to undertake charitable activity over a number of years.
- Third-party donors may still like knowing their donation is ring-fenced for grassroots activities in a charity and prefer grant funding a charity.
- Some of the activities undertaken by associated charities may not be focused on promoting participation in sport but in using the magic of the sport as a means to further another charitable purpose e.g. encouraging students to engage with literacy programmes or reducing reoffending.

#### What next?

NGBs need to look at how best to structure their grassroots activity. Additionally, sports clubs may wish to consider ways of attracting donations from local businesses. BWB would be happy to help with this, including reviewing activities to advise on what is and is not charitable.

#### Find out more

For more information, please contact  
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