
Tax relief for being a club supporter

TAX

You want to help the local sports club that your kids are involved with. If your company provides sponsorship you're aware that HMRC often challenges tax relief. Is there a more certain alternative?

Tax relief for your support

Until 1 April 2017 if you wanted your business to financially support a local sports club, adult or junior, and obtain tax relief for the cost you could only do so if:

- o the club was a registered charity
- o it registered with a national sporting body as a community amateur sports club; or
- o your business received something in return for the payment or other donation, which was made “wholly and exclusively” for the purpose of your company’s trade, e.g. advertising on team shirts or hoardings (ask me if you want a copy of the previous article 19.10.16).

However, businesses can now claim tax relief for donations which meet the far simpler conditions for grassroots sports relief.

Trap. This relief can only be claimed by businesses which pay corporation tax, i.e. companies. Donations made by unincorporated businesses only qualify for tax relief if they fall into one of the three categories mentioned above.

How does grassroots relief differ?

The basic conditions for grassroots sports relief are really simple. It can apply to:

- o unlimited donations made through recognised sport governing bodies; or
- o direct donations of up to £2,500 per year to a club etc. involved with a “recognised sport” (see **The next step**). If your company’s financial period is longer or shorter than a year the £2,500 limit is pro rata.

The latter is particularly useful if you want to support a local team without the fuss of dealing with a national sporting body. No special claim is needed to obtain tax relief. You simply include the cost as an expense on your company’s accounts and tax return.

Is your support tax deductible?

Tax relief is only given if the expense is for “charitable purposes”; this includes the promotion of amateur sports. Therefore, payments to players don’t qualify, but paying their travel costs does. Tax relief is allowed for payments to sports coaches and officials.

Tip. Grassroots relief is allowed for any type of expenditure which goes towards supporting a sports club. For example, providing equipment.

Trap. Relief isn’t allowed if your company receives anything in return for its donation. However, if it does, the expenditure might qualify for relief under the third point mentioned at the beginning of this article.

Limit on tax relief

Grassroots sports relief is subject to similar rules as those which apply to donations to charity. No deduction for expenditure is allowed where it creates or increases a company’s loss for tax purposes. For example, if ignoring a grassroots payment of £2,500, your company’s taxable profits for a year are £1,500, it’s only entitled to claim tax relief for £1,500 and the remaining £1,000 is ignored for tax purposes.

Summary

Grassroots sports relief allows companies tax relief for unlimited payments and other forms of donation, e.g. equipment, through national sporting bodies. Relief is also allowed for payments and types of donation up to £2,500 per year made direct to a local sports club.
