



ICAEW REPRESENTATION 90/16

TAX REPRESENTATION

CORPORATE CONTRIBUTIONS TO GRASSROOTS SPORTS

ICAEW welcomes the opportunity to comment on the consultation paper [corporate contributions to grassroots sports](#) published by HM Treasury on 24 March 2016.

This response of 14 June 2016 has been prepared on behalf of ICAEW by the Tax Faculty. Internationally recognised as a source of expertise, the Faculty is a leading authority on taxation. It is responsible for making submissions to tax authorities on behalf of ICAEW and does this with support from over 130 volunteers, many of whom are well-known names in the tax world. Appendix 1 sets out the ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark proposals for changes to the tax system.

We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.

Contents

	Paragraphs
Major points	
Key point summary	1-7
Responses to specific questions	8-15
Ten Tenets for a Better Tax System	Appendix 1

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ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

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MAJOR POINTS

Key point summary

1. ICAEW welcomes the opportunity to discuss additional ways in which the government can support contributions to grassroots sports through the corporation tax system.
2. ICAEW supports the intention to increase the financial support available to a wider range of organisations which do not fall within the Community Amateur Sports Clubs (CASCs) remit, but note that this adds a further possible relief for a company to use when it wants to make a donation to a sports club. Those companies wanting to support sport locally will now have a further set of rules to observe if they want to claim tax relief.
3. We were concerned that the more stringent qualifying tests for CASCs, introduced from April 2015, would have an adverse effect on donations to sports clubs. It would be helpful to know whether this has indeed been the case. Meanwhile, we welcome this new initiative which could enable grass roots sports to benefit without new clubs in particular having to observe the administrative aspects of the CASCs regime.
4. We are also concerned that the proposals contained within the consultation document could increase the administrative burden for the eligible company making the qualifying donation, the national governing body (NGB) and the grassroots organisation, which may reduce the take up of this relief. We note from Annex C that the Exchequer impact will be informed by the outcome of this consultation and suggest that further discussion will be needed on how the practical implementation can be achieved in the least administrative burdensome manner. We would be happy to participate in those further discussions.
5. Introducing a reporting requirement for those making and receiving donations may be necessary and we support an annual payment limit under which contributions would be exempt from reporting.
6. We have considered the two proposals suggested in the consultation document to implement donations to grassroots sports organisations and suggest an alternative system which could be used alongside or instead of those described.
7. At local level a corporate donor may have already identified a grassroots sports initiative to which it would like to make a donation. The corporate donor would notify the NGB that they had made the donation, stating the amount and details of the donee organisation and once the NGB has confirmed that this information has been recorded on its system, the corporate donor could claim tax relief. We believe this method would increase giving at a local level and ensure the grassroots organisation received the donation promptly. The NGB may then be required to contact the grassroots sports organisation to confirm receipt of the donation.

General comments

RESPONSES TO SPECIFIC QUESTIONS

DEFINITIONS

Q1: Do you agree that eligible sports for the purpose of this reform should be based upon the Sport(s) Council (s) recognition process? If not, which framework(s) would you see as suitable alternative(s)?

8. We believe this is a suitable framework upon which to base the definition of eligible sports.

Q2: Are you aware of any existing frameworks, method or criteria, which could provide useful input to the definition of grassroots sports?

9. No comment.

QUALIFYING CONTRIBUTIONS

Q3: Can you provide evidence of the nature and level of contributions made by NGBs and other companies to grassroots sports?

10. No comment.

Q4: Do you think any elements should be added or deleted from the suggested list of eligible purposes for contributions?

11. The suggested list of expenses is appropriate.

ELIGIBLE RECIPIENTS

Q5: Which option do you think is the most suitable and why?

12. We are concerned that a system whereby payments are made via the NGB will only increase the administrative burden and lead to inefficient processes. It would be simpler for the donor to make the donation to the grassroots organisation directly.

Q6: If the scheme is not to be limited solely to payments made to NGBs, what should be the scope and definition of an eligible recipient? What specific exclusions should be considered?

13. We propose an alternative where the corporate body pays the donation directly to the grassroots organisation. We would be happy to participate in further discussions to identify the scope and meaning of "grassroots organisations."

ADMINISTRATION AND REPORTING REQUIREMENTS

Q7: What reporting requirement should be placed on those making or receiving eligible payments to ensure that the deduction will benefit grassroots sports?

14. As part of the regulatory process it may be sensible for the NGB to set standards for the grassroots organisation to adhere to. Provided these standards are met, the grassroots organisation would be listed on the NGB's website, allowing the donor to make a donation directly.

Q8: Do you think an annual payment limit should be put in place under which contributions would be exempted from reporting requirements? If so, at what level do you think this limit should be set?

15. We do support an annual payment limit under which contributions would be exempted from reporting requirements but do not have sufficient evidence to suggest the level at which this should be set.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory:** tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see via <http://www.icaew.com/en/about-icaew/what-we-do/technical-releases/tax>).