

## Corporation Tax Questions & Answers for Club Treasurers

The purpose of this document is to assist Gliding Club Treasurers with some of the features and common pitfalls of Corporation Tax as it affects our sport.

### **Disclaimer**

Neither the author of this document nor the British Gliding Association is qualified or insured to give tax advice. Guidance is given here in general terms. Should the reader be persuaded to take some course of action (or inaction) as a result of any statement herein they should take appropriate professional advice so far as they may not be absolutely certain of the legal position.

Please advise any errors, misstatements or corrections to the BGA Treasurer.

### **Common Questions...**

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# VAT: Questions & Answers for Treasurers

## Q: Do we need to file a Corporation Tax Return?

A: Gliding clubs, whether they are a commercial or “not for profit” organisation, incorporated or unincorporated “members club”, come within the Corporation Tax (“CT”) regime and should file annual self-assessment CT Returns, even if there is no tax to pay.

It is a club’s responsibility to submit CT returns of income and capital gains, regardless of whether it has received a request to do so from HMRC. Failure to do so may lead to an HMRC enquiry into past years and to interest and penalties on any previously undeclared tax liabilities.

It is a statutory obligation for a club to keep proper records of income and expenditure: if it does not, it would be difficult for it to dispute tax assessments based on estimates made by HMRC.

Even if your club habitually makes losses, returns should nevertheless be made, unless you have a written dispensation from HMRC.

CT returns must reach HMRC within 12 months from the date to which your club’s accounts are made up. If the accounts are for a period of more than 12 months, two returns should be made up, one for the first 12 months and the second for the remaining months.

Any tax due must be paid within 9 months of the date to which the return is made up (ie three months before the deadline date for submission). Tax due but not paid by that date will incur an interest charge. Penalties are charged if a return is due but not submitted by the due date.

HMRC should be advised of the existence new clubs, changes of details or, if you do not have a tax reference, using [Form CT41G \(Clubs\)](#) which you send to your [local HMRC Office](#).

## Q: Where do I get more information about Corporation Tax?

A: HMRC have published guidance notes available on the internet or from [your Local HMRC Office](#):

- [Starting a company or organisation and Corporation Tax](#)
- [A General Guide to Corporation Tax Self-assessment \(CTSA/BK4\)](#)

# Unincorporated Organisations & Corporation Tax

## Q: What do I need to know, now that we have a dispensation not to file a CT Return?

**A:** Clubs with “very small” CT liabilities may be advised by HM Revenue and Customs (“HMRC”) that they have dispensation not to file a return. In this case you will need to recommence filing returns in the event of a material change in circumstances.

Even if you have a dispensation, it may still be preferable to make a return showing losses because losses may then be carried forward and offset should you make profits in the future.

Some clubs may have received an HMRC dispensation from making returns, during the period 1 April 2002 to 31 March 2006 if their profits fell within the £nil rate band which then applied. On 1 April 2006, the £nil rate band ceased. Clubs should check the wording of a dispensation because they may find it was limited to the duration of the £nil rate band and no longer applies.

## Q: Is all our income taxable?

**A:** Not necessarily. There are several valuable exceptions.

**Mutuality.** If your club constitution forbids distributions of profits but provides for surpluses on a winding-up to be paid only to members, a CASC or the BGA, it is likely that you will be able to claim exemption from CT on profits made on transactions with members eg membership fees, flying fees and bar and food sales etc. This is because of the tax principle that a person may not make a taxable profit out of himself – the mutuality principle.

If your constitution contains the relevant conditions, you do not need to register mutuality status with HMRC – just include the calculation with your tax return. Because it is the profit (not the turnover) on these transactions which is exempt from CT, apportionments of expenses are necessary between sales to members and to non-members. Under the same principle, losses on sales to members are not deductible to a club which calculates its tax position using the mutuality principle: if

your calculation shows such a loss and your computations are not normally done claiming mutuality, you should not use this method as it will result in a reduction in the amount of losses which may be claimed against other income or against future trading profits.

**Community Amateur Sports Clubs (“CASCs”).** Amateur clubs, whose income does not exceed certain limits, and which plough all profits back into their gliding activities, [may apply to HMRC for registration as a CASC](#). Once registered, a club’s investment, rental and trading income is exempt from CT (subject to limits). See the [notes on CASCs](#) on the BGA website.

CASCs must include [supplementary pages](#) with their CT tax return.

**Charitable status.** Amateur clubs whose membership is not restricted may be established in a way which renders them eligible to [register as a charity](#) with the Charity Commission. Subject to some minor exceptions (which can usually be avoided with planning), all income including investment and rental income of a registered charity is exempt from CT. There are considerations other than tax in a decision to become a charity – no distributions to members will be permitted, even in a winding up and the interests of the charity may not always coincide with the interests of the current club members. Professional advice should be taken on the advantages and disadvantages before applying for charitable status.

**Non-trading.** Where a club’s only source of income is from its members, it may be possible to persuade HMRC that the club is not trading and, as a result, has no income liable to CT. If such an exemption is looked for, it is strongly advised to obtain the written agreement of HMRC.

**Q: How do I file a Corporation Tax (CT) Return?**

**A:** Prior to April 2011, the return form to be completed is a CT 600, which came in two sizes – normal and short-form. The short-form is much simpler and will be adequate in most club situations.

Filing must now be done [electronically over the internet](#). In order to do this you need to [register an account](#) with HMRC.

The filing software does not fully support companies limited by guarantee, CASCs and smaller Charities so [transitional arrangements](#) apply.

**Q: What planning points are there (capital allowances, gains and trading losses)?**

**A:** Here are a few things to consider. Not an exhaustive list!

Capital allowances. In lieu of depreciation, capital allowances are deductible in respect of capital expenditure on 'plant and machinery'. This term is not defined in the Taxes Acts and the courts have often been occupied in deciding what qualifies and what does not.

Allowances are claimed, in the year of purchase, on a percentage of cost and, thereafter, on a percentage of the unexpired balance. The percentages claimable vary according to the type of expenditure. For major projects, such as a new club-house or extension, specifications may not identify the cost of individual items. It is often advisable to obtain the advice of a quantity surveyor to identify and cost eligible items.

Planning points. Some ways in which your corporation tax liabilities might be mitigated are:

Trading losses may be offset against current year income and gains. Any excess may be claimed to be carried back against profits of the previous year (this period is extended to three years for losses incurred in accounting periods ending between 6 April 2008 and 5 April 2010).

'Enhanced' capital allowances of 100% are available on energy saving plant so long as they

appear on the approved list published by the Treasury.

Timing of capital expenditure. First £100,000 of expenditure on or after 1 April 2010 on all 'plant and machinery' is eligible for 100% annual investment allowance.

Trading losses may be carried forward but only against future years' trading profits. Normally capital allowance claims should be maximised but if this creates excess losses which cannot be utilised by carry back, it may be preferable to disclaim an amount of capital allowances and the resulting higher remaining cost creates higher allowances in subsequent years possibly creating a higher loss to offset against non-trading income (eg a capital gain).

Capital gains may be rolled over into qualifying assets which are acquired in the four year window commencing one year before and three years after the disposal on which the gain is made. This will usually be preferable to offsetting trading losses, which may be used elsewhere.

Please send any comments or queries to [treasurer@gliding.co.uk](mailto:treasurer@gliding.co.uk)