

**BGA Governance Conference
2008 Report**

British Gliding Association



***TREASURERS'
FORUM***

April 2008



INTRODUCTION and WELCOME

Chaired by Mike Jordy, The Gliding Centre

Mike opened the proceedings and explained that, as last year, the aim of the session was to gather together club treasurers to receive information, to share experiences with one another and to look at ways of improving the financial health of gliding clubs.

John Birch sent his apologies as he was unable to attend due to illness.

4 topics would be discussed:

- CASCs
- Club Software
- Insurance - Recent Experiences
- ULGs and diversification

CASCs and GIFT AID

Les Kaye, Treasurer of Herefordshire Gliding Club

The session handout is included at the end of this report.

Having the Inland Revenue pay you money may be a strange notion to many of us, however that is the current Government policy for Sports Clubs and as good British Subjects it is our duty to assist the Government in achieving its objectives.

Government health warning

When dealing with the Revenue and Customs it is essential to comply with the letter of the Law as well as the spirit of the Law.

Every taxpayer has the right to organise their affairs in a way which will mitigate the amount of tax they pay.

Tax avoidance is legal and a good thing. Tax evasion is illegal and bad and will result in you suffering fines and penalties together with expensive legal and professional fees.

This talk is a follow up to the presentation last year when the CASC application process was discussed. I will therefore assume that you have all registered as Community Amateur Sports Clubs and are now wondering how best you can benefit from the Regulations.

There are a number of tax reliefs and exemptions which you get for little or no effort

Non-domestic rates seem to be a hot topic with some Clubs at the moment. There is an automatic 80% discount for CASCs and local authorities have discretion to increase the discount further. The Herefordshire Gliding Club pays £9 p.a. for Rates.

Trading profits up to £30,000 p.a. are exempt from Corporation Tax. Thus tax is avoided if you operate a bar or other activity not directly used in the sport.

Rental income up to £20,000 p.a. is exempt. This might include storage facilities or agricultural use of land.

If you have trading income over the £30,000 limit then try to see if you can modify or reclassify the excess income as a rent.

Unlimited investment income such as Bank interest is exempt so remember not to include it in your trading profits when calculating the £30,000 limit.

Unlimited capital gains are exempt so go out and sell your site for housing and buy a bigger one.

There are tax reliefs for donors

Clubs can recover tax where individuals make gifts to the Club out of their taxed income (at present 28p for every pound donated). The individual recovers the equivalent of the higher rate tax on their own Tax Return.

To see how your Club can best benefit from this you should examine your activities to identify whether there are hidden gifts taking place that you had not thought about.

If one of your Club officers does not bother to claim expenses, ensure that they do make a claim and then encourage them to donate the amount back to the Club.

If a two-seater owner allows occasional use of their glider for Club instruction or trial lessons then reimburse them a proportion of their running costs and have them donate the money back to the Club.

One off situations can arise when you can benefit from this relief

In our Club a member owned a Twin Astir which was almost exclusively used for Club trial lessons. When the member unexpectedly retired a couple of years ago he was faced with a tax bill on his termination payment. The aircraft, trailer and accessories were valued at £20,000. The member donated this amount in cash to the Club. After a Committee meeting to authorise the transaction, the Club purchased the glider from the member using the £20,000 which had been donated. The Club then went on to recover £5,600 basic rate tax and the member's personal higher rate tax bill was reduced by £7,300.

Gifts are made free of Inheritance Tax so that the amount of the gift is deducted from the value of the estate before tax is calculated.

In my experience there are essentially two kinds of club member. There is the generally impoverished member who contributes time and effort to the Club and the affluent member who gets you to help them rig their exotic machines and are then not to be seen on the airfield until it is time for you to help them de-rig.

It is the latter type of member who will be keen to atone for a lifetime of slothfulness with a bequest provided that you have mentioned the CASC status of the Club around the time that they may be reflecting upon their own mortality.



There are other tax reliefs for business assets and Capital gains tax which can be handy in special situations.

I will leave you with two thoughts

1. Firstly be aware of gifts which are being made to your Club, hidden or otherwise and ensure that you are maximising the tax relief available.
2. Secondly keep gently reminding your members of your CASC status so that they will think of the Club when they are faced with personal tax bills they may wish to shelter.

Discussion on Gift Aid

In addition to asking for questions I would ask if anyone has any experiences that they might like to share with us.

Is it possible to claim rental relief on the rent for club members' caravans?

This is a grey area.

Inheritance relief ... Is there any preparatory work to be done if somebody decides they want to leave money to a gliding club.

It was concluded that the answer was "no", but this opened up a discussion about members who wish to donate aircraft to a club. Les re-iterated the example from the presentation where a club member donated £20,000 to the club, which was then used to pay the member for the aircraft worth £20,000. Therefore, the gift was the money, not the aircraft. The gift aid from the donation was used to purchase the trailer and parachutes.

Les then gave a "government health warning" that whilst it makes good sense to organise your affairs in such a way that you pay the minimum amount of tax, you need to ensure that you do not cross the line into tax evasion, as this could result in legal fees etc. and end up being far more costly.

Les also mentioned the idea of taking a portion of member's fees as a donation and advised against this as he thought the Inland Revenue would probably see this as tax evasion. He then suggested that it might be possible to take the membership fee and then ask for the rest as a voluntary donation. However, the drawbacks might be that some people could not afford to/would not want to pay.

Les concluded by briefly talking about how to maximise CASC income. He advised to:

1. Consider what possibilities you have for turning gifts into a monetary value e.g. people who give time and resources to the club
2. Gently remind club members about CASC status and the tax benefits of being a CASC, so that people are more likely to donate

Discussion on CASCs

When you get a donation, what's the timescale for filling in the paperwork for the Inland Revenue?

Les replied that as far as he knew there was no particular date given on the forms, so he advised to just do it at a convenient time.

If club members who are helping out e.g. on the winch, instructing, refurbishing buildings could they be paid for their work and then asked to donate this back to the club?

N.B. post meeting note: volunteers must not be paid otherwise they become employees. Donations must be strictly voluntary.

However, on a related but different topic: in cases where volunteers do not wish to 'take money' from their club by claiming expenses, there is nothing to stop volunteers from claiming their expenses anyway and donating those expenses back to the club.

There is a point of view that says that no volunteer should be out of pocket and so should claim expenses for postage, fuel, printing costs, phone calls, etc..

What do other clubs pay for audit fees?

The sums varied between £750 and £1500. Les commented that clubs may have different amounts of work needing to be done, which could explain the difference in price.

One delegate explained that they are in the process of buying a new aircraft and club members were lending them the money to pay for it. They realised that they had to be careful about paying members back the interest, but wanted to know if they could claim back tax on the loan.

Les didn't think so because the members are not really donating anything, just lending.

One delegate had just taken over as Treasurer. His club had a scheme where it had borrowed money from club members over 10 years and released repayments back into their flying accounts each April. He wanted to know if this was legal.

Les thought that it sounded fine as it was just a way of repaying the loan.

Another delegate revisited the topic of scaling back membership fees and asking for a voluntary donation. General discussion indicated that people thought it was a bit of a 'dodgy' thing to do, but the point was raised that it might be better to ask for the donation to go towards a specific project.

Les thought this could work and said that it was important to consider how you might be able to take legal advantage without breaking the law.



Has anybody had actually put scaling back membership fees to the test - has anybody done it?

Nobody in the room had. There was some debate and question as to whether this would fall within or outside the current Inland Revenue regulations.

Rates: a delegate mentioned that they had managed to get the extra 20% discretionary discount and said they thought making sure the council know what you do e.g. inviting them to open day helps with getting this.

Several clubs have done this; the BGA Development Officers have sample letters that can be used.

What is the tax position in relation to lottery funding?

That funding is tax free.

Do you have to re-register for CASC annually?

No.

Is it possible to de-register from CASC if you felt it was no longer benefiting the club (as it was an arrangement that you freely entered into)?

No.

How many clubs actually fill in a tax return?

The majority of the people in the room said they did not.

There is a need to clarify the difference between the CASC donation repayment claim form and the Corporation Tax Return of trading profits and income.

The answer relates to two different returns - the CASC donation repayment claim form and the Corporation Tax Return of trading profits and income.

If you are a CASC, you need to fill in a tax repayment claim of donations received in order to obtain an Income tax refund equivalent to the basic rate of tax. Multiple repayment claims may be made in a year and they do not need to be to a specific date however clubs may find it convenient to make a repayment claim coinciding with their Accounts year end.

All bodies corporate (including most members clubs) should complete an annual Corporation Tax Return if either the Revenue and Customs send one out or there is tax to pay. As most CASCs will not have a Corporation Tax liability then they need not complete a Return unless one is issued.

The filing date is generally 10 months after the accounting date.

The issue of trial flights and VAT.

Some delegates said they were partially exempt because they had de-registered. Another mentioned that if they sell a glider to another club then they must charge VAT and account for that VAT. There was a suggestion that you could get around that by selling the glider to a specific person within the club and then that person sells it on. However, the delegate who raised the point said he didn't think so as it would still be seen as a sale by the club. Therefore he thought that de-registering was not worth it.

Should budgets include VAT if you have partial exemption?

Les said it depends - on the parts of the budget where you are exempt from VAT it should not be included. If it's a part of the budget where you do pay VAT then it should be included.

Is VAT applicable to trial flights and should people having trial flights be given 1 month or 3 month membership?

A delegate said 3 months' needs to be given, in order for the trial lesson to be classed as a membership service.

Where does VAT stand on reciprocal membership (i.e. people coming to fly from other clubs)?

It was agreed that it would be beneficial for the BGA to look into this further. We hope to publish an answer in due course.

Would it be legal to offer somebody a membership bursary to get them into the club (where they thought this person would greatly benefit the club)?

Les thought that this would be legal.

Summary

The benefits of becoming a CASC are:

- 80% mandatory discount for rates
- Trading profits - £30,000 tax free (e.g. profits from bars etc)
- Rent - £20,000 rental relief
- Unlimited capital gains - No capital gains tax to pay when selling property
- Relief for donors - gift aid, inheritance tax relief
- Relief for people who own businesses and wish to donate assets



CLUB SOFTWARE

Alistair MacKinnon, General Manager, Lasham Gliding Society

Alistair described the Aerolog system - generic software designed for use in gliding clubs that Lasham are in the process of adopting. His experience at Lasham was that the old database was overflowing, capacity was not high enough and the system was generally starting to struggle. Aerolog is in the process of being re-developed and should be ready by around 1st October.

Another club who uses it said they found it to be a good system and would like to see it supported by the BGA. However, some clubs said they couldn't see themselves using it. Another delegate commented that Sage works perfectly well for them. From this, it was suggested that if the BGA were to fund this software then they would need a clear idea of how many clubs would benefit from it and how much it would cost. It would not be worth funding if only a handful of gliding clubs used it. If we are looking at developing a product, we need to know what the market is for that product. It was suggested that 3 people from today's forum ought to contact the BGA and offer to assess the market need.

Discussion

What will the system cost?

They were told that installation for Lasham (by far the largest club in the country) would cost around £10,000 (but that this would be a one-off payment).

Will a generic system work?

They thought it might not work as clubs all have different methods of pricing. They were also concerned that people would need accountancy knowledge and they might not have that.

What has happened since the last Treasurers' Forum - have we actually moved forward?

People didn't seem to have an answer for this, but Mike advised people to mention it when filling in the question on the back of the form "Is there anything you would like the BGA to help with in your club?"

INSURANCE - RECENT EXPERIENCES

Chaired by Mike Jordy, The Gliding Centre

Mike introduced the topic of insurance and asked people if they'd had any problems this year. People generally didn't have any complaints, except that the price has gone up - although not as much as in the previous year.

A delegate asked if over 70/75s had had any trouble getting insurance. Lots of people said they've had no problems. One delegate said their insurance company deemed it the club's responsibility to assess people as fit for flying and didn't impose any age restrictions. Another club said that over 65s were allowed to fly solo, but 2 over 65s were not allowed to fly together. Somebody said that they had restrictions for over 80s - named pilot only. Mike concluded that glider insurance was a bit like car insurance with companies changing their prices annually and that it is obviously in your club's best interests to shop around. He also mentioned that it would be a good idea to talk to other clubs and see what deals they have got - then you have something to persuade the underwriters with.

Mike mentioned that overall insurance is broken down into many different companies, who each take a percentage of the risk e.g. his insurance had 5 different companies on the policy

Discussion

Is the insurance problem going to get worse?

It is hard to tell. The same message as last year in that it is up to clubs to continue to encourage members to reduce the amount of the more minor incidents that result in insurance claims each year. In total the annual effect of these 'minor' incidents is very costly.

Is there a benefit to taking a glider offline for the winter?

One Treasurer thought that insurance companies would expect it to be offline for the duration of the policy - the whole year. Somebody else said they save money by starting their insurance in November and running it for only 8 months. Mike pointed out that if clubs chose to 'cherry pick' which of their risks they would self insure then there is a danger that eventually this would increase the premiums on the remaining risks charged by the insurance companies.



ULTRA LIGHT GLIDERS AND DIVERSIFICATION

Ultra Light Gliders (ULGs) - A picture was shown of an Alatus M. Cost = £18,000. Self Launching Ultra Light Glider. Mike said that a lot of people could be attracted to this type of glider. All they would need is a microlight PPL and a farm strip. However, you can soar them - just like a low performance glider. Clubs who can accommodate powered flying are encouraged by the BGA to consider how they could benefit both in terms of new members and financially, from this new class of glider. This could be a good way for clubs to diversify. The question is how do we bring these people into the fold so that they can learn about gliding etiquette and so on?



One treasurer mentioned they make great crossover training between powered flying and gliding e.g. excellent

for teaching microlight pilots spinning. It could also increase powered pilot's awareness of our sport, even if they decide gliding isn't for them.

Discussion

How much should you charge for launch fees for self-launchers?

A delegate said they charge extra for hangarage for self-launchers, but no launch fees. It was mentioned as a worry that if people are going to be charged more to be based at a club people may not wish to come.

What is the situation regarding selling fuel?

A treasurer said you need to be a licensed fuel supplier; follow regulations and trading standards need to know you are doing it.

Mike Jordy closed the session and thanked everyone very much for attending.



Community Amateur Sports Club Status

(plagiarised from <http://www.hmrc.gov.uk/charities/casc/status.htm>)

Registration as a Community Amateur Sports Club (CASC) enables amateur sports clubs to benefit from a range of tax reliefs, including Gift Aid, Corporations tax, and Capital Gains tax and 80% non-domestic rates relief.

Qualifying conditions for registration as a CASC

To be eligible to register as a CASC your club must have a formal constitution (eg memorandum and articles of association, club rules etc) and its own membership.

Your club must also be able to meet all the following conditions:

- be open to whole community
- be organised on an amateur basis
- have as its main purpose the provision of facilities for and promotion of participation in eligible sports.

A limited company separate from your club cannot apply for registration - only the club itself.

Tax Exemptions

Once registered as a CASC your club will be entitled to claim tax relief for:

- trading profits, where trading turnover does not exceed £30,000
- rental income received, where that income does not exceed £20,000
- investment interest received
- chargeable gains

All tax reliefs are subject to the income or gains being used for qualifying sporting purposes. If your CASC has non-qualifying expenditure you may have relief on income received restricted.

Non-domestic rates

You should contact your local council for guidance about non-domestic rate relief for registered CASCs.

Tax relief for donors

There is a range of tax reliefs to encourage individuals and companies to support CASCs.

- Individuals can make gifts to CASCs using the Gift Aid scheme.
- Individuals can obtain relief from Inheritance Tax for gifts to CASCs.
- Businesses that give goods or equipment that they make, sell or use get relief for their gifts.
- Gifts of chargeable assets (land/buildings or shares/securities) to CASCs by individuals or companies are treated as giving rise to neither a gain nor a loss for Capital Gains purposes.

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