

PURLEY SPORTS CLUB – ACTIONS REQUIRED TO PRESERVE COMMUNITY AMATEUR SPORTS CLUB STATUS

Proposal to activate PSC Trading limited and formalise its status as a subsidiary of Purley Sports Club

Background

Purley Sports Club is registered as a Community Amateur Sports Club (CASC) with HMRC which confers a number of benefits on the Club such as business rates relief, exemption from Corporation Tax on its profits etc.

In order to remain compliant with the conditions imposed by HMRC on our registration, we need to ensure that non-member trading and property income received by the Club does not exceed £100,000 per annum. If it does, we are at risk of losing our CASC status and potentially having to repay all the benefits we have received since initial registration. We are now close to that limit and, under advice from the Association for CASC's (ACASC), we have been exploring the steps we need to take to mitigate the risks.

An acceptable means of doing this is to form a subsidiary company of the club which can be used to generate non-member trading and property income, the profits from which are then gifted back to the Club by way of Corporate Gift Aid. This has the full recognition and support of HMRC, subject to certain steps being taken and properly evidenced.

At the 2015 AGM, the Chairman advised that PSC Trading Limited had been incorporated on a precautionary basis following concerns that HMRC were beginning to investigate sports clubs to see whether they were breaching the rules. The company was not activated and has been dormant ever since. The current shareholder and director of that company is Peter Bright. He is holding the share by way of informal trust for the benefit of the Club. This company also entered into a Licence to Share Occupation of the Club's premises at The Ridge between itself, Purley Cricket Club Limited (Landlord), Trustees of Purley Sports Club (Lessees), again on a precautionary basis.

There has not actually been a requirement to activate PSC Trading Limited since its incorporation as non-member trading income has not reached the critical limit of £100,000. Now that it is getting close to the limit, the Management Committee have been reviewing the CASC rules to ensure that when it is activated, all the proper steps have been taken. As a consequence of that review, and under advice from ACASC, we are asking for member support at the forthcoming AGM on [27th September 2023] to approve a number of actions and rule changes.

Proposed structure and administrative matters

1. PSC Trading Limited needs to be a 100% subsidiary of the Club, with the shares of the company being held by the Trustees of the Club on behalf of the members. This will require the share currently being held by Peter Bright to be transferred to them and held in joint names.

2. The Club, through its members in General Meeting, need to formally approve the creation / activation of a subsidiary company with clear objects whereby the money made by the Company is gifted back to the Club, such a gift being treated as an allowable deduction for tax purposes. This requires a formal resolution of the membership and then for the Articles of Association of the Company to be amended and filed at Companies House. The Trustees will sign the necessary 'Special Resolution' to adopt amended Articles, as sole joint shareholder of the Company.
3. The members of PSC need to formally approve who the directors of the Company will be. It is proposed that initially they be Peter Bright (Chairman) and Ian Black (Treasurer), with the scope to increase up to five in total should it be considered necessary at some future date.
4. The Club and the Company need to enter into a Resources Sharing Agreement which sets out which sources of non-member trading income will pass through the Company, how relevant expenses will be shared or allocated, and authorise use of the Club's premises and facilities that are needed to generate non-member trading and property income.
5. A separate bank account will need to be opened in the Company's name and a separate VAT registration applied for. These matters have been put in hand such that they can be finalised shortly after receiving membership approval to the changes.
6. Accounting procedures and controls will be put in place to ensure that the activities of the Company are separately accounted for and that arrangements are made, in accordance with HMRC regulations, to make corporate gift aid payments of profits to Purley Sports Club.
7. The Treasurer will present 'Consolidated Accounts' to the membership each quarter. Formal statutory accounts will be prepared for PSC Trading Limited on an annual basis, as will Corporation Tax Returns, each showing a net profit of £Nil, as the profits will have been paid over to PSC.

Matters for PSC Member Approval

1. Members are requested to formally RATIFY the decision of the Management Committee, as advised to the membership at the 2015 AGM, to incorporate PSC Trading Limited on 31st March 2015 and for it to be activated at such future date as may be subsequently recommended.
2. Members are asked to APPROVE the following resolutions:
 - a. "That PSC Trading Limited (Company Number 9518948) be formally activated as a Subsidiary of Purley Sports Club, with immediate effect, the Company's objects being:-

'To carry on business as a general commercial company to procure profits and gains for the purpose of paying them to the Club. The Company shall pay to the Club, whether by way of covenanted donations within the meaning of the Income and Corporation Taxes Act 1988 or otherwise, such a sum as, after due provision for the financial requirements of any business or businesses which are for the time being carried out by the Company, as shall absorb or extinguish profits, which otherwise would be available for distribution',

and that the Articles of Association of the Company be suitably amended to reflect that primary object, as well as such other provisions that may be required to give effect to the decisions taken by the members of Purley Sports Club in General Meeting.

- b. "That the ownership of PSC Trading Limited, represented by one (1) Ordinary Share of £1, always be held by the Trustees of the Club, in joint names in trust for the benefit of the members of Purley Sports Club, such Trustees at the date of this resolution being Richard Applebee, Martin Hooff and Stephen Frieze, and that the single share currently registered in the name of Peter Bright, Chairman of Purley Sports Club, be transferred to the Trustees forthwith."
- c. "That there be a minimum of two Directors of PSC Trading Limited, and no more than five, all being members of the Management Committee, including at least both the Chairman and Treasurer of Purley Sports Club, currently Peter Bright and Ian Black, and that such steps are taken to formalise their appointment. Additional appointments as directors should be recommended by the Management Committee and approved by the Trustees".
- d. "That the Management Committee of Purley Sports Club and the Directors of PSC Trading Limited be authorised to negotiate and finalise a Resources Sharing Agreement, materially in the form recommended by the Association of CASC's."