

ESC 7 Clubs, Societies and Associations

Unincorporated associations are within the charge to Corporation Tax on their income. Any club or association with any type of structure will come within this heading. This will normally include any organisation which has officers (eg, a Treasurer and a Secretary perhaps) and engages in financial transactions. We have several organisations like this in the Falklands. Sports associations and social clubs, for example. All should come within the tax net as companies and be taxed on their income - except for registered charities, which are exempt. As a concession, the Taxation Office does not insist on annual returns and accounts from Clubs and Associations, and will not pursue Corporation Tax on the income of these bodies.

Some Clubs will employ staff and pay fees or honoraria to officers, who will pay Income Tax through the POAT system in the usual way. This is quite in order as long as the sums involved reasonably reflect work done.

However, should it transpire that in fact an organisation is being used commercially to generate income for the financial benefit of one or more of its members the concession will be withdrawn.

Explanation

Unincorporated associations are within the charge to Corporation Tax on their income. Any club or association with any type of structure will come within this heading. This will normally include any organisation which has officers (eg, a Treasurer and a Secretary perhaps) and engages in financial transactions. One aim of this rule is to prevent individual office-holders from being liable to income tax on income of the club.

We have several organisations like this in the Falklands. Sports associations and social clubs, for example. All should come within the tax net as companies and be taxed on their income - except for registered charities, which are exempt. Having said this, payments between members of a club are regarded as mutual transactions and not taxable.

It is a fact that most, possibly all, of these sort of organisations will make very small profits, if any. It is another fact that most will find it hard to separate members and non-members income. Some may have nothing approaching a formal Constitution. Many are engaged in charitable work, even though not exempt as charities themselves. Many have important social and historical functions among the people of the Falkland Islands.

Given all of these factors, the Taxation Office does not insist on annual returns and accounts from Clubs and Associations, except in the rare situation where an Association is run commercially with a view to making profits for the financial benefit of one or more individual members. (There may well be no such organisation in the Islands at the moment.)

It must be emphasised that this arrangement is strictly a concession to the correct legal position. Some Clubs will employ staff and pay fees or honoraria to officers, who will pay Income Tax through the POAT system in the usual way. This is quite in order as long as the sums involved reasonably reflect work done.

However, should it transpire that in fact an organisation is being used commercially to generate income for the financial benefit of one or more of its members the concession will be withdrawn.