



## **Guidance for Sports Clubs on Paying Coaches / Instructors**

### **Introduction**

It is common practice for sports clubs to pay coaches, whether this be by utilising funding generated by the Club fundraising themselves or through external funding that has been awarded to the Club.

Consideration therefore needs to be made by the Club and the Coach to the tax implications involved with this and Her Majesty's Revenue and Customs (HMRC) regulations. Failure to do this could result in a fine being imposed on the Club.

Please note this document has been prepared by Sport Across Staffordshire and Stoke-On-Trent (SASSOT) in partnership with GBSport and is for guidance only. Independent advice must be sought before making any decisions based on the information herein.

This document is aimed at amateur sports clubs and coaches that are paid by amateur sports clubs across the Staffordshire and Stoke-On-Trent area.

Further information and advice can be sought from the contacts found at the end of this document, including free online modules available via Sport England Club Leaders.

### **Legal Status**

When an amateur sports club pays a coach, this income should be declared by the coach to HMRC so that the correct tax can be paid. HMRC will require the coach to be trading as one of the four legal status outlined below.

Coaches/individuals have a choice of legal status:

1. Sole Trader (self-employment)
2. Partnership

3. Limited Company
4. Limited Liability Partnership

### **1. Sole Trader**

This is the term given by HMRC to the self-employed. It is the responsibility of the sports club paying a self-employed worker to meet the self-employment guidelines. Failure to meet these guidelines could result in the worker being declared employed by the sports club and tax and NI being owed (and possibly backdated by up to six years).

Further information on being a Sole Trader and how to check that you meet the conditions of a Sole Trader can be found on page 5. A Sole Trader:

- Needs to register with HMRC
- Can operate under trading name or own name
- is recommended to have a separate bank account for business transactions
- Needs to register to pay Class 2 National Insurance (NI) contributions by quarterly direct debit

OR apply for an exemption certificate

- is required to keep bookkeeping records for a minimum of six years

### **2. Partnership**

- Two or more sole traders working together

### **3. Limited Company**

- Individuals can set up a limited company (by share) and be the sole director/worker
- The company will have at least one shareholder and one director

### **4. Limited Liability Partnership**

- Partnership and limited company rolled into one

## **Tax Inspections**

HMRC announced in 2011 that they would be investigating instructors and tutors and these investigations have been ongoing ever since. Places where such individuals work (e.g. clubs, leisure centres, sports organisations) are also being investigated as part of the campaign.

Facts and figures:

- Around 4% of businesses are fully inspected by HMRC tax inspectors each year
- HMRC state that everyone is investigated personally 'sooner or later'
- Tax inspector can look back into 6 years' worth of trading if necessary and, in the case of suspected fraud, 20 years
- Insurance can be taken out to cover the costs of an accountant assisting during an inspection at around £100 per annum

There are two types of inspection (enquiry):

- ASPECT – HMRC looking at certain aspects of a business, normally done by telephone or letter and this may then turn into a full inspection
- FULL – starts with a personal visit to coach/club by an inspector, usually looking at current and previous year records

## **Bookkeeping**

HMRC have the power to fine clubs and paid coaches if their bookkeeping is not 'accurate and legible'.

Recommendations:

- Records should be kept for a minimum of 6 years for self-employed coaches (a minimum of 7 years for limited company)
- Keep detailed list of income (date, money received from, amount, for what)
- Keep detailed list of expenditure (date, who was paid, amount, for what)
- Keep receipts for all expenditure and maintain filing system for these
- Keep contact details of customers
- Retain copies of all contracts

- Backup all documentation away from the computer it is stored on (For example, Dropbox or Skydrive)

## **Sports Clubs Paying Self-Employed Coaches**

There are steps that can be taken to determine if a coach that is being paid by a Club is self-employed.

There is only one way to check the guidelines and be able to rely on the advice and that is to use a software package on the HMRC web site – the EMPLOYMENT STATUS INDICATOR (ESI). See our guide below on how to find and use this software.

If a coach being paid by a Club passes one of the guidelines below then they are likely to be self-employed. It is therefore the responsibility of the sports club to make sure the correct payment procedures are in place. Failure to meet these guidelines could result in the coach being declared employed by the sports club and tax and NI being owed (and possibly backdated by up to six years).

There are three possible ways to be classed as self-employed:

### **1. SUBSTITUTION**

- The sports club allows and requires the coach to send a substitute for sessions the coach cannot make personally
- Substitution must actually happen at least occasionally when reviewed over a reasonable period of time
- The sports club must pay the contracted coach for any work done by a substitute (and the contracted coach will then pay the substitute)

### **2. CONTROL OF THE WORK**

- The coach is in control of the work they undertake and they decide on when, where and how they carry out the work

### **3. FINANCIAL RISK**

- The worker provides all of the equipment required to carry out the work
- The worker pays a reasonable fee for the facility they use to carry out the work
- The worker is required to submit an invoice for the hours worked
- The worker is required to put right any work they carry out that is deemed to be unsatisfactory by the organisation at the worker's own expense

IMPORTANT – you only have to pass one of the three to pass the guidelines (but ideally you should try to pass all three)

It is important for the organisation to have a contract with their worker which details how the worker passes the guidelines.

### **How to Determine Self-Employment Using the ESI software**

- Confirm the coach is self-employed or willing to register as self-employed for the purposes of the work you will be offering them.
- Use the ESI software on the HMRC website (<http://www.hmrc.gov.uk/calcs/esi.htm>) to determine whether the proposed working relationship with the coach is one of self-employment. You can get detailed advice on using this software on the [www.businessforsport.com](http://www.businessforsport.com) website.
- If the initial result from the software is not one of self-employment, revisit the questions and see what you need to change in your working relationship with the coach to achieve self-employment status. PLEASE NOTE – you must ensure that your answers accurately reflect the way you will work with the coach.
- Once you have the desired result from the ESI software, print out the answers you have given (on the ENQUIRY DETAILS screen) and the software results screen (on the RESULTS screen) and file these for future reference and in preparation for any future HMRC inspection. HMRC state on their website that they will be bound by the results of the software so long as you print off these details and have answered the questions accurately.
- Amend the written contract template for the coach to reflect your answers to the ESI software, ensuring that the answers given to the ESI software are accurately reflected in the contract terms and conditions.
- Monitor the working relationship on a regular basis to ensure compliance with the guidelines and the terms and conditions of the contract.

### **Self Employment Contract**

It is imperative that the details of how an organisation passes the guidelines are included in the clauses of a robust self-employment contract.

GBSport provides template contracts on its web site at [www.gbsport.org.uk](http://www.gbsport.org.uk)

## Contacts

### **Sport Across Staffordshire and Stoke-On-Trent (SASSOT)**

The County Sport Partnership for the sub-region aiming to support partners in sustaining current participants and increasing participation in sport and physical activity.

Tel: 01785 619349

Email: [sportacrossstaffordshire@staffordbc.gov.uk](mailto:sportacrossstaffordshire@staffordbc.gov.uk)

Website: [www.sportacrossstaffordshire.co.uk](http://www.sportacrossstaffordshire.co.uk)

### **GBSport**

Provide business support for those working and volunteering in British sport, including advice on tax regulations and HMRC guidelines.

Tel: 01952 201657

Email: [enquiries@gbsport.org.uk](mailto:enquiries@gbsport.org.uk)

Website: [www.gbsport.org.uk](http://www.gbsport.org.uk)

### **Sport England Club Leaders**

Provides free support in business and financial planning, marketing, facilities management and governance.

Email: [club.leaders@uk.pwc.com](mailto:club.leaders@uk.pwc.com)

Website: [www.sportenglandclubleaders.com](http://www.sportenglandclubleaders.com)

### **Her Majesty's Revenue and Customs (HMRC)**

The UK's tax authority, including working to reduce tax evasion.

Tel: 0300 200 3300

Email: Via the HMRC website

Website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)