

ANNUAL 'TAX' MAILING

Guidance Notes for the 2023/24 tax year



The
**United
Reformed
Church**

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WHAT IS THE PURPOSE OF THE ANNUAL 'TAX' MAILING?

Although it is often referred to as the annual 'tax' mailing, the main purpose of this process, for church treasurers, is to ensure that the amount of National Insurance* due on some benefits provided to ministers locally is taken care of.

However the mailing does have a dual purpose, for both church treasurers and ministers, as explained below:

1. NATIONAL INSURANCE*

To enable local churches to pay over the **National Insurance (NI)** due on certain benefits provided to ministers/CRCWs locally

Doesn't Church House already know

all this?

Part, but not all!

Certain payments have to be processed through the central payroll such as stipend, Fixed Car, Housing and Telecom Allowances; we obviously know about these!

But....

We have no idea about benefits which may have been provided locally such as cars or certain assets to do with the manse etc (as detailed in this pack of information). It's with this part we need your help!

**NI on such benefits is currently payable at 13.8%*

2. TAX

To provide formal confirmation to ministers/CRCWs of the amounts which should be detailed on their Self-Assessment Tax Returns so that they can be **taxed**.

Ministers of Religion (including CRCWs) are regarded by HMRC as self-employed holders of an office, except for Tax and NI. It is therefore likely that any benefits provided locally will need to be declared for tax.

Changes in recent years

ZOOM subscriptions

It is our interpretation of HMRC guidance, not explicitly around the provision of packages like Zoom but in general, that where the pastorate has reimbursed a minister for the cost of a Zoom subscription set up in their name then a Class 1 National Insurance liability arises, in much the same way that it does for telecoms, with the minister ('employee') and local church ('employer') needing to pay National Insurance Contributions. If you have reimbursed the cost of a personal Zoom subscription during the 2023-24 tax year then this should be included on Paper C, under the corresponding heading.

If the pastorate set up the package and the minister is simply a user then this need not be included on Paper C.

Electronic submissions

We recognise that many have found it helpful to submit both forms and payments electronically in the last few years, and so these options will continue to be available this year and in future. Individuals wanting to continue submitting paper copies are obviously permitted to do so.

Please ensure that electronically submitted forms are emailed to **finance@urc.org.uk** ahead of the deadline. If you wish to make payment direct into our account please use the following details and use the reference structure indicated:

Reference: Minister Surname/Initials-P11D (e.g. BradburyJ-P11D)

Account Name: United Reformed Church Trust

Sort code: 40-05-03

Account Number: 01191802

Electronic copies of the forms noted in this booklet, including an MS Excel spreadsheet, can be downloaded from the following web page:

<https://urc.org.uk/your-church/guidance-support-for-churches-synods/church-finance/annual-tax-mailing/>

General Principles of Ministerial Taxation

Many of you will have worked as employed persons (either currently or before you retired) and understand that, principally, you receive a salary and one or two other minor benefits by virtue of your employment.

In order to undertake personal travel, heat your home, go on holidays or pay a gardener to do your weeding, you would have to pay for this out of your net salary. Ministers' taxation, with one or two slightly quirky twists, operates on similar principles—acknowledging that ministers are not 'employed' and receive a stipend rather than a salary.

For example, if your minister hates gardening and insists that you pay for a gardener to cut the lawn—this is a benefit and would need to be declared on a SA Tax Return and Class 1A employer's NI would be payable on this. Likewise, if you provide your minister with a car which they are permitted to use for private travel (even if they reimburse the necessary amount for fuel) this is deemed a benefit by HMRC and would need to be handled in the same way.

Principally, if you are providing something to your minister which an employee receiving a salary would normally have to pay for out of their (already taxed) earnings then this is potentially beneficial. There are certain specific areas which break this rule, such as the provision of the manse, but generally we find this a helpful way of looking at the situation.

MOTORING AND RELATED EXPENDITURE

MINISTER PROVIDED WITH A CHURCH OWNED CAR

Car Benefit

When a church owned car is available to the minister (or to family or members of the household) for private use, a taxable benefit arises. The benefit can be calculated by completing Paper B which also gives an example.

Note: If the church owned car is not available for any private use, not even 1 mile, then no taxable benefit arises and this does not need to be included on Paper C

Car Fuel Benefit Charge

When a minister does not fully reimburse the local church with the cost of fuel in respect of private motoring a taxable benefit arises. The benefit is calculated by multiplying:

- A fixed sum (£25,300 for 2023/24) and
- The 'appropriate percentage' used to calculate the benefit which is the taxable percentage of the car's price as determined by the CO² emissions.

For example: a petrol car with approved CO² emissions of 140g/km.

- The percentage used to calculate the car benefit charge for 2023/24 is 33%.
- The 2023/24 car fuel benefit charge for the car is £25,300 x 33% = £8,349.
- The assessable benefit is £8,349 subject to income tax at 20%, a total tax charge of £1,669.80.

If only a contribution to the private fuel cost is reimbursed to the local church rather than the full amount, there is still a liability to meet the full car fuel benefit charge.

During the 2023/24 tax year the following rates have applied for reimbursement of private mileage in church provided vehicles:

From	Petrol 1400cc or less	Petrol 1401cc - 2000cc	Petrol Over 2000cc	Diesel 1600cc or less	Diesel 1601cc - 2000cc	Diesel Over 2000cc	Electric*
1/3/23	13p	15p	23p	13p	15p	20p	9p
1/6/23	13p	15p	23p	12p	14p	18p	9p
1/9/23	13p	16p	25p	12p	14p	19p	10p
1/12/23	14p	16p	26p	13p	15p	20p	9p
1/3/24	13p	15p	24p	12p	14p	19p	9p

**Although HMRC introduced advisory fuel rates for wholly electric cars (not hybrids) from 1 September 2018, the car fuel benefit charge does not apply to electric vehicles.*

MINISTER USING THEIR OWN VEHICLE FOR CHURCH (BUSINESS) PURPOSES

The only items under this heading that need to be included on Paper C are:

- If the mileage amounts reimbursed by the local church exceed HMRC's Approved Mileage Rates (see the table below).
- If the local church meets the personal travel costs of its minister, spouse or dependants.

HMRC Approved Mileage Rates:	
Mode of Transport	Rate
Car (incl Electric) or van	45p for the first 10,000 miles, 25p per mile thereafter
Motorcycle	24p per mile
Bicycle	20p per mile

Fixed Car Allowance (FCA)

In accordance with the Plan for Partnership stipendiary ministers using their own vehicle for business purposes should receive a FCA which must be paid through the central payroll so it is correctly processed for tax and National Insurance. The FCA is paid in addition to locally reimbursed business mileage and does not need to be included on Paper C when processed through the central payroll.

MINISTERS' ACCOMODATION

MINISTER LIVING IN CHURCH OWNED MANSE

Furniture, curtains and blinds

If the local church purchases furniture, curtains or blinds (excluding security shutters) for the manse then a benefit arises and the amount will need to be included on Paper C. See example 2 on page 9 for the calculation of the amount of the benefit.

Internal decorations, repairs and maintenance

If expenditure is incurred on the following then this must be included on Paper C:

- internal decoration whilst the manse is occupied
- repair and maintenance work on items not regarded as the church's responsibility. eg dishwasher, washing machine, microwaves, non-fixed fires, television aerials, free-standing lamps, DIY equipment and vacuum cleaners.
- double glazing when only the glazing is replaced and not the whole window i.e. the glazing is improved.

Note:

The following items do not need to be included on Paper C:

- *Structural repairs including work on garages and outbuildings, replacement windows and double glazing including any related redecoration following such works.*
- *External decoration including garages, gates and fences*
- *Repairs and maintenance works on central heating systems, fixed fires, electrical wiring, security lighting, security alarms and telephone connections, non-removable cookers and other electrical appliances fitted into kitchen units, work on showers, heated towel rails etc.*
- *Standing charges on manse: Council tax/water rates etc*
- *Items purchased for the study*

Assets (e.g. Carpets, free-standing units and removable appliances)

If expenditure is incurred on the following then this must be included on Paper C:

- Carpets (see example 1 below to calculate the amount of the benefit)
- Free-standing units. Replacement of fixed units for cosmetic reasons rather than because of obsolescence or health and hygiene risks.
- Removable appliances eg free-standing refrigerators, microwaves, fan-heaters, removable electric fires, lampshades, light bulbs, batteries and replacement of fixed appliances such as heated towel rail or shower for cosmetic reasons.

Example 1: Carpets

The assessable benefit is not the cost of the carpet but 20% of the 'market value' at the time the carpet was laid. The market value is the "price which it might reasonably have been expected to fetch on a sale in the open market at that time". Advice from the carpet trade suggests that the resale value of newly fitted carpets is unlikely to exceed 1/3rd of their purchase price, excluding fitting charges. For example:

- Carpet supplied and fitted at a cost of £900
- Market value = £900 x 1/3rd (33.3%) = **£300***
- Assessable benefit = £300 x 20% = £60 per annum**

**£300 is the amount to be entered in Column A, section 5*

*** Carpets are deemed to be benefits for as long as they are laid and the minister has use of them. The benefit will therefore need to be included annually.*

Example 2: Free standing units/removable appliances

The assessable benefit is not the cost of the units/appliances but 20% of the market value at the time the goods were first used.

For example:

- Free standing fridge/microwave purchased a cost of £500
- Market value = **£500**
- Assessable benefit = £500 x 20% = £100 per annum**

**£500 is the amount to be entered in Column A, section 5*

*** These items, like carpets, are deemed to be benefits for as long as the minister has use of them. The benefit will therefore need to be included annually.*

MINISTERS' ACCOMODATION —continued

MINISTER LIVING IN THEIR OWN PROPERTY

The only items under this heading that need to be included on Paper C are:

- If the local church meets any costs at all relating to the minister's own property such as:
 - Standing Charges (water rates, council tax etc)
 - Repairs, redecoration or maintenance of the property
 - Fixtures, fittings, carpets or curtains
 - Heating and Lighting

If any of these costs are met by the local church then they will need to be included on Paper C, Section 7

Housing Allowance (HA)

In accordance with the Plan for Partnership a HA is payable if stipendiary ministers are living in their own homes. This should be calculated in line with Appendix B of the Plan for Partnership.

As with Fixed Car Allowances, the payment of a HA must be paid through the central payroll so it is correctly processed for tax and National Insurance. If the local church only pays a HA through the central payroll, and nothing else, then nothing needs to be included on Paper C.

SETTLING A NEW MINISTER INTO THE CHURCH OWNED MANSE

If a new minister has moved to your pastorate in the past tax year and is residing in a church owned manse then the calculation of any taxable benefits is slightly different as it factors in a relocation allowance of £8,000 permitted by HMRC.

If the minister is provided with new fittings, furnishings or carpets to replace items which are not suitable for use in the new manse, there will be no taxable benefit and hence no Class 1A NIC payable by the church, provided the total amount paid or reimbursed to the minister in respect of all the relocation costs does not exceed £8,000. Any sums in excess of this will be subject to tax and Class 1A NIC and this amount should be entered on Paper C, Section 5.

In determining whether the benefit exceeds £8,000 the following need to be included if applicable:

- any URC resettlement grant paid* (£4,401 from 1 January 2024),
- furniture removal expenses,
- market value of new fittings, furnishings or carpets,
- any other costs in connection with the relocation.

**For tax purposes, receipts for items purchased using the resettlement grant should be retained*

TELECOMS (including ZOOM licences)

Manse landline, internet, mobile phones & Zoom licences

If these provisions have been set up by the minister, in their name, and they are the 'legal subscriber' (i.e. they are the person legally responsible for meeting the bill in the eyes of the telecoms provider) then only 'identifiable business use' plus VAT can be reimbursed by the local church without a taxable benefit/Class 1 National Insurance liability arising.

With most modern telecoms packages being based, primarily, around a fixed fee with various allowances it is becoming increasingly difficult to work out what is 'identifiable business use' and HMRC has ruled that it is not acceptable for the local church to reimburse 'estimated business usage'.

It is therefore likely that any amount reimbursed in this scenario will need to be included on Paper C, Section 6.

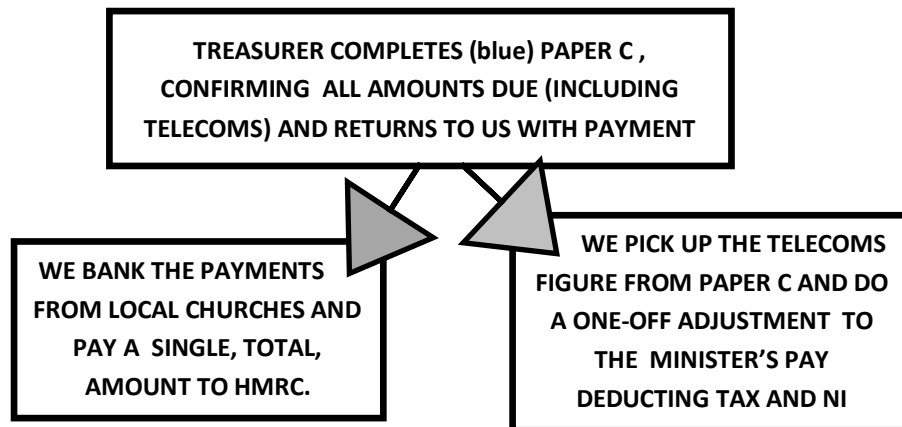
TELECOMS —continued

Note:

- *If the telecoms provisions have been set up by, and in the name of, the local church (i.e. they are the legal subscriber—see definition on previous page) then there is no liability to tax upon the minister and no Class 1 National Insurance liability upon the minister or local church.*
- *Setting up telecoms in this way is preferential for the minister but not necessarily the most straightforward nor cost effective way for the local church as business packages are often more expensive.*

Changes to our processes from 2018/19 onwards

Having discerned that the reimbursement of telecoms charges, as described on page 11, is a Class 1, not a Class 1A National Insurance liability, it was necessary for us to change our processes to ensure that the minister pays National Insurance as well as the local church. The following illustrates how the process now works:



This process is relatively straightforward although more work intensive for the Payroll Manager at Church House. It should also be easier for the minister as they will not need to include Telecoms on their tax returns as we will have dealt with both the NI and the tax due.

Downside of this process

Doing a one-off adjustment to a minister's pay based on a figure amounting, in most cases, to several hundred pounds can mean that the minister has a significant reduction in pay for one-month which they may struggle to absorb. For example, a minister on a basic tax code who had been reimbursed £600 over the year for telecoms related expenditure would have a one-off reduction in their monthly pay of approx. £192.

Avoiding this problem—Telecoms Allowance

In order to smooth the impact of such an adjustment an alternative approach would be to pay a monthly Telecoms Allowance (like the fixed car allowance) to the minister. This would be processed monthly through the central payroll and the minister's pay adjusted month by month for tax and NI thus avoiding a one-off shock. The following describes how this would work:

- Treasurer instructs URC Payroll Manager to reimburse telecoms charges to minister via the central payroll at £X* per month. This payment will then be processed for tax and NI like other earnings.
- Payroll Manager reclaims £X*(£X*+ NI @ 13.8%) from local church via Direct Debit until instructed to reduce/increase or stop payments.
- Treasurer does not need to record the payment of the Telecoms Allowance on Paper C at the year end, nor do they need to keep records of amounts reimbursed for telecoms.
- Minister does not need to include Telecoms Allowance on their tax return as it has already been processed for tax and NI at source.

**We envisage this alternative approach as being a one-off or annual instruction based on notional amounts agreed between the minister and treasurer. We do not have sufficient staff to accommodate month to month variances or adjustments and if treasurers wish to continue paying varying sums they are permitted to do so. However this would mean that the Telecoms Allowance is not an option and telecoms should continue to be reimbursed locally as previously.*

7. OTHER

The following potential benefits should be included on Paper C in Section 7.

Loans to ministers

In any tax year where the outstanding loan balance in respect of a single or combination of loans exceeds £10,000, a taxable benefit will arise. This includes any form of loan from the local church, Synod and the central Church.

For example, if at ordination a minister receives an interest free ordination loan (currently £4,401) and subsequently a loan from the Synod and/or local church of, say, a further £7,000, then the cumulative balance (£11,401) is in excess of £10,000. In such instances a taxable benefit arises on the difference between the HMRC official interest rate for the year on the loans and any interest charged by the loan providers.

The calculations might look like this:

Loan / Interest Rate	Loan 1 1% (Synod)	Loan 2 1.5% (Local)	Loan 3 0% (Central)	Total
Loan balance	5,000	2,000	3,753	10,753
2021/22 HMRC Official Interest Rate – 2.25%	100.00	40.00	75.06	215.06
Actual interest charged	50.00	30.00	0.00	80.00
Difference = Assessable Benefit	50.00	10.00	75.06	135.06

Confirmation of beneficial loans is sent from Church House to HMRC via a P11D, with a copy being issued to the minister.

It is not necessary for church treasurers to have a deep knowledge of this process but we ask that you inform **Joao Rodrigues**, at Church House, if you have provided a loan to your minister locally before you complete and return Paper C, and she will be able to advise you if any Class 1A NI is due.

Gardening services provided

If the local church meets the cost of a gardener who undertakes general garden maintenance (mowing or weeding etc) then this is a benefit and needs to be included on Paper C as it is subject to Class 1A NI.

Note:

- *Specific garden maintenance like tree-logging or fence replacement, where specialist skills are required (and works are most likely periodic in nature), is not beneficial and such costs do not need to be included on Paper C.*

General Business expenses

In the main, general business expenses such as the purchase of paper or ink cartridges or resources for use in services etc do not give rise to taxable benefits as long as they are provided wholly for business purposes.

If the minister uses some of the paper for their own purposes, as long as this share of the cost of the paper is reimbursed by the minister then no taxable benefit arises.

Contact details:

Although every effort has been made to make this guidance easy to understand we realise you may require some help in completing Paper C.

We would prefer to receive enquiries by email if possible, as these are more easily manageable.

Email: financeteam@urc.org.uk

Post: Finance Department, 86 Tavistock Place, London WC1H 9RT

Example:

Substitute Form P11D **Paper C**

United Reformed Church—Employer's PAYE ref: 951/U168

National Insurance form for the tax year 6 April 2021 to 5 April 2022
Church Return to be copied to your minister/CRCW

Church name and number: GREAT BLADDERINGTON URC - 14B99

Minister/CRCW's name: Revd Phil M'Formin

Date of joining church, if after 05/04/21 _____ Date of leaving church, if before 06/04/22 _____

Please complete section 1 or 2 and then section 3 and return this form by 1 June 2022

SECTION 1—NIL NATIONAL INSURANCE LIABILITY

If the above church was (i) without a minister/CRCW, (ii) there were no assessable benefits, or (iii) formed part of a "grouping" in which another church provided the expense payments and benefits to your minister/CRCW for the entire tax year please tick this box. Complete the declaration in section 3 below and return this form to the MOM Office.

SECTION 2—EXPENSE PAYMENTS OR BENEFITS PROVIDED—(Complete the details below as appropriate)

Guidance Notes:		COLUMN A		ASSESABLE BENEFIT	
1	Car Benefit (Page 6)	£	x 100% =		Box 14
2	Car Fuel Benefit Charge (Page 6)	£	x 100% =		Box 15
3	Furniture, curtains and blinds (Page 8)	£	x 75% =		Box 13
4	Internal decoration, repairs and maintenance (Page 8)	£ 200-00	x 75% =	150-00	Box 13
5	Assets (e.g. Carpets, free-standing units etc) (Page 9)	£ 300-00	x 20% =	60-00	Box 18
6	Telecoms (landline, Internet, Mobile & Zoom) (Pages 11-12)	£ 360-00	x 100% =	360-00	
7	Other (Pages 10,14-15)	£	x 100% =		Box 18

Cheques should be made payable to 'URC Trust'

Total sum of boxes 570-00 Figure 1

National Insurance due, Figure 1 above x 13.8% 78-66 Figure 2

SECTION 3—Declaration

Completed by: Ivor Probert Capacity in which signed: ACTING TREASURER
(insert name) (eg Treasurer/Secretary)

Signature: [Signature] Date: 14 April 2022

Please return this form to: MOM Office, United Reformed Church, 86 Tavistock Place, London WC1H 9RT
Figure 2 (above) is the amount to be remitted and returned with this form by 1 June 2022

Notes on expenses/benefits provided:

- Revd M'Formin has served at Great Bladderington URC since 1993
- During the tax year a carpet was installed in the manse sitting room (supplied and fitted) for £900.
- Revd M'Formin claimed a round sum of £30 per month for notional business use on his personal mobile phone.
- The manse sitting room was redecorated at a cost of £200.
- The church reimbursed 5,000 business miles in the minister's car at 45p per mile.