

Definition of expenses

1. Parochial expenses may be defined as all those running costs which clergy and PCCs agree are necessary for clergy to fulfil the duties of their post.
2. The cost of heating, lighting, cleaning and garden upkeep at the official house – including payments under this heading to a spouse or member of the family – are not to be treated as parochial expenses chargeable to the PCC, as other rules apply to them. Details of how to account for these costs are included in the publication *Your Stipend*, available from the Clergy Payments Department (www.cofe.anglican.org/info/clergypay) of the Church Commissioners, at Church House. Council Tax and water charges are also handled separately.
3. The properly reimbursable parochial expenses of clergy include the following:
 - postage; stationery; telephone (including answering machine or answering service provided by BT or other supplier); administrative assistance; maintenance of robes; hospitality; provision of locum; travelling, including related subsistence expenses.
4. Other items that might, under certain conditions, be included are books, repair/replacement of carpets, chairs and other furnishings in the official part of the house, and in-service training. The paragraphs that follow give some guidance on how items in each of these categories might best be treated.

Postage and Stationery

5. Expenditure on these items is relatively easy to assess in full by use of a post book or by keeping empty stamp books as receipts, and by retaining receipts (or invoices) for any stationery. In some larger parishes, the expenses can be charged direct to the PCC through the parish office.

Telephone

17. There are two ways of dealing with telephone bills, neither of which has a tax advantage over the other, and which method is used will depend on local circumstances and individual preference.
 - Either the telephone line is in the name of the PCC and arrangements are made for the cleric's name to appear in the telephone directory. The PCC should pay the rental charges in full and the cleric should reimburse the PCC for his or her own personal and family calls (likely, under normal circumstances, to be somewhere between about 10% and 25% though accurate figures can be obtained by asking the telephone company to produce an itemised bill.)
 - Or the telephone is held in the cleric's name and he or she pays the bill. The PCC should pay for the full rental charge and all official calls. In practice, therefore, the cleric should only be left meeting the (relatively small) cost of personal telephone calls.

There are advantages in the first option, not least that the telephone number can be retained when a cleric vacates the parsonage house. Clergy may also wish to install an additional line for private calls, thus avoiding any difficulty in calculating the reimbursement due to the PCC.

18. Where a member of the clergy uses his or her own mobile telephone for an official call, the PCC should reimburse the cost of the call.
19. PCCs should meet the cost of providing telephone answering machines and fax machines if their clergy consider them necessary.

Computer equipment

20. It is important for there to be a clear understanding about the ownership of any computer equipment.
 - If the PCC provides a computer for the parish office, it will be PCC property, and the PCC should meet the costs of its provision, along with the costs of accessing a server to enable emails to be received and sent (including any

monthly charges and telephone bills in connection with internet use). Personal use of the computer where it is owned by the parish should be minimal.

- Where the computer is the cleric's own property but is also used for official purposes, it would be appropriate for the PCC to meet an estimated proportion of the cost of monthly charges (including telephone costs) to reflect work-related use of the internet. In such cases, where the cost is based on usage, there will not be an additional tax liability, but, where the cost is fixed and the official use has not resulted in additional costs, the proportion reimbursed will create an additional tax liability.
- See paragraph 52 for advice about the purchase of computer equipment.

Administrative assistance

21. Where someone has been appointed to give administrative and/or secretarial assistance to the clergy, the PCC should determine his/her terms of service (including the number of hours to be worked) and be the 'employer'. The PCC should pay the employee direct.

Maintenance of robes

22. As robes are necessary for the performance of the clergy's official duties, PCCs should ensure that they provide the full cost of cleaning and repairing all robes used.
23. Each parish's policy in the provision of vestments will probably have been established by tradition.
24. Clergy are expected to provide their own (clerical) shirts and collars or stocks.
25. Where clergy need to replace their robes, PCCs are asked to take a generous view, even if the cleric may take the robes with them when they leave the parish.

Hospitality

26. Clergy and PCCs need to come to their own arrangements about hospitality expenses, and should bear in mind that, where a hospitality allowance is paid, it should be clear how this has been calculated. Reasonable costs should be reimbursed when clergy have to entertain visiting clergy, officers of the church, or members of the church on official occasions. HM Revenue & Customs advise that hospitality for official - but not social - functions qualifies for tax relief.

Locum

27. Some dioceses operate a system under which the home parish pays the expenses of clergy when they visit other parishes in the deanery. Unless this or something similar is the clergy agreed policy, PCCs should ensure that the expenses of all visiting clergy, whether or not acting as locum, are met in full from parochial funds.

Travelling

General

28. Before the true cost of travel can be assessed, it is necessary to be clear which journeys are 'official' and thus chargeable to expenses. A general starting point is to say that they include all journeys to and from:
 - parishioners and churches in the care of the cleric;
 - church meetings within the parish, deanery and diocese where such expenses are not the responsibility of the DBF;
 - public cemeteries and crematoria (unless separate provision is made for these journeys by the funeral director);
 - hospitals for the purpose of visiting sick parishioners;

- suppliers of robes, communion bread and wine, ecclesiastical books etc;
 - approved training courses.
29. A number of official journeys undertaken will include an element of private and family use. In most cases, it should only be necessary to define the principal purpose of the journey and include it or exclude it from expenses as appropriate. This should ensure an equitable charge on the pockets of both parish and clergy. Parishes should be encouraged to take a reasonably generous view if there is any doubt or difficulty over deciding between private and official journeys.
30. Where clergy live outside their parish, with the permission of the diocesan bishop, it would be fair to expect the PCC to pay reasonable travelling expenses to and from the parish. This is a matter where there needs to be agreement between the cleric and the PCC. The archdeacon's advice should be sought, as there may be an agreement at the time of the appointment and the DBF may accept responsibility for such payment. However, the expenses of travelling between the parish and home would not generally be allowable for tax relief.

Public Transport

31. Where public transport is used for any official journey, reimbursement should be made in full for the fares paid. For long distance journeys, agreement should be reached beforehand on which body is the appropriate one from which to seek reimbursement. Agreement should also be obtained on the appropriate method of transport to be used.

Car

32. Where clergy use their own cars for official purposes, it is obviously necessary for them to keep a log of journeys undertaken so that they can correctly apportion the costs between private use and official use. Where they 'wear several hats', it is essential for all journeys to be logged, so that the expense incurred can be properly claimed from the appropriate body. However, in many cases, this log can be fairly simple – a note of mileage at the beginning of each week and a separate

note of all official journeys. Responsibility for the reimbursement of the costs of official use falls to the PCC.

33. The simplest way to reimburse motoring costs is to use a mileage rate. The Archbishops' Council issues recommended rates; many diocesan boards of finance also issue their own recommended rates. PCCs and other bodies responsible for reimbursing motoring costs may, of course, adopt one of these rates or set their own.
34. Each year, HM Revenue & Customs publish Approved Mileage Allowance Payments (AMAP). Any reimbursement which is in accordance with these rates may be paid tax-free. Where a rate lower than AMAP is paid, tax relief is available up to the level of the AMAP. Where a rate higher than the AMAP is paid, the excess will be taxable.
35. It is sometimes suggested that a mileage rate may not fully meet the actual costs incurred. An alternative method of reimbursement is for clergy to keep full records of all actual official costs and to submit a claim based on these (and the relevant proportion of standing costs and depreciation). However, if the amount actually paid under this method exceeds the amount which would have been payable using the AMAP, the excess will be taxed.
36. Mileage rates and AMAPs cover all running costs (e.g. loan interest, insurance etc) but do not cover external costs such as parking, congestion charges and road tolls. The actual cost of these should be reimbursed separately.
37. A few PCCs will be able to provide an official car, and no problems need arise, provided that there is an absolute ban on use for private purposes. If, however, the car thus provided is available for private purposes, clergy will incur a tax liability on the benefit of the car. They should also make arrangements to pay the PCC an appropriate rate for such use. PCCs should also be aware that they will be liable for Class 1A National Insurance in respect of providing a car.

38. In most cases, the car will be provided by the clergy themselves, with or without the help of a loan. The Clergy Payments Department (www.cofe.anglican.org/info/clergypay) of the Church Commissioners can provide information on the car loan scheme on request.
39. Where a journey involves being away from home for a significant time, the additional cost of meals and accommodation thereby incurred should be claimed from the body/organisation that required the journey to be made.

Books

40. A PCC might reasonably expect to pay for one of the Church weekly newspapers and, possibly, a regular order for one of the theological journals. Over and above this, clergy should be reimbursed for the cost of books considered necessary to assist them in their pastoral and teaching ministries. Tax relief will only be allowed on the cost of books actually used in the conduct of services or the preparation of sermons, as well as books given out to engaged couples, confirmation candidates and bible classes, etc. where clergy have paid for them themselves. Clergy may be able to claim capital tax allowances in respect of substantial reference books that are likely to have a long useful life.
41. The purchase of *Crockford's Clerical Directory* is a legitimate working expense. If clergy are not reimbursed by their PCCs, they are able to claim tax relief on the purchase price. This may apply also to General Synod publications and products of Church House Publishing.

Upkeep of the official house

42. The philosophy behind the Commissioners' 'Green Guide' on the provision of new parsonages is that some parts of the house (e.g. the lobby and study) are official, whilst the rest can be kept separate as the family home. The main living room is to be capable of holding occasional small meetings and, to the extent that it is so used, it becomes temporarily an 'official' part of the house. Clergy in conjunction with the PCC naturally develop their own particular style, and the extent to which the official

house is used for parochial activities varies widely. Assistance might therefore also be given when costs are incurred in the repair and provision of carpets, chairs, curtains and other essential furnishings for those parts of the house that are used by the clergy in their official capacity (e.g. the lobby and the study) and perhaps also for any other parts of the house used by the parish for meetings or social gatherings.

In-service training, retreats and Continuing Ministerial Education

43. Many dioceses make central provision for the cost of attending approved training courses. Nonetheless, individual clergy may well feel the need, after discussion with an adviser or their parish, to attend a particular course, training seminar, or retreat. PCCs should be prepared to meet the cost of any bona fide fee and expenses. If the cost is met by clergy, tax relief is unlikely to be available.

Payments to spouse or relative

44. To justify payment of a spouse or member of the family to HM Revenue & Customs, the amount must be reasonable for the duties performed (i.e. it should be related to, though not necessarily equal to, rates that would be payable to an employee), and the duties performed should clearly be beyond the usual call of a relative. Evidence should also be available, if requested by HM Revenue & Customs, that the spouse or relative has received payment (for example on their tax return).