

Taxation

Class 1a National Insurance

1. The reimbursement of parochial expenses does not normally attract any liability for national insurance. However, where a PCC provides a taxable benefit in kind (e.g. a car, car fuel, or other asset available for personal use), it is liable for class 1A National Insurance. This is an annual charge on the provider of the benefit. The PCC should notify HM Revenue & Customs' Incentive Award Unit at Chapel Wharf Area, Trinity Bridge House, 2 Dearmans Place, Salford, M3 5BH, who will send the appropriate end of year return for completion. Full details are available in HM Revenue & Customs' publication CWG5.

Self-Assessment: PCC's responsibilities

2. As far as clergy paid through the Church Commissioners are concerned, the PCC is technically a 'third party'. As such, PCCs are under the following legal obligations.
 - i) When expenses (other than those covered by the Working Expenses Agreement in paragraph 62 below) are paid to clergy written confirmation of the amount(s) paid must be provided to them. 'Expenses' includes both reimbursements directly to clergy, and the payment of bills on their behalf.
 - ii) If benefits are provided to clergy, written confirmation of the 'cash-equivalent' of these benefits must be given. 'Benefits' includes providing a car and/or petrol, payments towards heating, lighting, cleaning and gardening at an official house, and any loans (for work purposes) at a concessionary rate of interest.
 - iii) For both expenses and benefits, the choice of when and how to provide this information (for example each time they are paid, or as a grand total at the end of the year) belongs to the PCC but it must be in writing and it must not be later than 6 July each year.

3. The PCC does not need to make any Returns to HM Revenue & Customs.
4. HM Revenue & Customs' publication *Expenses and Benefits – A Tax Guide* (Booklet 480) explains in more detail what constitutes an expense or benefit and how to calculate cash equivalents. It is available from any HM Revenue & Customs office.

Self-Assessment: clergy responsibilities

5. The Church of England's system of paying stipends and expenses is structured to make full use of the concessions available in tax law. Consequently it is usually necessary for clergy to complete a tax return each year. Clergy must therefore keep adequate records of all income and expenses relating to their work. Anyone who makes payments to the clergy in connection with their work is under an obligation to give written confirmation of the amounts involved. In the case of payments through the Church Commissioners, they will include them on a P60 End of Year Certificate. Guidance notes to help in the completion of the tax return are prepared by the Clergy Payments Department (www.cofe.anglican.org/info/clergypay) and circulated each year.
6. In order to simplify the completion of tax returns, the Church Commissioners have reached an agreement with HM Revenue & Customs over certain types of expenses, which make no difference to the tax liability. These should not be included in the tax return. A copy of this Working Expenses Agreement is available at www.cofe.anglican.org/info/clergypay or from the Clergy Payments Department at Church House. However, records of these expenses are still required to be kept by both the PCC and the cleric in case they are needed for a PAYE inspection.
7. The substantive document on this subject is the Churches' Legislation Advisory Service circular entitled *The Taxation of Ministers of Religion*, last revised in 2002. Copies can be obtained from the CLAS at info@clas.org.uk.