

FOR CHURCH LEADERS AND OFFICERS TO PULL OUT AND KEEP

## Finance Matters

### Subscriptions

Thank you to all who have paid their 2016 subscriptions. Reminders were sent out last year but there are still some churches who have yet to pay their 2016 subscription. This may be for many reasons, so we would appreciate it if you could get in contact with us so we can understand your particular situation. Hopefully together we can get a resolution. In the first instance please email [subscriptions@baptist.org.uk](mailto:subscriptions@baptist.org.uk)

### Subscription Rate for 2017

For information, the 2017 subscription fee has been calculated at £4.35 per member, up from £4 in 2016. This increase has been agreed by the Baptist Steering Group to help mitigate the financial strain the Baptist Union is under. However, even with this increase, the Baptist Union is expecting to show a substantial deficit for 2017, particularly due to the costs involved in our initiatives to mitigate the costs of the pension deficits faced across the Baptist family.

For 2017 we are delighted to launch Direct Debit as a new payment method for subscriptions. Going forward, Direct Debit will be our preferred method of payment because it is a more cost effective payment, reduces the administrative work for our finance team and allows us to forecast the timing of our income more accurately.

To move to direct debit, please complete the form at [www.baptist.org.uk/directdebit](http://www.baptist.org.uk/directdebit)

For 2017, whilst we are moving churches to Direct Debit, we will also continue to accept direct bank transfer and cheque payment for 2017 subscriptions.

For direct bank transfers our account details are as follows:

Bank HSBC  
Sort Code 40-19-35  
Account Number 41083635  
Please quote your Church Number as reference.

If writing a cheque, please make it payable to 'Baptist Union of Great Britain' and send the payment to Subscriptions, Baptist Union of Great Britain, Baptist House, PO Box 44, Didcot, OX11 8RT

As in past years, the subscription fee will be calculated based on the latest available membership numbers from your church Annual Return.

## Taxation Topics

compiled by Philip Cooke FCA –  
Honorary Taxation Adviser

### Reimbursed manse light and heat expenses

The 2017-18 tax year is now well underway and hopefully treasurers and payroll administrators are dealing

with reimbursed manse light and heat expenses in the manner set out in *Transform 045*. A further tax alert was posted on the website on 8 February with a view to explaining the mechanics of 'payrolling' in greater detail, the link to which is: [www.baptist.org.uk/lighthouse](http://www.baptist.org.uk/lighthouse)

### Gift Aid 'top-up' payment in respect of small cash donations (GASDS)

Some welcome changes have been made to the provisions relating to the Gift Aid small cash donations top-up payment with effect from the beginning of the 2017-18 tax year. The changes are particularly helpful to newly formed charities in that the requirement for a charity to have been established for at least two complete tax years before it is eligible to make a 'top-up' payment claim, as well as the need to have made ordinary gift aid claims in at least two of the previous four tax years, with not more than a one-year gap between any two claims, have been removed. Further details are set out in an updated version of *document FGA04* - the link to which is: [www.baptist.org.uk/giftaidtop](http://www.baptist.org.uk/giftaidtop)

However, it is still necessary for an ordinary gift aid claim to be made in the **same** tax year on donations of at least £1 for every £10 of small donations for which a 'top-up' payment claim is made. So, in order to be able to claim the maximum 'top-up' payment of £2,000 (on small cash donations of £8,000), there will need to be at least £800 of ordinary gift aid donations.

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There is also a change in the conditions relating to a claim for a 'top-up' payment in respect of activities carried on in a *community building*. As from 2017-18 a charity can claim a 'top-up' payment up to the maximum amount of £2,000 **either** in respect of small donations received from **any source**, **or** in respect of activities carried on in a community building, whichever is the most beneficial. This change is unlikely to affect Baptist churches since, unlike branches of national charities and some church denominations, each local Baptist church is a separate legal entity, not connected with other Baptist churches, and thus entitled to a 'top-up' payment in its own right.

#### **Ex gratia gift to minister on termination of an appointment**

As previously mooted, it is intended to make changes (from April 2018) in the tax provisions relating to payments made on the termination of an employment - primarily to ensure that payments made during or in lieu of notice are taxable as pay, and also to impose (in addition to the tax charge) a Class 1A (employer) NIC charge on that part of a terminal payment which exceeds the tax-free exemption - which is to remain unchanged at £30,000.

It should therefore be possible for churches to continue to make, within limits, an ex gratia payment on the conclusion of a ministry as an expression of the esteem in which a minister has been held by members of the congregation. As indicated in *Taxation Guidance Notes for Churches and Ministers* (document F06 on the Baptists Together website) there must be **no** contractual arrangement or prior agreement to make such a payment which, desirably, should be made after the ministry has concluded. I imagine that any ex gratia payment by a church will fall comfortably within the tax exemption limit!

As indicated in *Taxation Guidance Notes*, care should be taken in relation to a payment made on a minister's retirement, since this could possibly be regarded by HMRC as an 'employer-financed retirement benefit scheme' and so be chargeable to tax. It is suggested that on these occasions the retirement gift should be 'in kind' or, if it is a cash gift, that it be handled informally by members of the congregation rather than through the church.

#### **Online tax return filing facility for Ministers**

Ministers are reminded of the online tax return filing facility provided on attractive terms by Simple Tax. Further details at: [www.baptist.org.uk/ministersonlinetax](http://www.baptist.org.uk/ministersonlinetax)

#### **Form P11D**

Treasurers are reminded that it will be necessary to include (for the last time) at section N of the 2016-17 form P11D, the amount of manse light and heat expenses reimbursed to a minister. Thereafter, many treasurers will probably have no occasion to complete this form because there are no other benefits or expenses to report. However, by way of reminder:

*Reportable benefits* include (though not exclusively):

- » interest free and low interest loans (ie loans made at less than the 'official rate' - currently 3% pa);
- » manse internal repairs and decorations and replacements of carpets and furnishings and fixtures - other than those in the nature of 'landlord's fixtures and fittings';
- » any services provided for the minister - including power supplies if accounts are in the name of the church rather than the minister;
- » any assets (cars, property, goods etc) transferred to, or placed at the disposal of, the minister, or any payments made on behalf of the minister, including private medical treatment or insurance;
- » relocation expenses in excess of £8,000;
- » mileage allowance paid in excess of the approved rates - which for the year 2017-18 remain at 45p per mile for the first 10,000 miles pa and 25p per mile thereafter;
- » any expense payments made to, or on behalf of, the minister, to the extent that they are not tax-deductible or have not otherwise been 'payrolled'.

Many of these benefits also give rise to a Class 1A NIC charge.

*Non-reportable benefits* include:

- » the annual value of manse accommodation provided for the minister, and the associated council tax, water charges and buildings insurance;
- » manse external repairs and decorations and the repair or replacement of 'landlord's fixtures and fittings';

- » tax-exempt expenses incurred in the performance of the minister's duties - usually of the kind previously included in a P11D dispensation;
- » trivial benefits (ie not exceeding £50 in value on any occasion but excluding gifts in the form of cash or exchangeable vouchers).

#### **Final reminder**

Don't forget to check from time to time the Treasurers' Area on the website at: [www.baptist.org.uk/treasurers](http://www.baptist.org.uk/treasurers) to see whether new material has been added.

*If you have any further questions, Philip Cooke FCA (Honorary Taxation Adviser) is happy to respond to tax questions of a general nature. Please email him at [philipjcooke@aol.com](mailto:philipjcooke@aol.com)*

## BUGB Legal and Operations Team

#### **Data Protection**

In December two high profile charities were found to be in breach of the Data Protection Act and were issued with financial penalties of up to £25k by the Information Commissioner (ICO). An ICO investigation found that they had screened their donors in order to target them for more money; this so called 'wealth screening' was one of three different ways in which both charities breached the Data Protection Act by failing to handle donors' personal data in a manner consistent with the legislation. The charities also traced and targeted new or lapsed donors by piecing together personal information obtained from other sources. And they traded personal details with other charities, creating a large pool of donor data for sale.

Donors were not informed of these practices, and so were unable to consent or object. Although churches are highly unlikely to engage in similar practices it is a timely reminder that anyone who processes personal information must comply with eight principles of the Data Protection Act, which make sure that personal information is:

- » fairly and lawfully processed;
- » processed for limited purposes;
- » adequate, relevant and not excessive;
- » accurate and up to date;
- » not kept for longer than is necessary;
- » processed in line with your rights;
- » secure; and

» not transferred to other countries without adequate protection.

The ICO can take action to change the behaviour of organisations and individuals that collect, use and keep personal information. This includes criminal prosecution, non-criminal enforcement and audit. The ICO has the power to impose a penalty on a data controller of up to £500,000.

Churches should refer to the guideline leaflet *L13 Data Protection* which is available on the Baptists Together website.

### **Charity Commission new official warnings regime**

The Charity Commission has a new statutory power to issue official warnings when it considers that there has been a breach of trust or duty or other misconduct or mismanagement in a charity. The purpose of issuing an official warning is to ensure that the charity or trustee concerned knows that a breach, misconduct or mismanagement has taken place and that it needs to be rectified, and to ensure they know what action they should take to stop the misconduct or mismanagement or to prevent a recurrence of it.

The Commission says that the new power will help them to tackle misconduct or mismanagement in charities where they consider that:

» the harm, or risk of harm, to a charity, its assets (including reputation) or beneficiaries is sufficient to require the commission to take action

» regulatory advice and guidance alone is not sufficient to deal with the misconduct or mismanagement  
» it would not be proportionate in the circumstances to use other temporary or permanent protective powers (such as removing or disqualifying trustees) or require trustees to account for a loss or benefit, for example through restitution or recovery of funds.

Breach of trust or breach of duty includes acting in breach of:

» the trustees' legal duties  
» the charity's governing document  
» specific statutory requirements for trustees as set out in the Charities Act 2011 - such as filing annual returns, reports and accounts  
» any other legal duty that applies to the charity or its trustees.

Trustees' key legal duties are explained in the Commission's publication: CC3 The Essential Trustee which can be found on their website.

The Commission will follow the principles in its risk framework in deciding what regulatory action is appropriate when something goes wrong in a charity. The Commission will take account, amongst other factors, of the trustees' conduct and response in deciding what regulatory action is appropriate. Following these principles, the Commission is likely to consider using the warning power where, for example, one or more trustees:

» have acted recklessly or without due care, resulting in a breach of trust, misconduct or mismanagement

» have failed to take appropriate steps to rectify a breach of trust, misconduct or mismanagement despite engagement with the Commission (for example by complying with default notices for failing to submit accounts and returns or implementing an action plan agreed with them), have failed to discharge legal duties in the administration of the charity or a charity has failed to discharge its legal duties in connection with charity activities  
» have displayed a pattern of repeated misconduct or mismanagement  
» have committed deliberate or wilful wrongdoing resulting in a breach but it would not be proportionate in the circumstances for the Commission to use other powers.

### **Deed Scanning Project**

The Legal and Operations team have recently begun a major project which will eventually result in many church trust deeds being available in a digital format. The first stage will include churches for whom the Baptist Union Corporation acts as property trustee. Key trust deeds and other legal documents are being identified and then sent to an external firm that has specialist scanning equipment.

This comprehensive project will take a number of years to complete. As well as BUC churches the project will also include churches that have other Baptist trust corporations as their property trustee if the Legal and Operations team are responsible for that corporation's trust work.



## **Baptists Together Deposit Accounts**

Baptist member churches with savings and reserves are encouraged to lodge these in a Baptists Together Deposit account. These accounts, provided by the Baptist Union Corporation Limited, offer a competitive rate of interest to depositors. They also provide funds which are used to make loans to finance the purchase of new church sites and manses and fund the construction of new churches, as well as redevelopment and improvement projects. Such projects help churches to develop their mission in their community and it is a fantastic way for churches with surplus funds to support mission across the Baptist family.

### **NEW FOR 2017:**

1% interest on 1 year fixed rate deposit  
0.6% interest on 3 month notice account  
0.35% interest on 7 day notice account  
*(all rates subject to regular review)*

For more information visit

[www.baptist.org.uk/depositaccounts](http://www.baptist.org.uk/depositaccounts)

We hope to be able to make the digital records available to churches in due course and will contact you when this service is available.

### **Car insurance and volunteers**

Anybody who uses their own car during the course of volunteering for the church should mention this to their own insurer. This will not usually result in any extra charge but it is important that insurers know if you are a volunteer for a charity and that you drive your own vehicle on charity business. You should mention this to your insurer to ensure that you have appropriate car insurance cover.

## Pensions News

### **Registering on the Employer Hub**

A significant number of churches still have not registered to use the LCP Employer Hub. The Hub is the ideal way to:

- » keep your church's pension contact details up to date
- » obtain regular updates on the estimated employer debt for your church if it has a liability to the defined benefit pension plan (see item below)
- » communicate swiftly and securely with LCP re matters such as applying for a period of grace (see item below), and providing an annual declaration of pensionable income figures
- » ensure you receive all general scheme communications promptly.

To register, please contact LCP at [BaptistAdmin@lcp.uk.com](mailto:BaptistAdmin@lcp.uk.com)

### **Automatic Calculation of Employer Debts**

Automatically generated estimated 'debt' figures are now available through the Employer Hub for those churches and other employers which have a responsibility for funding the defined benefit plan deficit and currently employ an active member of the Pension Scheme (or are in a period of grace).

The figures are updated on a monthly basis and show the theoretical level of debt your church would incur if it left the Scheme immediately. The figure will rise and fall over time, depending on how the financial position of the Scheme alters. In many cases the amount will be quite alarming, given the level of the Scheme shortfall.

However, unless your church has already triggered a cessation event and employer debt, it is for guidance only. We hope that seeing the debt figure in relation to your own church will help you understand and appreciate the scale of the problem and the impact this could have on your future contributions to the Scheme.

### **Where to find support on pension matters**

The Baptist Pension Scheme (BPS) Trustees are very aware of the financial burden the pension deficit is placing on churches across the Baptist family. Your church's pension information is confidential to the BPS and cannot be shared without your permission. However, the Baptist Union regional ministers / teams / Associations have supported a number of churches and other scheme employers through the employer debt process and you may find it helpful to contact them.

### **Pensions information required for church accounts**

The Guidelines for Pension Notes to Church Accounts have been revised and updated for 2017. You can find the guidelines on the BPS website at: [bit.ly/bpsguidelines](http://bit.ly/bpsguidelines)

In addition, a calculation spreadsheet has been developed for use by those churches who now need to calculate pension figures in relation to the Defined Benefit plan for inclusion in their FRS102 disclosures.

The spreadsheet and full instructions for use can be obtained on request from Mark Hynes, Pensions Manager, Baptist Pension Scheme, at [mhynes@baptist.org.uk](mailto:mhynes@baptist.org.uk)

### **Automated process to apply for a Period of Grace**

A new module on the Employer Hub allows churches to apply for a period of grace at the same time as informing LCP of a member leaving the Scheme.

This can be accessed using the 'Notify us of a leaver' module on the Employer Hub.

We strongly recommend that you notify the administrators of a member leaving the Scheme using the Employer Hub. This will greatly reduce the risk of your church inadvertently failing to meet the timescales for requesting a period of grace if one is required.

### **Pension Scams**

The UK's Financial Conduct Authority (FCA) has warned that scammers are becoming increasingly sophisticated in their efforts illegally to part people from their retirement savings.

Pension pots are a high value and attractive target to fraudsters and many of the 'deals' seem very convincing, starting with offers of excellent returns.

However, once the money is transferred into a scam arrangement, it's too late to change your mind, and the member could end up losing all his or her hard earned pensions savings and in some cases also face a tax bill of up to 55%. Make sure you help your staff to be aware of these scams.

The Pensions Regulator has produced some tips to help give the best possible protections against pension scammers, which you can find at: [bit.ly/pensionregulatorscams](http://bit.ly/pensionregulatorscams)

### **2017 BPS Newsletters**

The *2017 Newsletters for Employers and Members* will be issued in June and as usual, will provide:

- » Updates on the financial position of the closed Defined Benefit plan
- » The latest pensions news
- » Helpful advice on current 'hot topics'

If for some reason you do not receive your *2017 Newsletter*, or want additional copies, then please refer to the Scheme website where it will also be published ([www.baptistpensions.org.uk](http://www.baptistpensions.org.uk)).

These notes are offered to provide general information for Baptist churches. We hope they will be helpful in highlighting new guidance and providing reminders about other important matters relating to the life of a local Baptist church. Although every effort is made to ensure that the information is correct at the time of publication, we make no representations, warranties or guarantees (whether express or implied) that the information is accurate, complete or up-to-date. Further, these summary notes are not intended to amount to advice on which you should rely and cannot be a substitute for formal professional or specialist advice. We do not assume and will not be liable to any party (who has either taken or refrained from taking action in reliance on these notes) for any loss or damage caused by errors or omissions, whether resulting from negligence or any other cause. If you want to ask detailed follow-up questions, please contact us through the Baptist Union website.