



Charity Registration

Churches will be aware that they only have to register with the Charity Commission once their annual income exceeds £100k. The Government has recently extended the exempting regulations to run until March 2021 so churches with incomes below £100k will not have to register before then.

The Government said: 'At a time when many smaller religious charities are under pressure and the Commission's budget is in the process of being reduced by a third in real terms between 2010 and 2015, now is not the time to require those charities to register. The Commission will be using the extension period to work with the representative bodies of the affected charities to identify ways to enable the charities to register with a minimum of red tape'.

Late Filing by Registered Charities

Churches that are already registered with the Charity Commission should note that the Commission is taking an increasingly tough approach to charities that file their trustee reports and accounts late. Charities have ten months from the end of their financial year to submit their accounts and annual return. This is a legal requirement and a failure to provide this information to the Commission is a criminal offence.

In September 2013 the Commission launched a class inquiry into 'double defaulting' charities (those which have failed to file annual reports, accounts or returns in two or more years within the last five). The Commission started with charities with larger incomes and was selective about which to approach but charity trustees should

be aware that the Commission has included churches in their inquiry.

Insurance Certificates

Churches are reminded to retain all historic copies of insurance certificates in case a claim is raised against the policy at any time in the future. Our solicitors have been dealing with cases of historic injury from asbestos and assaults where the charities and charity trustees concerned have had difficulty in finding the relevant insurance details. For most public liability insurance policies the relevant period of insurance is when the event occurred, not when the claim is raised. The name of the insurance company and the policy details can therefore be needed many years after the policy has lapsed.

CIO Training Day

We have arranged to run an information session for Baptist churches about the new CIO structure (charitable incorporated organisation). This will be held at the offices of our solicitors, Anthony Collins LLP, in Birmingham on Tuesday 17 June 2014. For further information please email buc.corp@baptist.org.uk.

A CIO, is a new legal structure for charities, which:

- » is an incorporated form of charity which is not a company
- » only has to register with the Charity Commission and not with Companies House as well
- » is only created once it is registered by the Commission
- » can enter into contracts in its own right and its trustees will normally have limited or no liability for the debts of the CIO.

The CIO was created in response to requests from charities for a new structure which could provide some of the benefits of being a company, but without some of the burdens. Churches are entitled to register with the Charity Commission as a CIO whatever their income level. A precedent CIO governing document

for Baptist churches is available from Anthony Collins LLP. Please refer to our guideline leaflets *C11 Churches, Charities and Incorporation* and *C12 Using the Charitable Incorporated Organisation Precedent Document* which can be found on the Baptists Together website.

Control of Asbestos at Work Regulations 2012

Regulation 4 of the Control of Asbestos at Work Regulations 2012 imposes a duty on anyone with an obligation to maintain non-residential premises, including churches, to investigate whether asbestos is present.

Churches need to remember that manses are not technically domestic premises. A consideration of issues relating to asbestos needs to include all church and manse property.

For more information please refer to our guideline leaflet *L11 Control of Asbestos at Work Regulations 2012* which can be found on the Baptists Together website. This leaflet explains what is required by these regulations and outlines the legal 'duty to manage' asbestos in non-domestic premises.

Baptist Union Deposit Accounts

Deposit account monies are part of the fund utilised by our Baptist Union to make it possible for churches to finance their redevelopment and improvement projects and to help them with the purchase of new church sites and manses. This is a way in which churches with surplus funds can support those in need of finance to make it possible for them to develop their mission in the community.

Churches with savings and reserves can lodge these funds with the Baptist Union Corporation in a Deposit Account which is currently paying 0.6% per annum. For more information please visit www.baptist.org.uk/loan_funds

Taxation Topics

Gift Aid Small Cash Donations

If you have read *leaflet FGA04* (on the Baptists Together website Finance Bookshelf) you will be aware that HMRC finally conceded that each Baptist church is an independent entity not 'connected' with other Baptist churches, with the consequence that each church is entitled to claim a 'top-up' payment up to the maximum of £1,250 (on small donations not exceeding £5,000) for the tax year 2013-14 and subsequent years. Please refer to the leaflet for further details, including guidance on making Gift Aid Relief claims - especially with a view to ensuring that a church does not give the impression that it is 'connected' with other Baptist churches.

Expenses paid to voluntary workers

If a person engaged in voluntary unpaid work for a church incurs expenditure, such as travel costs, postal and photocopying charges etc then, provided the expenses are reasonable and proper, a church can reimburse the voluntary worker for such expenses without giving rise to any tax or NIC liability. Travel costs can, if desired, be reimbursed in the form of a mileage allowance up to the HMRC approved rate of 45p per mile - including mileage from home to church.

However, if expenses are paid which do more than reimburse the costs incurred, or are at scale rates which cannot reasonably be regarded as a mere reimbursement of what is spent, the voluntary worker may be deemed to be receiving remuneration for their services. In that case the entire payment may be chargeable to tax as miscellaneous income, or as employment income if it is shown that the recipient is considered to be the holder of an office or employment.

Employment allowance

Treasurers who have not already done so may wish to read *leaflet F14* (on the Finance Bookshelf) which provides guidance concerning the new Employment Allowance of up

to £2,000 pa given by way of set-off against employers' NICs. Once again, it is helpful that HMRC has conceded that Baptist churches are not 'connected' with one another since there would otherwise have been only one allowance of £2,000 for the entire denomination!

Housing allowance paid to a minister

It is necessary to stress again that if a minister is paid a housing allowance (in lieu of the provision of manse accommodation) such allowance must be treated as additional pay chargeable to income tax and NICs under the PAYE scheme. The same consequence ensues if a church pays or reimburses the minister for rent incurred by the minister as tenant - as opposed to rent arising under a lease or tenancy agreement entered into by the church as tenant.

PAYE/RTI end of year matters

Treasurers may have picked up the guidance on PAYE/RTI end of year matters in *leaflet F15* (on the Finance Bookshelf) and should by now have filed the final FPS (Full Payment Submission) for the tax year 2013-14. If not already dealt with, there remains the matter of filing form P11D for which the latest date of filing is 6 July 2014.

Hopefully, all treasurers have now realised the importance of having in place a P11D dispensation for expenses of a kind which are 'tax allowable' in the hands of a minister since, in many cases, this may well mean that reimbursed manse lighting and heating expenses is the only item to be included on form P11D. A specimen application for a P11D dispensation is available on the Finance Bookshelf - *document FTG02*.

In the event that there are any benefits or expenses which give rise to Class 1A (employers) NICs payment must reach HMRC by 19 July for postal payments or 22 July for electronic payments.

'Official rate of interest'

The 'official rate of interest' for the purpose of computing the annual taxable value of a 'beneficial loan' made to an employee has been reduced from 4% pa to 3.25% pa with effect from 6 April 2014. However, where the outstanding balance of a loan or loans made to an employee is less than £10,000 (£5,000 up to 2013-14) there is no taxable benefit in kind. [See Taxation Guidance Notes - *document F06* on the Finance Bookshelf for further details]

Renewal of manse carpets and internal decorations etc

Treasurers are reminded that if manse carpets or soft furnishings are renewed during a ministry this will give rise to a taxable benefit on the minister. Likewise if a church undertakes any internal decoration or maintenance of the manse.

In the case of carpets the 20% annual benefit charge is computed by reference to their market value at the time they are first provided, so the benefit will be considerably less than 20% of cost price. It is understood that the market value of fitted carpets would not normally exceed one-third of original cost - possibly less in some cases. It should also be noted that the annual benefit continues for as long as the items in question continue in use by the minister for whom they were provided. An alternative way of dealing with carpets or soft furnishings provided at the commencement of a ministry would be to treat them as part of relocation costs which, provided they do not exceed £8,000 in total, do not give rise to a taxable benefit.

Can a minister be self-employed for tax purposes?

The short answer is 'No' - because a minister is treated as the holder of an 'office' - the 'emoluments' of which are taxable as employment income. The only circumstance in which a minister might be regarded as self-employed would be where he/she exercises an itinerant type of ministry involving many churches, rather than a single or small group of churches.

Important end of tax-year information for treasurers

HMRC has issued important end of tax-year guidance which can be viewed on the HMRC website at: www.hmrc.gov.uk/payerti/forms-updates/employer-email.htm

The most relevant matters are summarised below but you should check the full guidance notes to make sure that there are no other matters which might affect you.

- 1 The final FPS (Full Payment Submission) for month 12 must indicate that it is the final submission for the tax year 2013-14 and you should ensure that you answer the end of year questions and declaration. Under RTI forms P35 and P14 no longer have to be filed. The final remittance of PAYE and NICs for month 12 or Q4 must reach HMRC by 19 April (for postal payments) or 22 April (for electronic payments).
- 2 If there are no payments in the final pay period (eg because of a ministerial vacancy) you should submit an EPS (Employer Payment Submission) by 19 April indicating

“no payment for the period” and also that it is the final submission for the tax year. You should also answer the end of year questions and declaration.

- 3 Form(s) P60 will be prepared automatically by HMRC's Basic PAYE Tools (or other commercial software) and can be printed off for handing to minister/employees not later than 31 May.
- 4 Forms P11D and/or P9D must be filed (manually or electronically) by 6 July and any related Class 1A NICs must reach HMRC by 19 July (for postal payments) or 22 July (for electronic payments). Where a P11D dispensation is in place many churches may only need to give details of reimbursed manse lighting and heating expenses (at section N) but treasurers should make sure that details of any other benefits or expenses for which a dispensation is not held are duly returned.
- 5 HMRC's PAYE Basic Tools were automatically updated early in April for the new tax year 2014-15.
- 6 You will need to check that you have the correct tax codes for the 2014-15 tax year. In many cases this will entail increasing a 2013-14 code of 944 to 1000.

- 7 You will also need to ensure in month 1 of the new tax year that you have claimed the Employment Allowance (the new contribution towards employers NICs - details of which are set out in *leaflet F14* on the Baptists Together website) but once claimed the allowance will be given automatically in subsequent months until the maximum annual sum of £2,000 has been received.
- 8 The website link referred to above will also enable you to reach HMRC's periodical Employers Bulletin which contains useful information on various payroll matters.

Keep up to date

Tax-related information, including material becoming available between issues of *Transform* can be accessed through the 'Treasurers area' on the Baptists Together website at: www.baptist.org.uk/treasurers

You are also welcome to address questions of a general nature to me directly at philipjcooke@aol.com indicating the name of the church and 'Tax enquiry' in the subject box.

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