

FOR CHURCH LEADERS AND OFFICERS TO PULL OUT AND KEEP

From the Support Services Team

Finance Matters Introduction

Finance Office staff are always available to assist churches, treasurers, ministers and everyone with a query regarding finance matters in their church. We cover many topics ranging from Gift Aid to the Home Mission Appeal. The email address financeoffice@baptist.org.uk can be used for any finance query. Taxation queries are often forwarded to the Honorary Taxation Advisor Philip Cooke and many of the frequently asked questions appear in this and every issue of *Transform*.

2016 Home Mission Stipend

The Trustees have fixed the Home Mission Stipend for 2016 at £22,200, an increase of 2.30% on the 2015 Stipend.

The Manse Value used in the pensionable income calculation for ministerial members of the Baptist Pension Scheme will remain at £6,000.

Annual church subscription

» Rate for 2015

The 2015 Annual Subscription per member is £3.74. This has been increased this year from £3.40 to £3.74 per member.

» Reminder

We are in the process of sending out reminders to churches about outstanding 2015 subscriptions. If you have not yet paid your subscription for 2015, please do so as soon as possible. Please can we ask that the subscription is paid promptly and preferably by bank transfer.

Our bank details are as follows:

Bank Details	Bank HSBC
Sort Code	40-19-35
Account Number	41083635

Please quote your Church Number as reference.

For further information, please see:

www.baptist.org.uk/churchsubscriptions

Mileage Rates – Rate per business mile 2015 - 16

During 2015-2016 the Government announced that, for tax purposes, the rate is 45p for the first 10,000 business miles in a tax year then 25p for each subsequent mile. This period covers 6 April 2015 to 5 April 2016. For more information visit <https://www.gov.uk/rates-and-thresholds-for-employers-2015-to-2016>

Taxation Topics

Compiled by Philip Cooke FCA – Honorary Taxation Adviser

First - picking up on a few points referred to in the previous issue of *Transform*:

Exemption for trivial benefits in kind

The previously announced proposal to exempt from tax trivial benefits in kind (other than cash or vouchers) to employees valued up to £50 each was confirmed in the Summer Budget but will now be effective from 6 April 2016. This will permit an employer to make modest birthday, Christmas or anniversary gifts etc. The £50 limit exemption is per gift rather than per annum, though there are provisions to prevent such gifts from being used as part of a 'salary sacrifice' arrangement.

Abolition of Form P11D dispensation

The P11D dispensation regime will cease to operate from 6 April 2016 and be replaced by a system which will allow employers to exempt, from income tax and NICs, expenses payments and BiKs provided to employees where an employee would have been eligible for a deduction had they incurred and paid an amount equal to the expense themselves. However, the payment or reimbursement cannot be provided as part of a 'relevant salary sacrifice'

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arrangement (ie an arrangement whereby an employee gives up a right to receive earnings in return for the provision of the benefit). HMRC will no doubt issue detailed guidance on this change in due course.

Voluntary 'payrolling' of some taxable benefits

HMRC have also been given power to collect income tax on specified BiKs through PAYE with effect from 6 April 2016. The Government has decided that, as a first step, a limited number of BiKs can be payrolled; namely those for cars and car fuel (but not approved mileage allowances which remain non-taxable), medical insurance and gym membership. Once payrolling has been established, the Government will consider how other BiKs can be payrolled.

'Top-up' payment in respect of 'small cash donations'

The announcement in the March 2015 Budget that the maximum 'top-up' payment in respect of small cash donations is to be increased with effect from 6 April 2016, from £1,250 to £2,000 (on maximum donations of £8,000 instead of the present £5,000), was duly enacted in the 2015 Finance Act and will be warmly welcomed by churches and charities.

Council tax on second homes

Ministers owning a second property, whilst being required to live in a church-provided manse, are reminded that they are entitled to a statutory discount of 50% from the council tax chargeable on that second property – unless of course it is let, when council tax will be payable by the tenant in the usual way.

Beneficial loans

The 'official rate of interest' used for the purpose of measuring the annual value of an interest-free loan provided by an employer has been reduced from 3.25% to 3.0% pa as from 6 April 2015, but there is no taxable benefit if the aggregate amount of any outstanding loans to an employee does not exceed £10,000.

VAT on church alterations to provide facilities for physically handicapped persons

Churches are reminded that whilst there is no VAT relief (other than in the case of listed buildings)

for expenditure on alterations to churches, the provision of facilities for physically handicapped persons, such as access (including lifts) will qualify for zero-rating. VAT Notice 701/7 (the link to which is: <https://www.gov.uk/government/publications/vat-notice-7017-vat-reliefs-for-disabled-people/vat-notice-7017-vat-reliefs-for-disabled-and-older-people>) provides the necessary information, including the form of certificate which has to be given to the contractor or installer.

Gift Aid relief on donations intended to benefit other charities

A question which frequently arises has to do with the ability of a church to claim GAR on donations received for the support of other charitable organisations, such as Baptist Home Mission, BMS World Mission, and Tearfund etc. Provided such donations are received and treated as income of the church, and are given under valid gift aid declarations in favour of the church, then GAR can be claimed by the church. However, a church cannot claim GAR on donations received on behalf of and passed on intact to another charity, though if such gifts are accompanied by gift aid declarations in favour of that charity it should be possible for that charity to claim relief itself. It should also be borne in mind that donors cannot instruct trustees of a church or other charity how a particular donation is to be applied: they can only express a wish, and it is then for the trustees to decide whether or not this is a proper application of the charity's resources.

If a church makes gifts directly in support of an overseas work it should satisfy itself that such gifts have been applied only for charitable purposes since, in the absence of supporting evidence, HMRC are empowered to claw back gift aid relief. For this reason it is desirable, wherever possible, to channel support through a missionary or similar organisation.

Retired ministers' tax returns

Retired ministers who need to complete a tax return (eg because of the receipt of casual preaching and other fees) will normally use the 'short form' of return or, since the MofR pages no longer apply, will file a return online using the HMRC software.

Such ministers are entitled to set off against such fees a due proportion of lighting and heating expenses attributable to the study, and such items as computer consumables, postage and phone calls and books and publications required in connection with the preparation of sermons etc.

If you have any further questions, Mr Philip Cooke is happy to respond to tax questions of a general nature. Please email him at philipjcooke@aol.com

Reminder to Churches to file their Accounts on time

Churches registered with the Charity Commission, usually with a gross income in excess of £100,000, must file their annual accounts within 10 months of their year-end with the Commission.

Failure to submit accounts and accompanying documents to the Commission is a criminal offence. The Commission also regards it as mismanagement and misconduct in the administration of the charity/church.

In a recent case the Truro Methodist Church failed to submit accounts on time for two years running. By missing its deadline it became part of an inquiry on 26 January 2015.

It is important that the financial activities of churches are properly recorded and the financial governance is transparent. Churches, like all charities, are accountable to their donors, beneficiaries and the public.

Donors to churches are entitled to have confidence that their money is going to legitimate causes and reaches the places that it is intended to. This is key to ensuring trust and confidence in the financial probity of our churches.

If you have any questions relating to this topic do contact the Support Services Team, Baptist Union of GB Baptist House, PO Box 44, 129 Broadway, Didcot OX11 8RT Tel: 01235 517700 or email: supportservices@baptist.org.uk

Pensions Round Up

This section provides a summary of recent developments affecting the Baptist Pension Scheme (BPS)

» Baptist Pension Scheme – 2015 Newsletters

Hard copies of the 2015 Newsletters for Members and Employers were issued in April. The newsletters can also be viewed on the BPS website at <http://www.baptistpensions.org.uk/useful-documents/pension-newsletters>

The newsletters contain important information about:

- » the financial position of the scheme including the December 2013 Actuarial Valuation
- » changes to the level of pension deficiency contributions from January 2016.

» Pensions Statements for Church Accounts

Many churches include a statement about pension liabilities in their annual accounts. Updated guidance notes, which incorporate the result of the 2013 valuation are on the BPS website at <http://www.baptistpensions.org.uk/churches-employers/what-the-employer-needs-to-do/guidelines-for-pension-notes-to-accounts/>

» New pension flexibilities

From April 2015, increased flexibility has been available to individuals, in how they draw their Defined Contribution pension benefits. Further information can be found in the 2015 Newsletters and all members have recently been sent a letter detailing how the new freedoms apply to the BPS.

» Pensions Auto-enrolment

Under new workplace pension laws, every employer has a legal duty to automatically enrol certain workers into a workplace pension scheme.

Auto enrolment is being rolled out gradually and for most employers in the BPS, the new rules came into force on or after 1 June 2015. You can find full information on the new rules on the BPS website at <http://www.baptistpensions.org.uk/churches-employers/what-the-employer-needs-to-do/auto-enrolment>

» Outsourcing of the administration of the Defined Benefit plan

LCP (Lane Clark & Peacock) are the new administrators of the DB plan. Needing to respond to the many pensions developments in the last few years, the BPS Trustee had to choose between a major investment in new systems and personnel, or outsourcing the pensions administration work and after careful consideration, decided that the time was right to outsource these arrangements to an organisation that

specialises in this field. More details can be found in the 2015 newsletters.

This work was previously done by the Pensions Office at Baptist House and many people across the Baptist family will have had contact with Stuart Glen and Hilary Mason over recent years. The BPS Trustee is very grateful indeed for all their dedication and hard work on the scheme.

From the Baptist Union Corporation (BUC)

Baptist Union Loan Fund - short-term loans

The Baptist Union Loan Fund (BULF) has recently made some changes to its procedures in order to offer short-term loans for churches needing to bridge the gap between the purchase of one property and the sale of another. These are normally only available when contracts have been exchanged on the property being sold but we will consider loans in other situations. Please note that we do charge a higher interest rate for these loans. For more information on this please visit our loans page www.baptist.org.uk/loans. Whilst the normal maximum loan is £800,000 we will consider applications for larger amounts and, earlier this year we agreed a loan of £1.5m to Cirencester Baptist Church. You can read its story via our loans webpage.



Making it Possible!

- ✓ If you need to enlarge, improve or redevelop your church building then **we can help to make it possible**
- ✓ If you need to buy a new Manse then **we can help to make it possible**
- ✓ If you need to buy some land for a new church building then **we can help to make it possible**

The Baptist Union Loan Fund gives loans of up to £800,000 with a variable interest rate (currently 3.6%) over 10, 15 or even 20 years

For more information visit

www.baptist.org.uk/loans

Construction (Design and Management) Regulations 2015

Whenever a church is involved in a building project it is important it understands that the Construction (Design and Management) Regulations 2015 apply to many projects. There are details in the *Guideline Leaflet PC05* about when the Regulations apply, but this is something that churches need to consider in partnership with their professional advisers.

The Construction (Design and Management) Regulations 2015 (CDM 2015) came into force on 6th April 2015. They replace the Construction (Design and Management) Regulations 2007 and the Construction (Design and Management) Regulations 1994.

Key changes from CDM 2007 are as follows:-

- a) The name/role CDM Co-ordinator is replaced by the Principal Designer. A designer means any person who prepares or modifies a design or instructs any person under their control to do so. The role can be performed by a client, architect/building surveyor, services engineer, structural engineer, contractor etc.
- b) Domestic projects are covered by the Regulations.
- c) The threshold for notification to the Health and Safety Executive has been changed by the Regulations.



The new regulations have been introduced with the objective of further reducing bureaucracy in the CDM process. CDM 2015 should also make it easier for duty holders to know what is expected of them. The Health and Safety Executive/Health and Safety Commission have sought within the regulations, to ensure that projects are properly managed, risks are controlled and that information reaches those who need it and when they need it (at the appropriate stage of the project).

CDM applies to all building and construction work and includes new build, demolition, refurbishment, extensions, conversions, repair and maintenance.

A six month transitional period is in place from 6 April 2015. For projects in progress, CDM Co-ordinators will continue in their role until the transitional period expires. Upon expiry of the transitional period a Principal Designer must be appointed, ie, by 6 October 2015.

For further information please see the Guideline leaflet on the Baptists Together website or follow the link http://baptist.org.uk/Articles/368772/BUC_Guideline_Leaflet.aspx

Staff Changes in the Baptist Union Corporation

Following the retirement of Linda Holder, Manager of the Baptist Union Corporation, at the end of April 2015, the opportunity arose for a review of the staff structure and roles within the BUC team and wider Support Services Team for the Baptist Union. Two new managerial positions were created with Steve Wing being appointed to the role of Operations Manager and Caroline Sanderson to the role of Legal Services Manager for BUGB.

The Operations Manager has responsibility for the daily operational and administrative activities relating to the BUC including property, banking and loans and the Legal Services Manager has responsibility for the provision of legal advice and support to the Specialist Teams at Baptist House and to Associations and member churches in the wider Baptist Union. As such, the team will continue to operate together under the new name of the Legal and Operations team, incorporating the work of the Baptist Union Corporation so as to offer more integrated support to the Baptist family.

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.