

FOR CHURCH LEADERS AND OFFICERS TO PULL OUT AND KEEP

Finance Matters

2016 Subscription

Thank you to all who have paid their 2015 subscriptions and please look out for the 2016 request!

For information the 2016 subscription fee has been calculated at £4.00 per member, representing an increase of 6.95% over 2015.

As part of our efforts to improve efficiency we are asking churches this year to make the changeover to paying their Subscription by Direct Debit. This will achieve an ongoing cost saving in bank charges as well as facilitating better planning.

Relevant documentation is scheduled to be sent out during Spring/Summer and we would ask that you give this initiative your prayerful support.

In the event that your church feels unable to make the change to Direct Debit, payment by cheque or bank transfer remain as alternative methods of payment, our Bank details are:

Bank: HSBC
Sort Code: 40-19-35
Account: 41083635

NB Please remember to quote your Church Number as reference.

2016 Home Mission Stipend – Correction

The figure advised in the Spring 2016 edition of *Transform* was incorrect – the correct figure is £22,200. Our apologies for any inconvenience caused.

ACAT

Our Union has arranged for Church Treasurers to have membership of the Association of Church Accountants and Treasurers (ACAT). Access to the website provides a range of financial and administrative support material. Your first visit will require authorisation.



Please contact our Finance Office (by email to financeoffice@baptist.org.uk) to arrange the necessary login details.

Taxation Topics

Employer Allowance

The annual Employer Allowance (towards an employer's NICs) increases from £2,000 to a maximum of £3,000 pa from 6 April 2016.

Gift Aid 'top-up' payment

The maximum claim payment in respect of 'small cash donations' of up to £20 each increases from £1,250 to £2,000 (ie on total donations of £8,000) as from 6 April 2016.

P11D dispensations

The P11D dispensation ceases to exist from 6 April 2016 but churches can continue to pay those expenses which would have been covered by a dispensation, ie those expenses which would be tax deductible if incurred by an employee: See Tax Alert for more details on the Baptists Together website at: www.baptist.org.uk/taxalertP11D

Gift Aid declaration

A revised form of declaration is effective from 6 April 2016. Declarations made by existing donors will still be effective but it is recommended that they be replaced by the new form so that donors are fully aware that they will be responsible for any overpayment of gift aid relief: See Tax Alert for model declaration on Baptists Together website at: www.baptist.org.uk/giftaiddeclaration

Manse accommodation

HMRC is reviewing (on behalf of the Government) the taxation of the benefit which arises from the provision, by an employer, of living accommodation. Ministers of religion have been exempt from tax on this benefit for a very long time and strong representations have been made on behalf of the Baptist Union, and by the other denominations, for the retention of this valuable exemption – especially since it has been suggested by HMRC that the annual value might in future be calculated on a market rental basis which would give rise to a very much higher taxable benefit.

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Ministers have always been treated as holders of an 'office', rather than as employees serving under a contract of employment, and this might prove to be an important distinction should any changes be made. We await the outcome of the review with considerable interest but have been assured that any changes which may eventually be proposed will be subject to further consultation – and possibly many protests!

Stamp duty surcharge on purchase of second or 'buy to let' properties

An assurance has been given that work-related accommodation (eg a manse) provided and owned by an employer does not count when considering whether an individual is purchasing an additional property. A minister purchasing a first property (even if it is rented out) will therefore not be liable to the 3% surcharge which will apply from 1 April 2016 on the purchase of second or 'buy to let' properties.

National minimum and 'living' wage

As 'office holders', ministers of religion are excluded from many aspects of employment law - including the national minimum, and impending, national living wage regulations - but other employees are, of course affected. Whilst it is quite clear that 'volunteers' are not regarded as employees, the position concerning interns in receipt of varying forms of support is not so clear cut and any payments received for services rendered - even though described as an allowance or honorarium - will likely be regarded as earnings. Churches are often used as placement opportunities for students and other young people undertaking study or training for ministry and mission roles and it is important that the distinction between employment and training is borne in mind. Provided an individual is serving under a 'training contract', rather than an 'employment contract', and is not required to perform services, it should be possible to assist the individual with a contribution towards living and other expenses (eg college fees etc) through the award of a non-taxable bursary. A draft form of training contract can be made available on request.

Ministers' tax returns

HMRC has made a few changes to the layout of the Minister of Religion pages but the form remains essentially the same. HMRC has again been

reminded that ministers are presently unable to use the HMRC software for filing online because it does not include these pages and one hopes that this might be remedied as part of the digitalisation process upon which they are now engaged. In the meantime ministers are reminded of the attractive offer (up to 80% off list price) available from Keytime software (now using the Pastel label), which many have found very helpful. The Keytime website link is: www.taxpersonal.co.uk/ministers

Trivial benefits

Treasurers are reminded that 'trivial benefits' (not exceeding £50 each in value) made by an employer will not give rise to tax or NICs as from 6 April 2016. Such gifts (which cannot take the form of cash or exchangeable vouchers) might, for example, be made at Christmas or on a birthday or anniversary. There is no limit on the number of such gifts to an individual in any single tax year, provided they do not form part of a 'salary sacrifice' arrangement. They do not have to be reported on form P11D.

Manse phone/broadband package

The provision by a church of a phone and broadband connection at the manse for church business use does not give rise to a taxable benefit (even if there is insubstantial personal use) as long as the account is in the name of, and is paid directly by, the church. Some providers insist that the account is sent to the manse address, rather than to the church or church treasurer's address, but it is essential that it be in the name of the church (eg Reverend ABC, XYZ Baptist Church, Manse address) and is paid directly by the church. Any additional elements, such as TV, should be the subject of a separate personal account but if this is not possible, the minister must systematically reimburse the church (eg by standing order) for the additional cost.

Mileage allowance

The HMRC approved mileage allowance remains at 45p per mile for the first 10,000 of church-business miles and 25p per mile thereafter. The manse is a 'place of work' and, indeed, the minister's base, so that journeys beginning or ending at the manse will qualify for the allowance, but if a church is unable to afford this, a minister may claim a deduction in his/her tax return.

Manse rental

If a minister-owned property which is leased to a church for use as a manse is jointly owned with a spouse then the rental income should be paid to them jointly and their respective 50% shares must be included in their personal tax returns.

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

Pensions Round Up

Collection of church accounts information

The ability of Defined Benefit pension employers to fund the scheme is known as the Employer Covenant.

The stronger the Employer Covenant, the more likely it is that the pension promise made to members will be met. There are also benefits to the employers from having a strong covenant - it can have a material impact on a scheme's actuarial assumptions, investment strategy, deficit, recovery plan terms and the timing and size of additional financial contributions required.

The Pension Trustee is legally obliged by the Pensions Regulator to monitor the strength of the Employer Covenant and to obtain financial information about the individual employers.

The Trustee has appointed PWC as its specialist advisers in this area and, over the next two months, we will be requesting up to date information from you. Please look out for this and respond as soon as possible.

Changes to the legal structure of a church

An increasing number of churches are considering a change to their legal structure, looking at becoming a Charitable Incorporated Organisation (CIO) with limited liability status.

If the pensions aspects of such a change are not managed correctly, it can lead to a cessation event, with a consequent employer debt. Pensions law provides a mechanism to allow the new CIO to accept the pension liabilities of the old unincorporated association. However, the legal process is cumbersome, must be followed in full and cannot be used

retrospectively so it is important to involve the Pension scheme at a very early stage in the proceedings.

This may also apply in the case of other changes to legal structure, such as the amalgamation of two existing churches.

Full details can be found on the Baptist Pension Scheme (BPS) website at www.baptistpensions.org.uk/churches-employers/what-the-employer-needs-to-do/changes-to-an-organisations-legal-status

Cessation Events and Periods of Grace

We make no apology for mentioning this topic again. If your church is a participating employer in the closed Defined Benefit plan, then the importance of understanding the cause and potential implications of a cessation event cannot be over-stated. Under pensions law, a participating employer may trigger a 'cessation event' when it ceases to employ an active member of the scheme. When a cessation event arises, the church becomes liable for an 'employer debt' which means that it has an immediate legal obligation to pay its share of the overall pension fund deficit. The amount of an employer debt will normally be a substantial sum, so a cessation event is to be avoided if possible, unless the church is sure that it wishes to pay off its employer debt and has the resources to do so.

A church can avoid or postpone a cessation event by requesting a 'Period of Grace'. The process for such a request is:

- » The church must submit a written period of grace request notice in the correct format
- » The notice must be given no later than two months after the church ceases to employ an active member of the BPS

This process is set out in pensions law and there is no flexibility in its application, so it is essential that the church complies if it wishes to avoid an employer debt becoming due.

You can find more details on the BPS website including a template Period of Grace request letter www.baptistpensions.org.uk

Managing the Scheme expenses

The BPS is costly to administer because of the number of legally independent employers involved (around 1,500 churches). Please help us to manage these costs by familiarising yourself with the content of the Scheme website and the Employer Hub and using them as your first port of call if you have any questions.

The Scheme website and the Hub contain answers to all the most common queries and you will also find downloadable forms and template letters to use. They also contain copies of important scheme documents and are an excellent source of information about the current and historical issues facing the scheme.

The content of the Scheme website is being refreshed to make it easier for you to find what you need.

If the Scheme website or the Hub do not provide the answer you are looking for, then you can of course still contact the LCP administration team at:

Lane Clark & Peacock LLP
St Paul's House
St Paul's Hill
Winchester
Hampshire
SO22 5AB

Tel: 01962 672930

2016 BPS Newsletters

The 2016 Newsletters for Employers and Members are being sent out in the next couple of weeks. As ever they contain a wealth of information, including:

- » 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 2016 Newsletter, or want additional copies, then please refer to the Scheme website where it will also be published.



BUGB Legal and Operations Team

Liability of Church Members and Insurance

At the end of January churches were contacted with information about the legal liability of church members in a Baptist church. This was an important mailing and we encourage churches to note the contents. All the information that was sent can be found in guideline leaflet *L16 Legal Liability of Church Members in a Baptist Church* which is on the Baptists Together website under 'Resources' www.baptist.org.uk/resources

Most Baptist churches are set up as 'unincorporated associations'. The leaflet explains the small risk that, in certain situations, church members could face legal liability in an unincorporated church. It also outlines important steps that churches can take to protect their members from this liability; this includes purchasing appropriate insurance cover.

CIO Training Days

Our Baptist Union's Legal and Operations Team will be holding a further training day on Charitable Incorporated Organisations (CIOs) on **Thursday 26 May 2016**. This is being organised in conjunction with the Central Baptist Association.

The event will be held at the Christ Church Centre at the Stantonbury Campus school site in **Milton Keynes** and will run from 10:30 until 15:00.

Jenny Smith from Anthony Collins LLP will be presenting together with Caroline Sanderson, Legal Services Manager at the Baptist Union. Bookings can be made online through the website. www.baptist.org.uk/events

New Guideline leaflet C08 Registering as a CIO Online

A new guideline leaflet C08 has been produced to assist churches that want to move from an unincorporated association structure to the new CIO (Charitable Incorporated Organisation) structure. Churches wishing to make this change will need to take independent legal advice but may wish to complete the online registration form themselves rather than instructing solicitors to do so.

The relevant leaflets, which can all be found under the Resources tab at www.baptist.org.uk/resources are:

- » *C11 Churches, Charities and Incorporation*
- » *C12 Using the Charitable Incorporated Organisation Precedent Document*
- » *C08 Registering as a CIO Online.*

Registered Charities Annual Filing Requirements

Churches that are registered with the Charity Commission must submit their annual return and accounts to the Commission within ten months of their financial year end. The Commission is stepping up its efforts to address the large number of defaulting charities that fail to submit on time; this does include a few Baptist churches. The Commission has advised the public: If you encounter a charity that is not up to date with its reporting, challenge the trustees and consider carefully before committing to give them financial assistance.

If your church is a registered charity please ensure that you file on time; this is a serious issue which a small number of our churches are treating too lightly. 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.

Right to Rent Checks

Right to Rent checks were rolled out to all of England on 1 February 2016. For those churches considering renting out a manse or investment property, all private landlords in England generally now have to check that new tenants/lodgers have the right to live in the UK before property can be rented out. Further information can be found in our guideline leaflet *PM04 Letting a Manse*.

Licensing for Entertainment and Copyright

Guideline leaflet *L14 Licensing for Entertainment and Copyright* has been updated to reflect changes introduced by recent legislation. These changes have extended the exemptions from the need for a licence to church halls. In a church hall, no licence is required now for the performance of live music or the playing of recorded music provided that:

- » the premises is not licensed for the supply of alcohol
- » the audience consists of no more than 500 people
- » the entertainment takes place between 08:00 and 23:00.
- » there is written consent from the church's charity trustees.

Our leaflet also contains a reminder to churches that they should take care not to use website photographs which are subject to copyright. There has been another recent case of a Baptist church being sent a substantial invoice by the copyright owner of a picture which the church had copied without permission for use on their own website. Copyright owners can and do charge churches for such use even if this has happened as a result of an innocent mistake.

Safeguarding

Updated safeguarding training

The Level 2 safeguarding course has been updated to include both *Safe to Grow* (children and young people) and *Safe to Belong* (adults at risk). The Level 3 course is currently being updated and will be in use from September 2016.

A quick reminder that anyone in your church who works regularly with children, young people and/or adults at risk needs to attend Level 2 training and to attend a refresher course once every three years.

Ministers, church leaders, and the Designated Person for Safeguarding also need to attend the Level 3 course.

Safeguarding guides available

Over the winter we have published a series of guides to particular areas of safeguarding work. You can download these directly from the safeguarding section of our website: www.baptist.org.uk/safeguarding

Guides on DBS checks, cyber-safety, understanding self-harm, domestic abuse, and supporting survivors are already available.



Any questions

If you have a safeguarding concern, please contact your local association in the first instance who will be able to support and guide you (see www.baptist.org.uk/associationcontacts)

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.