

FOR CHURCH LEADERS AND OFFICERS TO PULL OUT AND KEEP

Finance Matters

Introducing the Team

Ian Wakeham has joined the finance staff as Finance Manager of both the Baptist Union of Great Britain and Baptist Union Corporation (BUC). The team are always available to assist churches, treasurers, ministers and everyone with a query regarding finance matters in their church. If you have a query, however small or insignificant it may appear to be, we can be contacted at financeoffice@baptist.org.uk. Specific taxation queries which cannot easily be dealt with in-house are often forwarded to the Honorary Taxation Adviser Philip Cooke.



The Trustees have fixed the Home Mission Stipend for 2017 at £22,500 – an increase of £300pa which is in-line with RPI inflation for the previous 12 months.

2016 Home Mission Stipend

The Trustees have fixed the Home Mission Stipend for 2017 at £22,500 – an increase of £300pa which is in-line with RPI inflation for the previous 12 months.

The Manse Value used in the pensionable income calculation for ministerial members of the Baptist Pension Scheme remains at £6000pa.

Annual Church Subscription

The 2016 Annual Subscription has risen to £4 per member and is now due.

Bank Details HSBC
Sort Code 40-19-35
Account No 41083635

For those churches who have not yet paid, please remit as soon as possible, remembering to quote your church number!

For further information, please refer to our website www.baptist.org.uk/churchsubscriptions

Gift Aid Small Cash Donations relief (GASDS)

HMRC has been consulting with interested parties during the Summer with a view to simplifying the rules relating to the relief for small cash donations and if any changes are made they will be duly reported. In the meantime treasurers will probably not need to be reminded that with effect from 6 April 2016 the maximum annual amount of small donations eligible for relief has been increased from £5,000 to £8,000 giving rise to a maximum refund of £2,000. It appears that use of the scheme has been lower than anticipated by HMRC. For more information, refer to <https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-8-the-gift-aid-small-donations-scheme>

SORP / FRS102

In March 2013 the Financial Reporting Council (FRC) published a new financial reporting standard (FRS 102) to replace the existing UK accounting standards for accounting periods beginning on or after 1 January 2015.

Draft SORP 2015 guidelines for larger churches with an income in excess of £250k are available on our website www.baptist.org.uk/f03charityaccounts. We would welcome any feedback as we firm up the details.

Churches are reminded to ensure that their accounts now being finalised and approved, conform to the new accountancy standards, and, where necessary, are filed with the Charity Commissioners within ten months, and Companies House within nine months, of the financial year end.

Loans and on-line deposits with BUC

Does your church hold excess cash balances earning little or no interest? Have you considered investing in and through BUC? We currently pay 0.6% APR for all church monies deposited.



For more information, see our website www.baptist.org.uk/financialguidance or contact the Finance Office.

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Taxation Topics

Compiled by Philip Cooke FCA

Reimbursement of manse light and heat expenses:

In case there were any treasurers or ministers who did not see the Tax Alert placed on the website in March, I thought it might be helpful to reiterate the changes that are taking place with regard to the way in which reimbursed manse light and heat expenses are reported and dealt with for tax purposes.

1 Most churches reimburse (in whole or in part) expenses incurred by ministers in heating and lighting the manse. The reimbursement has always given rise to a taxable benefit (reported at section N of the form P11D) which the minister has hitherto also entered in box 17 of the *MofR* pages of the tax return - whilst claiming the church-business element of these expenses in box 25. This reimbursement has not given rise to Class 1 NICs due to a special exemption which applies to ministers of religion, neither did it trigger a Class 1A (employer) NIC charge if the accounts were in the name of the minister, rather than the church.

2 Although P11D dispensations have been abolished as from 6 April 2016 employers can continue to pay or reimburse, tax-free, expenses incurred in the performance of their duties provided they would be tax deductible had they been incurred personally. Such payments or reimbursements are not required to be reported on form P11D or be included in employees' tax returns. However, to the extent that any payments or reimbursements are not 'matched' by a tax allowable deduction, they now need to be 'payrolled' through the PAYE system.

3 Because HMRC's initial guidance on the new provisions did not take account of the fact that reimbursed manse lighting and heating expenses are exempt from Class 1 NICs, they agreed to give further time to churches to make the necessary changes to payroll procedures, by allowing them to continue the former procedure for reporting these expenses (through section N of the form P11D) **for the tax year 2016-17.**

4 However, **as from 6 April 2017** - whilst the **total reimbursement** will still be **exempt from NICs**, the **taxable element** must be 'payrolled' for **income tax** purposes - by including it in the monthly reported gross pay figure - but ensuring that the figure of '**pay for NIC purposes**' excludes **all** of the reimbursed expenses.

5 It is for the church to agree with the minister the 'church-business' element of reimbursed heating and lighting expenses, and HMRC is unable to agree to a standard percentage allowance - even though, historically, a 25 per cent proportion has been a fairly common basis of claim, based on a typical 'church business' use of two out of eight rooms. However, HMRC has said that provided steps have been taken at the commencement of each tax year to identify the 'church-business' proportion - and there are no material subsequent changes in circumstances - it can remain undisturbed throughout the year.

6 Some churches are unable to reimburse manse heating and lighting expenses in full and this will need to be taken into account in determining the amount which has to be 'payrolled', and if a minister has not been fully reimbursed for the 'church-business' element, he/she should make a claim for the appropriate amount (or balance) in box 25 of the *MofR* pages. If, for any reason, it is not possible for a church to determine the church-business proportion of reimbursed expenses, then the whole amount will need to be 'payrolled' for tax purposes, leaving the minister to make a claim for the deductible proportion in box 25 of the *MofR* pages.

Payments to Moderators:

It is usual during a period of interregnum for a neighbouring minister or layperson to be invited by a church to chair meetings of church members and deacons, and to provide general support. A moderator may also be invited to preach occasionally during the ministerial vacancy. Preaching fees paid to a moderator are taxable in the hands of the recipient (subject to the deduction of any allowable expenses) and are required to be shown in the moderator's tax return, but because he or she is not an 'employee or

office holder' of the church such casual payments are not required to be put through the PAYE system. At the conclusion of a moderatorship, members of the fellowship often express their appreciation of the support and encouragement given to them during the vacancy by making an ex gratia gift.

Where a vacancy continues for more than three years it will usually be necessary (as part of the Baptist Pension Fund deficit provisions) to appoint an 'Interim Moderator' (IM) in order not to trigger a 'cessation event', and this involves payment of a token stipend to the IM. Some churches in this position may not have an active PAYE scheme so it may be more practical, where the appointed IM is a minister of another church, for the IM's stipend to be paid through his/her own church from funds provided by the church with the vacancy.

Coffee shops:

Coffee shops are increasingly an important part of the mission outreach of churches and the question often arises as to whether any profit derived from this kind of activity is liable to tax. As long as this kind of outreach activity forms part of a church's primary charitable objectives, as will almost certainly be the case, then any profit derived therefrom will be exempt from corporation tax - though if turnover was to exceed the registration threshold (£83,000 pa in 2016) there would be exposure to VAT.

Tax guidance notes updated:

Both the *Taxation Guidelines for Churches and Ministers* (document F06) and *Self Assessment and the Minister* (document FTG03) have recently been updated and are accessible on the Baptists Together website at www.baptist.org.uk/financeresources

If and when the need arises to issue other tax alerts they will be posted in the Treasurers' Area - www.baptist.org.uk/treasurers.

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

BUGB Legal and Operations Team

Charities (Protection and Social Investment) Act 2016

The provisions contained in the new Charities Act are being introduced in phases; many of them will only affect a relatively small number of charities and individuals but there are a few significant changes which churches should be aware of.

From July 2016 there has been a new legal power for charities to use their funds to make social investments; this means that charity money can be invested to obtain a financial return in a way that furthers the charity's purposes, even if the financial return is below the commercial rate. The Charity Commission has updated its investment guidance accordingly.

The general trend in the Act is a widening of the Commission's regulatory powers. In July a number of new 'protective' powers came into force including the power for the Commission to direct a charity to wind up and the power to direct charities to

not take a particular course of action. From October the Commission will also be able to issue official warnings to trustees or charities that it considers have breached their duties or otherwise engaged in misconduct or mismanagement; an official warning will have more impact than the publication of general guidance to a charity or informal discussions with the Commission but will be less severe than the opening of a statutory inquiry.

From April 2017 the list of reasons that will automatically prevent someone from being a trustee will be extended to include money-laundering, bribery, terrorism, contempt of court and perverting the course of justice, among others. People who are disqualified for these reasons will also be prevented from holding an office or employment with 'senior management functions' in the charity, as will those who are disqualified by the existing reasons for disqualification which include bankruptcy, individual voluntary arrangements, convictions for dishonesty and deception related offences. It is possible to apply to the Commission for a waiver from disqualification which will be considered on a case by case basis.

Rent Smart Wales

For churches in Wales who let out residential property under any assured, assured shorthold or regulated tenancy, there is still time to comply with the mandatory registration and licensing requirements of the Rent Smart Wales scheme before penalties for non-compliance are introduced from 23 November 2016. For more information, please see <https://www.rentsmart.gov.wales/en> or <https://www.rhentudoeth.llyw.cymru/cym>

Companies – Register of People with Significant Control

Those churches with a company structure (but not Charitable Incorporated Organisations) and any company set up by a church (eg to run a coffee shop or a pre-school) will have to include information about their Register of People with Significant Control when they send their annual Confirmation Statement (formerly called annual return) to Companies House. For further information, please visit: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/502114/Non-statutory_guidance_for_companies_SEs_and_LLPS_V6_.pdf



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From CCLI

Copyright and using music, film and multimedia in church

Churches are increasingly using creative works and new technologies in their ministry and social activities. However, keeping up with copyright law can be a challenge.

CCLI provide various licences that enable churches to push ahead with their ministry confident that they're legally covered.



Playing and performing music outside of worship services

Music is an essential part of activities including youth clubs, coffee mornings, socials and outreach events. As agents for PRS for Music and PPL, CCLI offers two licences that cover the use/performance of music on church premises.

 CCLI's **Church Video Licence (CVL)** covers most major film studios. You'll also require the **PRS for Music Church Licence** if showing films outside of Acts of Worship.

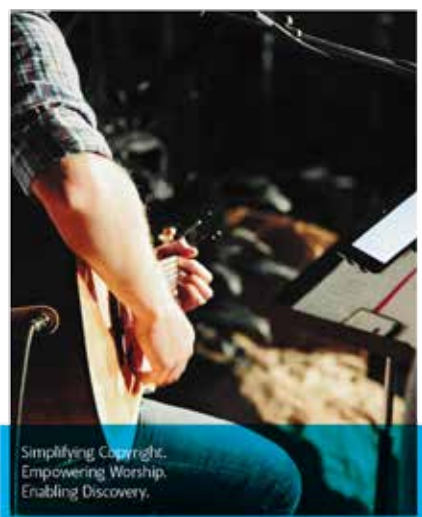
Websites and social media

If you publish sermons, photographs, poems, songs, videos and other creative works on your website, always ensure you have permission from any speakers/performers/contributors as well as copyright owners. To stream your services, you may require a Limited Online Music Licence (LOML) from PRS for Music: prsformusic.com/LOML.

Take a Copyright HealthCheck

A quick and easy way of assessing which licences your church may require is by completing a Church Copyright HealthCheck. You can do this online at uk.ccli.com/healthcheck.

For advice or to  **CCLI** arrange licence cover contact CCLI on **01323 436100** or visit uk.ccli.com/churches.



UK Churches



The **PRS for Music Church Licence** permits you to hold live concerts/recitals, and covers music on film soundtracks.



When playing music recordings (such as CDs or MP3s), both the PRS for Music licence and a **PPL Church Licence** are required. These licences are not needed for music played during Acts of Worship, such as regular worship services.

Showing films

Films and film scenes can bring teaching to life and engage those outside of the church in a culturally relevant way.

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.