



The
United
Reformed
Church

Help and Advice Group

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Bulletin 28: FINANCIAL UPDATE

The Help & Advice Group was set up by Synod in 2009, to support local churches in being informed and effective in their life and mission. The Group is made up of four members of local churches, together with administrative support from the Trust Officer. We are willing to try to provide specific advice or organise training days on particular topics. Please get in touch if you have questions or wish to suggest a training or discussion event.

This article is part of a series giving an overview of particular subjects of interest for local churches. We also circulate general updates from time to time. Bulletins will also be posted on the members' area of the website with direct links to other websites.

Where readers are directed to web-based resources, the Synod Office is willing to respond to reasonable requests for printed out information for readers without web access, although they may find it more satisfactory to follow up their interest through their local library's web access.

Employee Payroll: PAYE

The following guidance comes from HMRC's PAYE manual:

www.hmrc.gov.uk/manuals/pommanual/PAYE23030.htm

From 6 April 2013 the special arrangement negotiated with the Church's Main Committee (now the Church's Legislative Advisory Service) which had been in place for local religious centres (LRC), (for example a parish church), is no longer appropriate and therefore will no longer apply.

The arrangement had applied to LRCs who only paid employees less than £100 per year or over £100 per year but less than the National Insurance Lower Earnings Limit.

The rules on when to register as an employer and report PAYE information in real time are applicable to all employers. Consequently, an LRC will need to register as an employer and report PAYE in real time if any of the following apply

- The LRC is paying an employee at or above the PAYE threshold
- The LRC is paying an employee at or above the National Insurance Lower Earnings Limit
- The employee already has another job
- The employee is receiving a state, company or occupational pension
- The LRC is providing the employee with employee benefits.

An LRC guide to PAYE (Word 50KB) has been produced and can be printed locally if you receive an enquiry from an LRC. *[This document is attached below.]*

Examples of such payments may include

- Payments to casuals
- Fees

LRCs no longer need to provide information to the PAYE Employer Office to determine whether any further action is necessary if they pay someone more than £100 per tax year but less than the National Insurance Lower Earnings Limit. Instead they will need to establish whether they are required to report PAYE information in real time in accordance with the rules above for registering as an employer.

If they are required to register as an employer then they will need to report all payments made to their employees irrespective of the amount they pay.

Registering as an employer

They can do this by registering online or by contacting the New Employer Helpline on 0300 200 3211.

No reporting requirement

Where there is no requirement for an LRC to report PAYE information in real time then records of those payments made to an individual must be retained by the LRC for 3 complete tax years following the tax year to which the payments relate.

Gift Aid Small Donations Scheme

HMRC has now published detailed guidance on GASDS:

www.hmrc.gov.uk/charities/guidance-notes/chapter8/index.htm.

This supplements the more basic guidance at:

www.hmrc.gov.uk/charities/gasds/index.htm

This is well worth investigating, for churches that are already registered with HMRC for claiming Gift Aid. It enables the church to claim up to £5,000 a year on small cash donations of up to £20. The detailed rules on eligibility and how to claim can be found in the guidance. Unlike Gift Aid, no information is needed on the donors. Churches can claim a further £5,000 on each building from which they operate – which will particularly benefit those churches with multiple sites.

Church Treasurers can continue to claim Gift Aid on donations from taxpayers who have filled in the required declaration form, but under this scheme you can now also claim for small donations that don't come from Gift Aiders.

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GUIDE TO PAYE/NIC FOR LOCAL RELIGIOUS CENTRES (LRC)

This guide tells you what to do when you make payments to an employee.

1 National Insurance and tax thresholds:

- Details of these thresholds each year can be found in form **E12: PAYE and NICs rates and limits** which can be found at:

<http://www.hmrc.gov.uk/payerti/forms-updates/forms-publications.htm>

For example for 2013/14 tax year: the lower earnings limit for Class 1 National Insurance (NI) is £109 per week (£473 monthly) and for tax it is £182 weekly (£787 monthly).

- If you pay someone below these thresholds follow step 3 below.

2 If you will pay anyone at or above the National Insurance threshold,

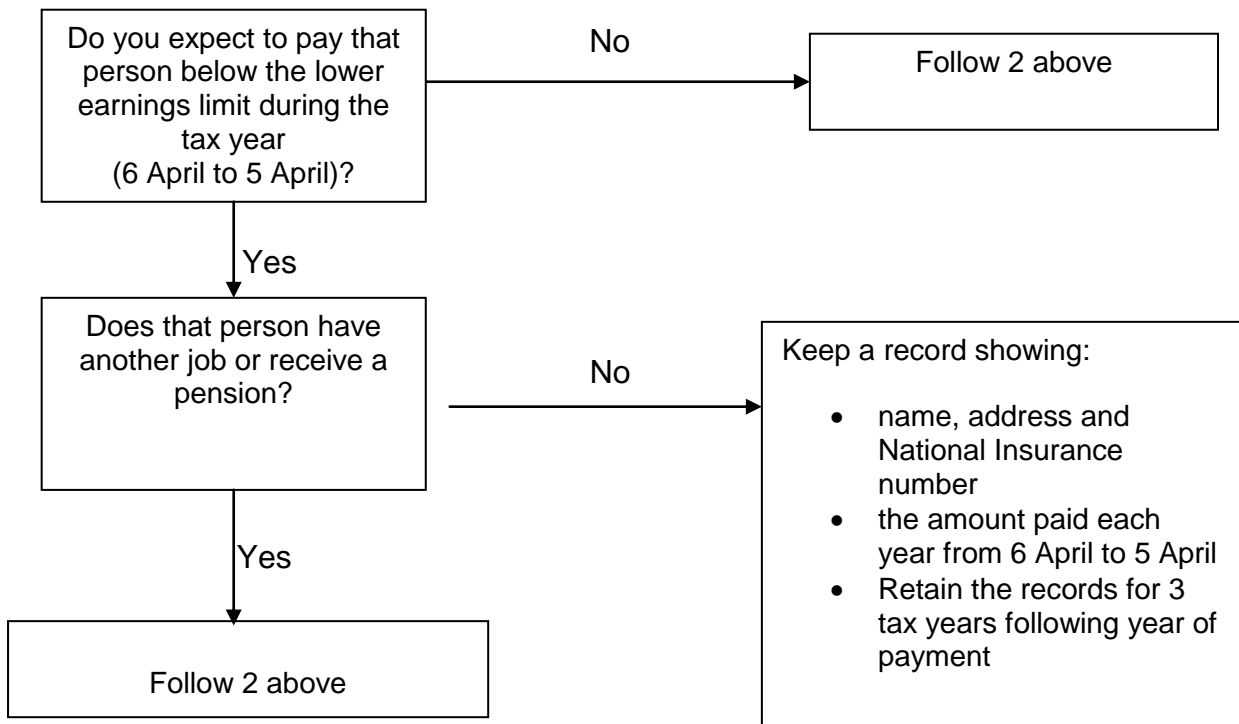
- You will need to register with HMRC as an employer (if you are not already registered) and operate Pay As You Earn (PAYE) in real time.
- This means that you will need to report the payments you make to all your employees irrespective of how much you pay them including those you pay below this threshold.
- You can now register as an employer by using the online tax registration service. This can be found at: www.hmrc.gov.uk/payerti/getting-started/register.htm#1
- Comprehensive guidance on getting started as a new employer as well as providing you access to help and support can be found at: www.hmrc.gov.uk/payerti/getting-started/new-employer.htm

3 If you pay anyone below the National Insurance threshold

Note: if you are already required to register with HMRC as an employer and operate PAYE then you must **not** follow this flowchart even if you pay that person below this threshold.

Instead you will have to report the payments you make to all employees in accordance with step 2.

Otherwise, use this flow chart to decide what action to take



EXPENSES PAYMENTS

4 No tax charge will arise in respect of a payment

- to compensate, without profit, someone who incurs expenses which are allowable as tax deductions, when working for the LRC
- that reimburses, without profit, the cost of travel to and from the LRC, provided this is the only payment made.

The cost of travel to and from the LRC is not an allowable expense, if it is paid along with a fee for work that is done there. So a payment made to compensate for travel to or from the LRC must be included with other payments when arriving at the amount to report for PAYE purposes.

5 Employment status of, for example, church organists, bell ringers or choristers

- If you are in doubt about whether the person (worker) is an employee (the worker may claim to be self employed)
- Use the Employment Status Indicator (ESI) tool to help you decide. The tool is anonymous so no personal details about the worker or the LRC are needed.
- This tool is available on the HMRC website at:
<http://www.hmrc.gov.uk/calcs/esi.htm>.