

## **11. CLERGY**

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### **Appendices**

**11A Tax Guidelines for Priests – Amended April 1999**

**11B Priests Retirement Policy 2008**

### **Amendments**

March 2008. 11.10 and Appendix 11B Priests Retirement re-written

October 2008. Appendix 11B Retirement – married priests added.

February 2010. 11.5 – renewing European Health Insurance Cards

August 2011. 11.8 sickness benefit details amended. 11.10 pension credit added

## 11.1 Income

The income received by clergy falls into two categories – private and church. Private income includes state and private pensions, royalties, investment income, bank or building society interest, rents from personal property, etc. Another form of personal income, though untaxed, is the Government's winter fuel payment for the over 60's, for details, contact the Government's Helpline on 0845 915 1515. This item is deemed to be personal to the priest and does not accrue to the parish. Priests over 75 may receive the TV licence free of charge.

Church income comprises Christmas and Easters offerings, Mass stipends, and stole fees for baptisms, weddings and funerals. Christmas and Easter offerings are collections taken by the parish, which then passes the gross amount on to the priest. These collections and payments must be recorded in the parish account books. Mass stipends and stole fees are also recorded in the parish accounts if the priest freely agrees that they may be treated as Gift Aid donations. Otherwise they may pass straight to the priest. No tax rebates from Gift Aid are clergy income.

Chaplaincy fees, such as prison or hospital, are parish income not the priest's, and so should not be taxed.

Clergy may be eligible for working tax credit and married clergy with children under 18 may be eligible for child tax credit. Contact the Inland Revenue Helpline on 0845 300 3900 or the Diocesan Finance Office.

## 11.2 Taxation

"In this world, nothing can be said to be certain, except death and taxes". Benjamin Franklin, American Founding Father and Scientist.

Taxation Guidelines have been issued to all priests. This document was agreed between the Bishops Conference and the Inland Revenue. See Appendix 11A – "Tax Guidelines for Priests – Amended April 1999". It is the legal responsibility of the priest to obtain tax return forms and not the Inland Revenue to send them. Any doubts, see Matthew 22 17-21.

Apart from the untaxed winter fuel payment and TV licence, all the income mentioned above is assessable for income tax.

In our Diocese, the parish pays the National Insurance class 2 contributions for priests. Alternatively, the priest could pay NI direct and claim a refund from the parish. Either way this is treated as income for tax purposes. It is a criminal offence not to pay NI contributions. By paying NI contributions clergy are eligible for the state pension and sickness/disability benefits - see below. Contact NI on 0300 2003505. To pay NI by direct debit see <http://search2.hmrc.gov.uk/kb5/hmrc/forms/home.page> for Form CA5601.

It is important to clearly separate church and private income because church income is also included in the assessment for taxation on benefits. The principal benefits in our Diocese are the parish portion (75%) of private health insurance premiums plus any excess on claims, food paid by the parish and accommodation services. Clergy should not have a parish car because this substantial benefit will certainly incur a very large tax bill for the priest.

Council tax on the presbytery is payable by the parish – see also Section 2 – "Financial Management and Banking" subsection 2.14 Taxation. Clergy must register with their local authority for council tax and also to join the electoral roll. Retirement homes owned personally by parish clergy are eligible for a 50% discount on council tax.

Tax help!! Tax returns are not straightforward. Priests should seek advice from their own advisers. Or the Diocesan Finance Office can recommend tax specialists.

### **11.3 Cars and Transport**

Clergy should either own or lease a car. The leasing deals change all the time, so clergy should contact the Diocesan Finance Office for the latest details. Generally by shopping around, clergy themselves can obtain the best deal for car insurance. This must include business use and not just travel to and from your place of work. There is a very cost effective RAC membership scheme for car breakdown (InterDiocesan RAC Scheme telephone 0151 522 1018); further details are available from the Diocesan Finance Office.

The only funding a priest may receive for his car is through the HMRC authorised mileage rates. Check for current rates on the Inland Revenue Helpline 0845 302 1409 or contact the Diocesan Finance Office.

Priests must obtain the Vicar General's permission before they take an interest free loan from their parish to buy a car. See Section 2 "Financial Management and Banking" subsection 2.12 "Loans". The loan is limited to £10,000 for tax benefit purposes.

Clergy are entitled to be fully reimbursed for all travel expenses on parish or Diocesan business, whether or not they run a car.

### **11.4 Housekeeping Purse**

The Diocesan auditors have agreed that parishes may spend up to £60 per week on domestic purchases for each resident – priests and housekeeper – without keeping receipts or invoices. This was arranged in order to relieve parish priests of an unnecessary accounting burden. This expenditure should only be used for purchasing domestic items and is not a form of clergy income. Domestic expenditure in excess of the limit has to be properly recorded with invoices.

Clergy's tax returns require a benefit calculation for personal food consumption, and the allowance for the housekeeping purse forms a useful basis for estimate.

### **11.5 Insurances**

The general Diocesan insurance arranged through the Catholic National Mutual Limited and Zurich provides substantial cover to clergy – public liability, personal effects, legal expenses and travel. See Section 15 – "Insurance". Note that valuable items must be separately declared to the insurers via the Diocesan Finance Office, otherwise these might not be covered.

The travel insurance summary given in Section 15 "Insurance" - Appendices - should be taken whenever travelling abroad on business or holiday, but check with the Diocesan Finance Office to ensure details are up to date. Spouses and children under eighteen accompanying clergy are also covered. Clergy should obtain a European Health Insurance Card (EHIC) available through Post Offices for reciprocal health services provided either free or at reduced cost in the EC. EHIC cards are valid for five years and can be renewed on [www.ehic.org.uk](http://www.ehic.org.uk) or on the EHIC Helpline 0845 606 2030.

### **11.6 Healthcare**

All priests are encouraged to join the Diocesan group private health insurance. Parishes pay 50% and clergy 50% of the premium. The parish will also pay the excess on claims. The renewal date is 1st April each year and all priests are given the opportunity to join. One advantage of this scheme is that no declaration is required on an individual's medical history. More details are available from the Diocesan Finance Office.

Clergy should always register with their local NHS medical practice.

## **11.7 Secular Clergy Common Funds**

Big M and Little M were set up and continue to be administered by clergy to give assistance to sick priests. The grants are discretionary and are not taxed. Usually retired priests are eligible for grants depending on their condition. The Diocese considers it to be vitally important that clergy join these schemes. The Diocese will pay for the medical examinations and all annual subscriptions for Big M. Clergy are expected to make annual contributions to Little M. The Diocesan administrators are listed under clergy welfare in the annual Diocesan Directory.

The Southwark Brethren is a fund set up to meet specific needs of priests. Joining is voluntary and the fee is paid by the priest personally. The Diocesan board members are listed under clergy welfare in the annual Diocesan Directory.

## **11.8 State Payment for Sickness and Disability Access to Work**

One reason why priests must pay their NI contributions (through the parish) is to gain entitlement to employment and support allowance (ESA) for sickness. If a priest cannot work because of illness or accident he is entitled to claim ESA. You should make initial contact by telephone to Jobcentre Plus on tel no 0800 0556688; they will guide you through the procedures. Contact the Diocesan Finance Office for further details or assistance. See link:

[http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Illoinjured/DG\\_171894](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Illoinjured/DG_171894)

The Government's Access to Work scheme gives financial assistance to help people with some disability to stay in work. Parish clergy with a disability would qualify and the parish could obtain funding towards hearing aids, chairlifts, electrically operated armchairs, travel in work, etc. Contact Access to Work Business Centre South on telephone no 01273 364750 or the Diocesan Finance Office for more details.

## **11.9 Ministry to Priests**

The Ministry to Priests programme was established to provide pastoral care and social support – by priests for priests. The Bishop appoints a priest as Director, for details see the annual Diocesan Directory. The cost of support provided by the Ministry to Priests is a parish expense; the advised amount is in the Ad Clerum.

## **11.10 Priest's Retirement**

The Diocese funds clergy retirement through two funds – the Retired Priests Fund and the Retirement Provision Fund. The division between the two funds is those priests born before 1st January 1936 will be funded through the Retired Priests Fund, and those born on or after will be funded through the Retirement Provision Fund. The Retired Priests Fund also contributes to the Diocese's costs for those priests actually in retirement now. The prime purpose of the Retirement Provision Fund is to provide an annual grant on retirement in the future. The levy on parishes ceased in 2008 following a review of the Diocese's reserves. The situation will be kept under review and the levy could be re-instated if deemed necessary.

The Diocese's policy on priests contemplating retirement is to assess their individual needs and circumstances – see Appendix 11B. The policy was re-written in 2008 after consultation with the trustees and the Council of Priests.

Priests may make arrangements for their own personal pensions but must not charge the premiums to the parish. Priests are advised to seek advice from an independent financial adviser, that is, one not tied to one company's product.

### **11.10 Priest's Retirement (continued)**

The main reason for paying NI contributions is to receive the basic state pension at 65. Priests may be able to claim pension credit if their state pension is below the standard basic pension. Contact the Pension Service on helpline 0800 99 1234 or see link:

<http://www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit/index.htm>

### **11.11 Deacons**

The permanent diaconate is a non-stipendiary ministry. The deacon is entitled to reimbursement of expenses incurred in the fulfilment of his ministry, whether carried out at a parochial, Diocesan or national level. A deacon is entitled to retain any stole fees received in his administration of the sacraments. A deacon is not entitled to support from the Church in response to changes in his financial circumstances.

### **11.12 Supply Rates**

The Vicar General can advise on appropriate rates. The Conference of Major Religious Superiors for England and Wales issues guidance annually on suggested supply rates, and these provide a good basis for agreeing local rates.

### **11.13 Wills and Power of Attorney**

Every priest should draw up a will which designates his executors in accordance with civil law. Following the death of a priest who does not leave a will, it is often unclear what personal assets were his. The parish can suffer from claims to property or money which had been under the control of the priest when in fact these belonged to the parish. The relevance of parish inventories is reinforced when this happens. Priests are advised to consult a solicitor when drawing up a will. See also Section 2 "Financial Management and Banking" for notes on bequests to the Diocese.

It is advisable for every priest to designate one or two people to exercise power of attorney over his affairs in the event that he loses the use of his mental faculties. Power of attorney may not be obtainable once a person does not have the full use of reason, or if there is a doubt as to whether a person understands what is being asked of him. This may happen, for example, after a severe stroke.

Wills and documents concerning power of attorney should be deposited with a solicitor. It is most helpful to also deposit a copy in the Diocesan Chancery in a sealed envelope which may only be opened at the necessary time. The existence of these documents will save both the Diocese and the family of the priest considerable distress in the event of illness or death.

### **11.14 Jury Service**

Clergy are no longer exempt from jury service, but may be excused or defer serving for essential pastoral duties, such as, conducting funeral services.