

i Contacts

Please phone:

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- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to
www.hmrc.gov.uk

Fill in the *Ministers of religion* pages if you were:

- a minister of religion of any faith, religion or denomination, or
- an employee acting as a minister of religion.

You must complete a separate *Ministers of religion* or *Employment* page for each employment you held in the year.

References in these notes to ‘ministers’ include vicars, reverends, priests, rabbis, imams and any other titles given to religious leaders. References to a ‘church’ include a mosque, synagogue, temple and so on. ‘Vicarage’ includes any building in which you live and from which you perform the duties of your ministry.

Why separate pages for ministers?

Some tax rules apply only to ministers of religion. These notes will help you to understand the special rules, give you guidance about various sorts of income, and tell you what expenses you can deduct to work out the amount which is taxable. Further guidance is in the Employment Income Manual, available from our website. Go to

www.hmrc.gov.uk/manuals/eimanual/index.htm (from paragraph EIM60001 onwards).

Ministers are usually either office holders or employees and these notes cover the income of both. There is guidance on employment status in the Employment Status Manual at

www.hmrc.gov.uk/manuals/esmmanual/index.htm starting at ESM0003 (concerning the difference between employment and self-employment) and at ESM2502 (concerning offices). Ask us or your tax adviser if you are in doubt. If you are self-employed, complete the *Self-employment* pages or go to www.hmrc.gov.uk and download them.

What to include in the *Ministers of religion* pages

Include all ministry income received in the year to 5 April 2011 including:

- salaries, wages, fees, commissions, overtime, bonuses and other contractual payments, even if you have paid some of that income to a charity
- fees and offerings for performing your duties as a minister
- gifts and grants you receive because of your work
- sick pay, including Statutory Sick Pay paid by your employer
- Statutory Maternity, Paternity or Adoption Pay paid by your employer
- loans written-off which were made because of your employment.

Clergy pension received, and any tax deducted, should be entered in boxes 10 and 11 on page TR 3 of your tax return, even if you continue to work after retirement.

What to exclude from the *Ministers of religion* pages

The following should not appear anywhere in your tax return:

- payroll giving donations
- contributions to your employer’s pension scheme, and
- Working Tax Credit or Child Tax Credit.

Lump sums paid on or following termination of employment, retirement or death, and payments or benefits from a former employer should be excluded here but included on the *Additional information* pages, enclosed in your tax return pack.

Income as a minister of religion

Box 2 *Salary or stipend*

Your church must give you a record of your pay and tax. If you were working on 5 April 2011 you will get a P60 *End of Year Certificate*, by 31 May 2011. Enter in box 2 the figure from the 'in this employment' box on your P60.

If you left an employment during the year you will have been given a P45 Part 1A. Enter in box 2 the figure from the 'total pay in this employment' box of the P45.

If you had more than one post or appointment in the tax year your P60 may include the pay and tax details of an earlier employment. Put those details on a separate *Ministers of religion* or *Employment* page.

The box 2 figure is the pay figure after any contributions to your employer's pension scheme (sometimes described as superannuation). Take care when copying this figure from your P60 to the *Ministers of religion* pages.

If you received Jobseeker's Allowance in the year to 5 April 2011 it may be included on your P60 or it may be on a P45 Part 1A – it goes in box 14 in the 'UK pensions, annuities and other state benefits received' section on page TR 3 of your tax return, not on your *Ministers of religion* pages.

Helpsheet 208 *Payslips and coding notices* contains information about the relevant forms.

Box 4 *Fees and offerings*

Include all fees for your services and any offerings or collections that you can keep by right, tradition or custom. But if the fees have been included in your salary figure on the P60 do not enter them again in box 4.

Box 5 *Vicarage or manse expenses paid for you*

Enter the total of any bills for heating, lighting, gardening and maintaining your manse or vicarage for which you are responsible, but have been paid for you.

If your earnings (including benefits received and expenses paid for you) were less than £8,500 a year, some vicarage expenses are not taxable. See the note for box 20 on page MN 7 for more information, but still include the expenses in box 5.

If you are a full-time minister and a church corporation or charity provides you with living accommodation from which you carry out your ministerial responsibilities, then certain amounts paid on your behalf, or made good to you, are not taxable. These are Council Tax, general rates (Northern Ireland) and water charges. Do not include them in your taxable income.

Box 6 *Personal expenses paid for you, living accommodation, vouchers and credit cards*

Enter the total amount of any personal expenses (for example, if the Church Council pays a repair bill for your car) for which you are responsible, but which have been paid for you. You may be entitled to a deduction for some of these amounts. See the notes for boxes 21 to 25 on pages MN 7 to MN 9.

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If you are provided with living accommodation (for a definition see Helpsheet 202 *Living accommodation*) from which you carry out your ministry, the value of your private occupation of the accommodation is usually exempt from tax. However, it is taxable if your post is administrative rather than pastoral. Your church may have given you a figure for this.

Your income, with some exceptions, includes the value of any vouchers and goods or services obtained with a credit card or token provided to you by reason of your post or appointment. Helpsheet 201 *Vouchers, credit cards and tokens* contains further guidance. Enter the figure from box 12 on the P11D. This should include any goods or services bought with a credit card or token for you and your family or household. If you use the vouchers or credit card to meet ministry expenses still include their value in box 6 but deduct the appropriate amount in boxes 21 to 25.

Box 7 Excess mileage allowance and passenger payments

If you are paid a mileage allowance (box 12 on the P11D) for using your own car, van, motorcycle or cycle for work, the amount you receive may be more than the maximum you can receive free of tax under the rules for Approved Mileage Allowance Payments (AMAPs).

The maximum mileage allowance you can receive tax-free in 2010–11 is your ministry mileage multiplied by the appropriate rate from the table below.

Kind of vehicle		Rate
Cars and vans	<i>First 10,000 ministry miles</i>	40p a mile
	<i>Each ministry mile over 10,000</i>	25p a mile
Motorcycles		24p a mile
Cycles		20p a mile

Example 1

You travelled 16,000 ministry miles in your own car. The maximum you can receive free of tax is:

10,000 miles at 40p	£4,000
6,000 miles at 25p	£1,500
Total	£5,500

If you receive more than this, the extra amount is taxable and will be shown on the P11D; enter this in box 7. If you receive less than the maximum, you are entitled to relief on the shortfall and should enter this in box 21.

Passenger payments

Passenger payments are amounts you are paid for carrying other employees as passengers on a journey that is a business journey for both you and your passengers.

The maximum amount of passenger payments you can receive tax-free in 2010–11 is 5p per passenger for each mile travelled.

The amount of passenger payments you receive may be more than the tax-free maximum. The extra amount is taxable and will be shown on the P11D; enter this extra amount in box 7. If the amount you receive is less than the maximum, you are not entitled to relief on the shortfall.

Any amounts you receive for carrying passengers which are not within the definition of passenger payments are taxable; enter them in box 17.

For more information go to www.hmrc.gov.uk

Boxes 8 and 9 *Round-sum expenses and rent allowances*

Enter the total of any round-sum allowances paid to you, and any UK tax taken off, in boxes 8 and 9 unless these are already included in the figures on your P60. Also include any allowance paid to you to help you meet rent or mortgage payments. You may be entitled to a deduction for the expenses you pay out of a round-sum allowance or for part of any rent you pay. See the notes for boxes 21 to 25 on pages MN 7 to MN 9.

Boxes 10 and 11 *Other income from your post or appointment*

Enter in boxes 10 and 11 the amount of any other income (and tax on that income) from this post. If you hold a chaplaincy because it goes with your post by right, tradition or custom, then include the income from it here. However, income (and tax on that income) from chaplaincies that are separate from your main appointment should be included in boxes 36 and 37.

Enter in box 10 the total of any gifts and grants you receive because of your work as a minister. Do not include personal gifts, such as birthday presents, or gifts and lump sum grants made to you in order to alleviate hardship peculiar to your own circumstances. Grants given to clergy generally, rather than for your own circumstances, are taxable and you should include them here. If you are unsure if a grant is taxable, ask us or your tax adviser. Enter in box 11 any UK tax taken off.

If an employer gives you something in kind (that is, other than in cash – for example, a motor car), the taxable value depends on whether your earnings were at a rate of £8,500 or more a year (see ‘Benefits and expenses payments you receive as a minister of religion’ on page MN 5). If your earnings (including the cash equivalent value of the asset transferred) were at a rate of less than £8,500 a year, the taxable value is what you could sell the asset for, that is, its second-hand value. You should use this value whether or not you actually sell it. If you are unsure, ask us or your tax adviser. If your earnings (including the cash equivalent value of the asset transferred) were at a rate of £8,500 or more a year, the taxable value is the greater of the second-hand value and the cost of the asset to the person who provided it to you. Helpsheet 213 *Payments in kind – assets transferred* has more information.

If you stop being a minister during the year, or if you sell, or no longer use for work, items such as computers and equipment (but not cars, motorcycles or cycles) for which you have claimed capital allowances, balancing charges may apply. If the sale proceeds or value of the item is greater than the value of the ‘pool’, the difference is called a ‘balancing charge’. It is taxable and should be included in box 10. If you think you may be able to claim capital allowances, or if you need help in working out balancing charges, Helpsheet 252 *Capital allowances and balancing charges* has more information.

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Benefits and expenses payments you receive as a minister of religion

Your church is required to tell us, on a form P11D, about all taxable benefits and expenses provided or paid to you. They may either give you a copy of the P11D, or give you the same information, and they must do this by 6 July 2011. If you have not had it by then, speak to your church or phone us.

If your church has arranged a dispensation with us for some benefits and expenses (so you do not have to tell us about some income and then ask for tax relief for the same amount), they may not appear on the P11D. Do not worry about this and do not enter them on your *Ministers of religion* pages.

There is general guidance on benefits and expenses in booklet 480 *Expenses and benefits – a tax guide*, available from **www.hmrc.gov.uk**

Box 13 *Vicarage or manse services benefits received*

Enter in box 13 the amount you receive towards the cost of running and maintaining the vicarage or manse. Examples of what to include here are:

- heating, lighting and cleaning bills; expenses of repairing, maintaining and decorating the premises (including the garden) that are the responsibility of the church. Do not include structural repairs, exterior decoration, or any repairs to fixtures and fittings that would be the responsibility of the landlord if the premises were let to you on a tenant's repairing lease. If you need any help, ask us or your tax adviser
- furniture, soft furnishings, fitted carpets and other normal domestic effects provided for your use. The cash equivalent of these is usually based on 20% of their open market value when they were first provided as a benefit
- domestic services (other than cleaning).

Box 14 *Car provided for you*

Enter the figure from box 9 of the P11D. If you use your own vehicle for work (not just for getting to and from work) read the notes for box 21. If you have been given a car outright see also the notes for box 10.

Box 15 *Fuel for car provided for you*

Enter the figure from box 10 of the P11D.

Box 16 *Interest-free and low interest loans*

Enter the figure from box 15 of the P11D. Do not enter the amount borrowed, only the difference between the interest you paid (if any) and what you would have paid had the loan been at the official rate of interest. If you need more information, please contact us.

Box 17 *Expenses payments made to you*

Enter payments or reimbursements made to you, excluding amounts already included in boxes 6 or 8, reimbursements of expenses in connection with a car provided because of your post and amounts for which your church has a dispensation.

Box 18 *Other benefits*

Enter in box 18 any amounts remaining on the P11D not already entered in boxes 13 to 17. Use the Working Sheet below.

Working Sheet for box 18	
Qualifying relocation expenses (see below)	<input type="text" value="£"/>
Goods or services provided	<input type="text" value="£"/>
Assets transferred to you or your family	<input type="text" value="£"/>
Assets provided for private use	<input type="text" value="£"/>
Phone calls	<input type="text" value="£"/>
Subscriptions paid by your church	<input type="text" value="£"/>
Some nursery places	<input type="text" value="£"/>
Some educational assistance	<input type="text" value="£"/>
All others	<input type="text" value="£"/>
Total	A <input type="text" value="£"/>
<i>Copy the figure in box A to box 18</i>	

Relocation packages

If you move house any payments made to you, or goods or services provided for you, by your church or representative body are part of your taxable earnings. But if you move house for work and meet certain conditions, the first £8,000 of any help you receive is exempt from tax. That £8,000 is for the move as a whole and not for each tax year. Your church or representative body will help you work out what is to be included in the Working Sheet for box 18 and will tell us if any expenses or benefits over £8,000 have been provided for you.

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Taxable income etc. before expenses paid

Box 20 *Taxable income, benefits and expenses received*

Enter in box 20 the amount of your taxable income and benefits as a minister. The figure you enter depends on whether your income in box 12 plus the benefits and expenses in box 19 are at the rate of £8,500 (or more) a year, or less than £8,500.

If they are under the £8,500 threshold, you can exclude from your taxable income certain sums paid for, or reimbursed to, you for a vicarage provided by a charity or church corporation. Further guidance is in the Employment Income Manual, available from our website. Go to www.hmrc.gov.uk/manuals/eimanual/index.htm (at EIM60015).

If they are £8,500 or more a year, enter in box 20 the total of boxes 12 and 19. **If they are under the £8,500 threshold**, enter in box 20, box 12 minus box 5.

Expenses paid by you as a minister of religion

You can only deduct the costs you had to pay out of your income of your post or appointment. **If benefits and expenses payments you receive are not taxable because they are below the £8,500 threshold, then you must not claim a deduction for expenses you meet out of your non-taxable amounts.**

If your church has agreed a dispensation with us you must not deduct any expenses that are covered by that dispensation or any expenses you can claim back from your church. If you need help, speak to your payer or contact us.

Box 21 *Travelling expenses and capital allowances*

You cannot get tax relief for the costs of travelling from home to your usual place of work. However, you can deduct the cost of ministry journeys, that is from one place of work to another in the same post or appointment, whether in the UK or abroad. You can also deduct related costs of accommodation and meals. Calculate the total relief using the Working Sheet on page MN 8.

If you use your own vehicle for work you can receive up to the maximum shown in the table for box 7; do not include this on your *Ministers of religion* pages. If you receive less than the maximum, or nothing at all, you can get tax relief (called Mileage Allowance Relief) for the shortfall.

Example 2

The maximum you can receive tax-free in Example 1 for box 7 is £5,500. If you received only £3,500 you are entitled to Mileage Allowance Relief on the shortfall of £2,000 and you should include this amount in box 21.

You cannot get tax relief for your actual expenses, if greater. Keep a record of your ministry mileage for each kind of vehicle and of the mileage allowances you have been paid.

Capital allowances

You may be entitled to capital allowances (effectively, tax allowances for depreciation) for your costs of essential equipment or theology reference books. You cannot have capital allowances for a car, van, motorcycle or cycle – instead, you can have Mileage Allowance Relief (see the notes above) which includes an amount for depreciation. Helpsheet 252 *Capital allowances and balancing charges* contains further guidance.

Working Sheet for box 21	
Mileage Allowance Relief	<input type="text" value="£"/>
Capital allowances	<input type="text" value="£"/>
Other allowable costs, including related meals and accommodation costs	<input type="text" value="£"/>
Ministry expenses, such as official phone calls, fax and photocopying costs	<input type="text" value="£"/>
Total	A <input type="text" value="£"/>
<i>Copy the figure in box A to box 21</i>	

Box 22 *Maintenance, repairs and insurance of vicarage or manse etc.*

If you are a full-time minister and a church corporation or charity provides you with accommodation where you live and from which you work, then you may deduct one quarter of what you spend to maintain, repair or insure it. A wider range of property expenses may also be deducted under box 25 but any amounts entered in box 22 must not be duplicated in box 25. If you need help with this, ask us or your tax adviser.

Box 23 *Rent*

If you rent a house and part of it is used mainly for work, you may deduct an appropriate part. For example, if you have nine rooms and use one as a study for ministerial work, deduct one-ninth of the rent you pay. However, the deduction must not be greater than a quarter of the rent you pay.

Box 24 *Secretarial assistance*

You can deduct the cost of secretarial assistance necessary for your work. You cannot deduct sums paid to your spouse for work as an active member of the church.

Box 25 *Other expenses*

- *Books* – you can deduct the cost of books you purchased for use in divine service or the preparation of sermons. No deduction is available for books or periodicals you use for general background reading.
- *Stationery, postage and phone calls* – deduct the ministry costs.
- *Robes and expenses of divine service* – you can deduct the cost of repair or replacement of robes worn for divine service under church law or by the custom of a particular church. If you paid for items consumed in divine service (such as communion bread and wine) enter here the amount you spent.

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- *Use of premises for church business* – if you use part of the premises where you live for church business, then you may deduct a proportion of the cost of lighting, heating, cleaning, maintaining, and so on. Make sure that you exclude from box 22 any part of the expense included here.
- *Temporary cover* – if it was necessary for you to engage someone to perform your duties temporarily, you may make a deduction for the expense.
- *Entertaining* – you are not usually entitled to tax relief for any official entertaining expenses, but exceptionally, if you have to entertain visiting clergy, officers of the church or members of the church on official occasions, you may deduct reasonable costs. The deduction must not exceed the amount received for that entertaining.
- *Subscriptions to professional bodies* – you may be entitled to a deduction for annual subscriptions to professional bodies that we have approved and are relevant to your work. The professional body will tell you how much to include in box 25.

Add together all the other expenses and enter the total in box 25.

Service benefit cap calculation

If the value of provided accommodation is exempt from tax (see box 6 above) and your income, benefits and expenses payments were at a rate of £8,500 or more a year, then there is a 'cap' on the amount of taxable benefits. The limit is 10% of the net income from your post or appointment. Use boxes 27 to 35 to work out if the limit applies to you.

Box 28 2010–11 back pay

If you are due pay for 2010–11 which was not received by 5 April 2011, enter the amount in box 28.

Box 29 Earlier years' back pay received during 2010–11

If you received any back pay for years before 2010–11 and this amount is included in your total income at box 12, enter the amount in box 29.

Box 30 Payments to pension schemes

You should include in box 30 any contributions made by you to a registered pension scheme which have not been deducted from your pay before tax. This includes:

- contributions to personal pension schemes
- stakeholder pension schemes
- free-standing additional voluntary contribution schemes (FSAVCs)
- premiums to retirement annuity contracts where your provider is not claiming basic rate tax relief, and
- payments to an overseas pension scheme which is not registered in the UK, which are eligible for tax relief and were not deducted from your pay before tax.

Contributions deducted from your pay before tax are automatically taken into account in the figure in box 27. (Types of contribution which might be deducted from your pay before tax include contributions to some employers' occupational pension schemes and additional voluntary contributions to employers' schemes.)

Box 32 10% of net income in box 31

If you did not have the accommodation for the whole of the 2010–11 year, you should firstly multiply the figure in box 31 by the number of days you had the accommodation. Then divide the result by the number of days the figure in box 31 was for – 365 days if you held your post for the whole of the tax year. Take 10% of the resulting amount and enter this figure in box 32.

Box 33 Amount you paid toward service benefit received

Enter the total of sums made good by you in the tax year to the provider of the service benefits.

Box 35 Service benefit cap

Add together the amounts in boxes 33 and 34, and deduct the figure in box 32. If the result is positive, enter the amount in box 35. If the result is negative, enter '0' in box 35.

Other income as a minister of religion**Box 36 Chaplaincy and other income as a minister**

Include here any separate incidental income not already included in box 10. Enter any tax taken off this income in box 37.

Taxable income etc.**Box 38 Taxable income minus expenses**

Add the figure in box 35 to the figure in box 26. Then total the amounts in boxes 20 and 36. Take the total of the first calculation away from the total of the second calculation. Enter the resulting figure in box 38.