

# FINANCE ACT 2015

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## EXPLANATORY NOTES

### INTRODUCTION

#### ***Section 13 and Schedule 1: Extension of Benefits Code Except in Relation to Certain Ministers of Religion***

##### **Details of the Section**

2. Subsection (1) repeals the whole of Chapter 11 of Part 3 of ITEPA (taxable benefits: exclusion of lower-paid employments from parts of the benefits code).
3. Subsection (2) inserts new sections 290C to 290G inclusive relating to lower paid ministers of religion into Chapter 8 of part 4 of ITEPA.
4. New Section 290C (1) applies the section to lower paid employment as a minister of religion for a tax year. 'Employment' will include those ministers of religion who are 'office' holders.
5. New Section 290C (2) sets out that lower paid ministers of religion have no liability to income tax on employer provided expenses payments, cars, vans and related benefits (such as fuel), loans and any other residual benefits taxable under Chapter 10 of the benefits code.
6. New Section 290C (3) sets out that references to an employee in Chapters 3, 6, 7 & 10 whose employment falls within subsection (2) does not include someone in lower paid employment as a minister of religion if the Chapter normally applies in preference to subsection (2) above.
7. New Section 290C (4) sets out that whether someone is treated as a lower paid minister of religion or not, is subject to income from related employments as set out in new Section 290G, and loans being written off that are treated as earnings under Section 188 ITEPA.
8. New Section 290D (1) sets out that for the exclusion to the benefits code to apply the person must be directly employed as a minister of a religious denomination and must be earning at a rate of less than £8,500 in the tax year.
9. New Section 290D (2) sets out that direct employment means that the minister of religion cannot be engaged through an employment intermediary, a managed service company nor be paid through a third party.
10. New Section 290D (3) provides that the meaning of lower paid employment as a minister of religion is subject to the rules for related employments set out in new Section 290G.
11. New Section 290E (1) to (4) contains a method statement that sets out how to calculate whether the minister of religion is earning at a rate of less than £8,500 in the tax year. In doing so, you have to assume that the employment is not lower paid employment as a minister of religion so that the cash equivalent of any BiKs specified

in new section 290C are included in the calculation, as well as any BiKs relating to accommodation outgoings that would have been exempt from income tax under Sections 290A and 290B.

12. The calculation requires all earnings from the employment to be added (including amounts treated as earnings), and also BiKs that would be exempt if the minister of religion is in lower paid employment. A deduction from total income is then made for earnings which are specifically excluded (except for accommodation outgoings of ministers of religion), any extra amount to be added in connection with a car set out in new Section 290F, and finally authorised deductions (as set out in new subsection 290E(4) are subtracted). The total number of days in the year is then divided by the total number of days the minister of religion has worked in the year and this is multiplied by total income (after deductions and exclusions); and this then provides the earnings rate for a minister of religion.
13. New Section 290F (1) to (5) sets out the special rules for the method statement at new Section 290E of how to calculate the cash equivalent paid to a minister of religion in respect of cars, vans and related benefits to determine whether a minister of religion is in lower paid employment .
14. New Section 290G (1) to (4) sets out that where a ministers of religion has two or more related employments they must be added together when calculating whether a person is a lower paid minister of religion because they are earning at a rate of less £8,500 per year. If the total earnings from all of the related employments are more than £8,500 then the minister of religion will not benefit from the exemption for BiKs for lower paid ministers of religion. This section also provides that two or more employments are related if both employments are with the same employer or are controlled by the same person, with the extended meaning of 'control' in Section 69 ITEPA 2003 applying for the purposes of this section.
15. Subsection (3) introduces the Schedule.
16. Subsection (4) provides for the changes to take effect from the 2016-17 tax year onwards.