



Tax On Service Benefit

What is a service benefit?

If in connection with your work you receive any payments, services or goods on which tax has not been charged, these are often described as benefits in kind. Where such benefits relate specifically to services at job-related accommodation, they are known as service benefits.

Can you give me examples of a service benefit?

The most common examples are the Church Commissioners' tax-free payments in reimbursement of heating, lighting, cleaning and gardening costs. Other examples would be any repairs, maintenance, decoration, furnishings or domestic appliances which were legally your responsibility but which the Church paid for or provided.

Do service benefits have to be taxed?

They have to be taxed in most cases. However, if the income from the post where a service benefit arises is at a rate of less than £8,500 p.a., no tax will be charged.

NB: the figure of £8,500 is an annual rate, not the actual income. If you have been in post for only a few months, your actual income may well be less than £8,500. Nevertheless, if it is being paid at an annual rate in excess of £8,500, tax on service benefit will still apply.

How is the tax calculated?

It is a restricted tax, and will be charged on the lesser of:

- either (a) the total value of the service benefit
- or (b) 10% of the net earnings from the post.

It is your responsibility to do this calculation when completing your tax return.

How will I know what figures to use?

The Church Commissioners will tell you each year, on your P60, how much service benefit they have provided. Anyone else providing a service benefit has a similar responsibility to notify you of its value. You will need these figures in order to complete the Minister of Religion pages of your tax return.

The Church Commissioners will also send you, with your P60, notes of guidance, including a simple step-by-step formula, to help you make the correct calculation. These notes are also available at www.cofe.anglican.org/info/clergypay

Is any further tax relief available?

Yes. The proportion of the service benefit which is directly work-related qualifies for tax relief.

It is, of course, notoriously difficult to know how much of the cost of, say, heating is work-related. For this reason, the Revenue will accept claims of up to 25% of the total cost without detailed enquiry.

How is the tax collected?

Once the Revenue have processed your tax return, they will usually amend your PAYE tax code to reflect the actual tax due.

Is it really worth receiving a service benefit if it is going to be taxed anyway?

Yes, for two reasons:

- (i) service benefits are provided free of national insurance, and there is no subsequent national insurance charge. Both you and your “employer” benefit from this saving.
- (ii) the tax charged on service benefits is restricted, and will always be less than the tax saved by receiving the benefit tax-free in the first place.

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