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"Proclaiming the Word and Work of God"**

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To: Incumbents
PCC Treasurers

COUNCIL TAX

Legal Liability for paying Council Tax

Under the Local Government Finance Act 1992, legal liability normally rests with the occupant. However, by virtue of SI 1992 No 551, in the case of "a dwelling which is inhabited by a minister of any religious denomination as a residence from which he performs the duties of his office", legal liability passes to the owner of the dwelling.

In addition, SI 1992 No 551 (as amended by SI 1995 No 620) also provides that, where a Church of England minister is "the inhabitant and owner of the dwelling and is in receipt of a stipend", legal liability passes to "the Diocesan Board of Finance of the diocese in which the dwelling is situated". This ensures that an incumbent of a benefice, who is the owner-occupier of a parsonage house, does not become legally liable. In practice, the parochial church council is responsible for paying the Council Tax of its stipendiary clergy.

In this context, the expression "minister" customarily includes a lay worker.

Income tax implications where the Church pays the Council Tax

Where the occupant of a property is not legally liable for the payment of Council Tax, no income tax charge arises on its payment. By virtue of the wording of SI 1992 No 551 (as amended) (see above), most clergy – whether stipendiary or NSM, full-time or part-time – who live in provided accommodation will be in this category. An exception would be a clergy person who did not perform the duties of their office from their house, or who did not hold any office.

Stipendiary ministers who live and work from their own properties will also be exempt. All other ministers living in their own properties will normally incur a taxable charge.

Summary

	Provided Accommodation	Own House
Stipendiary and working from home	Exempt	Exempt
NSM and working from home	Exempt	Charge
Not working from home	Charge	Charge

Where a taxable charge does arise, the amount of Council Tax paid by the Church should be declared at box IM.7 on the Minister of Religion page of the tax return.

Income tax implications where the occupant pays the Council Tax

Tax relief is not available on any proportion of the Council Tax. This is because the Council Tax charge is an indivisible sum, no part of which can be said to be exclusively work-related.