

Christian Workers – Finance for Living Series

# guide to the UK benefits system

Alan Hough



## CONTACT DETAILS

Stewardship

1 Lamb's Passage, London EC1Y 8AB

t 020 8418 8880

f 020 8502 5333

e [education@stewardship.org.uk](mailto:education@stewardship.org.uk)

w [www.stewardship.org.uk](http://www.stewardship.org.uk)

Stewardship is the operating name of Stewardship Services (UKET) Limited, a registered charity no. 234714, and a company limited by guarantee no. 90305, registered in England

© Copyright Stewardship 2014

## COPYRIGHT

This publication is the copyright of Stewardship. We want our resources to have the maximum impact, therefore you are welcome to reproduce or otherwise distribute this material in whole or part. We simply ask two things: (1) there must be no use for commercial gain, and (2) Stewardship is clearly acknowledged with the following wording "Reproduced with permission from Stewardship. [www.stewardship.org.uk](http://www.stewardship.org.uk)". If extracts are to be used in another context, permission should be sought in advance by emailing [enquiries@stewardship.org.uk](mailto:enquiries@stewardship.org.uk) or telephoning 020 8502 5600. Thank you.

## DISCLAIMER

Whilst every care has been taken in the preparation of this material, Stewardship cannot be responsible for action taken or refrained from in reliance thereon. It is recommended that appropriate professional advice be sought in each relevant individual circumstance.

## general introduction

Understanding the extent and scope of the UK benefits system is tricky. It has not been designed as a single, logical, coherent system but rather has evolved over time in a piecemeal fashion designed by successive governments to meet different perceived needs, not all of which have necessarily been exclusively social.

However, the benefits system is a significant part of the social fabric of UK society and has as its root Jesus' commands to look after certain groups of people at certain times in their lives. The benefits system is a partial reflection of God's broad call for justice and the rightful claiming of benefits should never be regarded with embarrassment.

We have written these guides with Christian workers in mind, as many find themselves with less income than the average, uncertain what they can legitimately claim given that they are often living on 'gift income' and often abroad for long periods.

The nature of benefits provided by the system is broad: some come in the form of cash payments (i.e. paid to you directly through the bank or in cash); some as tax reliefs and some as the provision of services (e.g. NHS treatments). Certain benefits form part of taxable income, whereas others are completely exempt from any form of taxation.

With such a diverse system operating in the UK, it is important for those people who are either on lower incomes or who are experiencing social and financial complexities to have an understanding of the overall system as they seek to balance their lives.

## approach and structure

Rather than writing a single paper covering every aspect of the system, this series of briefing papers provides a broad review of individual benefits and the situations in which they might apply. Given the complexities of the system, no summary paper can be fully comprehensive or cover every possible situation. Each is dated, as changes do occur and, at any point in time, care should be taken to ensure that the rules still apply and have not been superseded.

Each paper aims to provide a straightforward guide to the system and points the reader to other sources of information to track future developments or to explore more complex or unusual situations.

The table on the next page acts as an index page showing the individual papers currently available or planned for the future. To check on availability or download published papers, visit the State Benefits tab at <http://www.stewardship.org.uk/resources/finance-for-living>

There is no significance regarding the order of the topics although they are grouped together on a vaguely topical basis. Topics are diverse and in some cases (e.g. repayment of student loans) may not immediately be thought of as part of the traditional benefits system. However, with many Christian workers likely to be impacted, such topics have been included to provide a broad picture.

## table of benefit briefing papers

Benefit	T	C	M
State Pension (incorporating other pension options)	Yes	Part	No
Pension Credit	No	No	Yes
Cold weather payments	No	No	No

Job seekers allowance – income based	Yes	No	Yes
Job seekers allowance – contribution based	Yes	Yes	No
Working tax credit	No	No	Yes
Statutory sick pay	Yes	No	No
Incapacity benefit	Yes	Yes	Part
Income support	No	No	Yes

Housing benefit	No	No	Yes
Council tax benefit	No	No	Yes

Statutory maternity pay	No	Yes	No
Maternity allowance	No	Yes	No
Statutory paternity pay	No	Yes	No
Child tax credit	No	No	Yes
Child benefit <sup>1</sup>	No	No	No
Carer's allowance	Yes	No	Yes
Statutory adoption pay	No	Yes	No

Disability living allowance	No	No	No
Attendance allowance	No	No	No

Entitlement to NHS care and treatment	N/A	N/A	N/A
Student loan repayment	N/A	N/A	N/A
Volunteering whilst on benefits	N/A	N/A	N/A

**T = Taxable:** Benefits are taxable for the purposes of UK income tax.

**C = Contributory:** Benefits that may require a contribution from the individual before payment is made.

**M = Means-tested:** Benefits where the financial situation of the claimant will be taken into account before a decision regarding either eligibility or amount of benefit is reached.

<sup>1</sup> Means-testing for this benefit will be introduced from January 2013

## characteristics of Christian workers

### Worker status

The first issue for Christian workers is to understand what 'category' of worker they are:

- Some are employees and receive a salary from their employer with PAYE and national insurance already accounted for.
- Others may receive gifts and grants without any tax deduction which allow them to live and to cover day-to-day expenses. Individuals in this category may be regarded as 'self-employed' by the UK tax authorities.
- For others a mixture of the two may apply.

### Relevance of worker's tax status to UK State Benefits

Employment status is important in determining whether or not a worker is liable to pay national insurance contributions which, in turn, determines eligibility to some (but not all) benefits.

Further, the level of income regarded as liable to tax will often be used as a key determinant in the level of income for benefit purposes where a particular benefit is means-tested.



### Income

Christian workers often benefit from significant amounts of gift income. The taxation of gift income is not well understood (even by professional advisors)! Generally, and subject to certain exclusions, gifts received as a result of carrying on a vocation of Christian work, or gifts received that enable the Christian worker to continue to carry on the vocation will be taxable. This includes grants and gifts (whether asked for or not) from religious bodies, charitable trusts, or individuals that are for the benefit of the Christian worker, or their family. For the avoidance of doubt, gifts received from Stewardship, even though they may have been initiated by your individual supporters are, legally, grants from a charity (Stewardship) and not gifts from the individuals themselves.

In contrast, gifts given for personal reasons, such as for specific events (birthdays, Christmas, on marriage), or for medical treatment and also personal gifts from parents or immediate friends will not be liable to tax. Sadly what constitutes a gift from an 'immediate friend' is not defined and so becomes a matter of interpretation of the facts, on a case by case basis.

If you receive a significant amount of gifts, grants or other untaxed income, we recommend you take good professional tax advice. If you don't already have an advisor, we can recommend some, who regularly serve Christian workers in this field.

Remember, that you may also be entitled to deduct expenses you pay out for your ministry from this income before paying tax on the net amount. This net amount is the relevant figure to give as your income on any application for benefits.

Where taxable income is received which is not linked to work undertaken as an employee, the income is likely to be considered to be 'income arising from your vocation' and be treated as income from 'self-employment'. On the other hand, if the amounts are small and are directly related to your working for a particular employer but they cannot be taxed under PAYE (for example, because you receive them directly from a third party), it may be better to declare them as extra income from the employment (rather like a 'tip').

## Volunteering

Christian workers will often act as volunteers in a wide range of activities. There is a common misconception that volunteering whilst on benefits will necessarily limit what can be claimed. Whilst this is generally not the case, there are certain warnings that should be heeded.

A separate briefing paper 'a guide to volunteering whilst on benefits' provides additional information. See the [resources section](#) of the Stewardship website for details.

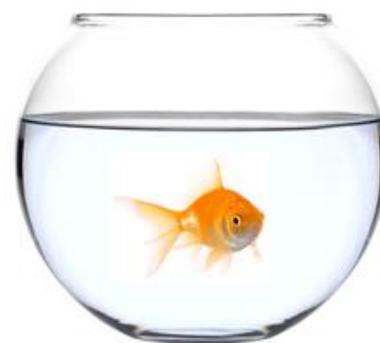
## Residence

Most benefits are restricted to UK residents (i.e. to people who live permanently within the UK), and so are not available to Christian workers working overseas on a long-term basis. However, in some cases (e.g. earning National Insurance Credits to qualify for state pensions), provision is made so that UK residents temporarily working overseas can still benefit. Therefore, short-term absences overseas may not restrict the ability to claim benefits. There are special rules for UK missionaries working abroad who return to the UK for NHS hospital treatment. However, please note that these rules do not apply to consultations or treatment at a GP surgery. Further information is given in our Briefing Paper '[Entitlement to NHS care and treatment](#)'.

Each Christian worker should take care to understand what their residence status is and to see how this may impact the ability to claim specific benefits. Where there is any doubt or uncertainty then contact should be made with the individual benefit help lines to discuss individual cases.

## Job-related housing accommodation

For most employees if they are provided with a house paid for by their employer they would have a 'taxable benefit' which then forms part of their taxable income. This is not generally the case where a manse or vicarage is provided to a 'minister of religion'. Where it is 'usual' for a minister to be provided with housing for the 'better performance' of ministerial duties then any value that is associated with that property is not treated as taxable income and therefore is unlikely to impact on the ability to claim most benefits.



The other situation in which Christian workers may find themselves is where they are provided with accommodation as part of their responsibilities as 'site workers' or 'managers' (e.g. of a conference centre). Depending on the precise nature of their role, the value of this accommodation could also be excluded from their taxable income. However, this is less usual than for ministers, as the rules for exemption are tightly defined.

It should not be assumed that all accommodation provided to Christian workers is exempt from tax and benefit calculations. The rules are specific and complex. If in any doubt, advice should be sought, either from the relevant denomination or from professional advisors.

### Expenses

The rules regarding the treatment of expenses are the same as for any other employee or self-employed worker. Where expenses incurred are wholly and exclusively in relation to the work situation they can be set against income when working out the amount of tax that is due.

### Gifts made under 'Gift Aid'

Another area that often impacts Christian workers more than most people is the effect of giving under 'Gift Aid', particularly on benefits that are means-tested. Some benefits (e.g. child tax credits and working tax credits) are calculated **after** deducting from income, donations made by the worker themselves under Gift Aid. Where this applies, the amount to be deducted is the gift made plus the Gift Aid relief (currently equal to 25% of the gift made). So a Gift Aid donation of £100 per month would reduce annual income for the purposes of calculating benefit by the amount given of £1,200 plus the 25% Gift Aid of £300; i.e. £1,500 in the year.

Where Gift Aid donations reduce the income that is assessed for benefit purposes, the actual amount of benefit receivable can be increased. If you have been claiming one of these benefits for a period of time and have not taken Gift Aid donations into account, you may be able to obtain an additional payment for previously underpaid benefit.

*Note: Gifts to charity should only be made under the Gift Aid scheme if the donor pays tax (income tax or capital gains tax) at least equivalent to the Gift Aid tax that is reclaimed by the charity.*



## useful sources of information

There are many sources from which further information and more detailed and specific guidance can be obtained, most of which are set out in the individual topic-based briefing papers. The list here provides general information addresses which may prove useful in exploring more specific and unusual situations or circumstances:

Website of the UK government [www.directgov.uk/benefits](http://www.directgov.uk/benefits)

The Department for Work and Pensions [www.dwp.gov.uk/publications](http://www.dwp.gov.uk/publications)

Her Majesty's Revenue and Customs [www.HMRC.gov.uk](http://www.HMRC.gov.uk)

Stewardship [www.stewardship.org.uk](http://www.stewardship.org.uk)

The UK Information Service for World Mission [www.oscar.org.uk](http://www.oscar.org.uk)



The Finance for Living series of papers forms part of Stewardship's resources for Christian Workers. With contributions from a panel of advisors each of whom has significant experience within the area of mission, the series draws on their expertise to offer biblical teaching and practical guidance on issues affecting those living on personal financial support. The papers are available to download from the Stewardship website see <http://www.stewardship.org.uk/resources/finance-for-living>

This paper has been written by Alan Hough and edited by Stewardship. Alan has a background in corporate finance, compliance and risk alongside church leadership and trusteeship.

If you have any questions or comments arising from the material presented here, you can contact us at [education@stewardship.org.uk](mailto:education@stewardship.org.uk) or by telephone on 0208 418 8880.