

SELF-EMPLOYED?

Many churches are chary of having to make deductions and/or contributions for tax and National Insurance (NI). They can make the mistake of assuming that if they have agreement with the individual to be treated as self-employed, that this will suffice.

They may fail to recognise that there will be no requirement for such deductions/contributions if the pay and benefits are below what is termed as the Primary Threshold. The threshold is revised annually, usually during the first week in April.

OR NOT?

The following checks are among those used by the Inland Revenue for the purpose of determining whether the individual is actually an employee or self-employed for the purposes of taxation:

1. Can s/he provide evidence of registration as Self-employed with the Inland Revenue and that they are paying Class 4 contributions?
2. Does s/he supply any tools, equipment and/or other resources required?
3. Has s/he the right to hire and fire his/her own employees?
4. Has s/he managerial control over the work accepted? Can s/he work for anyone, and chose not to work, when approached? Ideally, s/he has a number of such clients.

CONCLUSION

If the answers to **any** of the above are negative, then you would be wise to treat the relationship as employer and employee and prepare an employment contract. You will therefore be responsible for maintaining PAYE records and collecting tax and NI contributions.

If the answer to **all** the above is positive, you can feel reasonably confident in agreeing a contract for the supply of services. The supplier will be responsible for tax and NI and you are advised to prepare a Contract for Service instead.

Note also that if you have an agreement for the supply of services (rather than an employment contract), you should only pay against agreed **invoices** from the supplier.