



DIOCESE OF EAST ANGLIA

Diocesan policy on THE PROVISION OF CARS FOR DIOCESAN PRIESTS

THE PROVISION OF CARS FOR DIOCESAN PRIESTS

1. Introduction

Prompted by changes in the taxation rules, the Diocesan Finance Board has reviewed its policy on the provision of diocesan cars. It recognises that in some cases it is financially more beneficial for priests to acquire their own cars, but that in other cases, the continued provision of a diocesan car would not result in any additional tax liabilities. Clearly, personal financial circumstances will vary. Each priest will therefore need to assess his personal financial situation with the help of his own tax adviser. Where priests' financial circumstances dictate the purchase of their own cars, the Finance Board has resolved to provide financial help with those purchases if financial support is not available from other sources. In other cases, the Finance Board has agreed to continue providing priests with a diocesan car but under a slightly revised scheme. The principles outlined below reflect the decisions taken by the Finance Board.

2. Diocesan Car Lease Scheme

- 2.1 The scheme provides a diocesan priest with a car for parochial and diocesan use. It may be used for private purposes.
- 2.2 The car will be purchased by the Diocese but registered in the name of the priest. It remains in the ownership of the Diocese, even after the half-yearly lease charges have ceased. Lease charges are discussed in 2.5 and 2.6 below.
- 2.3 A priest wishing to acquire a new or replacement car via the diocesan car lease scheme will need to complete an application form which can be obtained from the Diocesan Finance Office in Poringland (Tel. 01508 492540). The application will need to be approved by the Diocesan Financial Administrator **BEFORE** a car is acquired.
- 2.4 The gross purchase price of a car acquired under the diocesan car scheme should not exceed £10,000 (incl. VAT, accessories and delivery charges) without the express permission of the Bishop or Finance Board.
- 2.5 The Diocese will be reimbursed for its initial expenditure by levying a lease charge on the parish. The lease charge is payable half-yearly, with each instalment equating to 15% of the purchase price of the car. For charging purposes, the purchase price will include all accessories, VAT and delivery charges. **No allowance will be made for the trade-in value of an existing car** (but see 2.6 below).
- 2.6 The half-yearly lease charges will cease when the parish's outstanding debt with the Diocese is eliminated. The outstanding debt at any one time will be the net cost of the car to the Diocese (**i.e. after taking into account any trade-in value**) plus interest charges, less total parish lease payments as calculated in 2.5 above. This will ensure that where a car is used as 'a trade-in', the parish's debt with the Diocese will be eliminated sooner.

- 2.7 Each priest must insure his car on a fully comprehensive basis, the annual premium being his personal responsibility. The Road Fund Tax is also his personal responsibility. All other running costs, e.g. servicing, repairs and petrol may be charged to the parish. Further information on petrol reimbursement is included in 2.10 below.
- 2.8 If a priest leaves the service of the Diocese, he must return the car or remit the market value of the car to the Diocesan Financial Administrator. If the car is sold or purchased by the priest, the Diocesan Financial Administrator should be informed and an appropriate market valuation should be obtained and agreed with the Diocesan Financial Administrator. If any diocesan vehicle is sold, the proceeds of the sale must be remitted to the Diocese.
- 2.9 It is assumed that in normal circumstances, a car should not be changed in less than four years or 60,000 miles, whichever is the sooner. Exceptions to this rule can only be agreed by the Finance Board or the Bishop.
- 2.10 A taxable benefit may arise if any fuel is provided by the Parish or the Diocese for a priest's private purposes. To avoid any such charge, each priest should ensure that he personally meets the cost of all fuel for private purpose. The recommended route is for each priest to buy all his fuel and then to claim an allowance from the parish or Diocese for business mileage only. He should keep records of his business mileage and reclaim this from his parish or the Diocese. At the time of writing, the rate which the Inland Revenue accepts gives no rise to taxable profit is **10p** per mile.

3. Assistance with Car Purchase

- 3.1 A priest who is provided with a car by the Diocese may be liable to tax on the benefit of the provision of the car. In such circumstances, he should consider buying his own car. If personal funds are insufficient for such a purchase, a priest should approach his parish for an interest free loan, which should not exceed £5000. If his parish is not able to provide him with such a loan, an approach should be made to the Diocesan Financial Administrator.
- 3.2 Interest free loans provided for cars will usually be required to be repaid over a three year period and payments made at half-yearly intervals to be agreed with the Diocesan Financial Administrator.
- 3.3 Where a priest uses his own car for Diocesan or parochial duties, he is entitled to claim reimbursement of expenses for business motoring expenses. The recommended reimbursement rates are outlined in the Tax Guidelines which have been issued to priests. The rates (pence per mile) are intended to cover all car related expenses and are generally referred to as the 'Fixed Profit Car Scheme'.

For current mileage reimbursement rates see Parish Handbook.