

GENERAL SYNOD**Lincoln Diocesan Synod Motion: Insurance Premium Tax**

To move on behalf of Lincoln Diocesan Synod:

‘That this Synod, noting:

- (a) the various public goods that are delivered by charities, including in the case of churches through their care of nationally valued heritage assets and their provision of community services; and
- (b) the fact that the money needed by charities to meet their liabilities, including Insurance Premium Tax, has to be raised by them, including in the case of churches through fund raising in their local communities

call on Her Majesty’s Government to exempt charities, including churches, from liability for Insurance Premium Tax.’

Summary

This motion originated from Lafford Deanery, a deanery typical of much of rural England, and arose from concern that significant increases in Insurance Premium Tax (“IPT”) rates were contributing to parishes deciding to cut their levels of insurance. Churches form a significant proportion of the nation’s built heritage and inadequate insurance jeopardises their ability to repair or rebuild following acts of vandalism, arson or natural disaster.

Subsequent consideration extended the concern to charities, where the need to pay IPT reduces their ability to fund their charitable objectives. In view of the vital role played by charities in the life of the nation, the motion as presented calls on Her Majesty’s Government to exempt charities, including churches, from this tax. The cost to the Treasury (of the order of £50m/year) would be less than 1% of the total revenue raised annually by HMRC through IPT.

Context

1. In September 2018, Lafford Deanery Synod put forward a motion to Lincoln Diocesan Synod with the aim of relieving listed places of worship of the requirement to pay IPT. The Deanery was of the view that parishes were not adequately insuring their buildings due to the burden of cost. This, in turn, was putting many listed places of worship at risk both as centres of mission and as part of the national built heritage.
2. The UK government introduced IPT in 1994 to raise revenue from the insurance sector, which had been viewed as being under-taxed and not subject to VAT. Initially a single rate of tax was charged at 2.5%. In 1997 it was restructured into a standard rate (charged at 4%) for items such as buildings, employee liability, etc. and a higher rate (17.5%), for travel, appliances and some vehicle insurance. By 2015 the rates had risen to 6% and 20% respectively. While the higher rate has since remained unchanged, between 2015 and June 2017 the standard rate doubled to 12%. It was this significant increase in the rate applicable to church insurance that gave rise to the Lafford motion.
3. Lafford Deanery (population 50k) is centred around the market town of Sleaford and consists of 36 parishes spread across ~200 sq miles. Their PCCs are responsible for a

total of 47 churches. Over half the parishes have populations of under 500, meaning that the cost of upkeep of these treasured centres of worship, mission and communal life falls on a relatively small number of people.

4. Fractionally under 50% of the Diocese of Lincoln's 1.1m population reside in rural areas which share many of the characteristics of Lafford Deanery. 189 of the Diocese's 475 parishes have populations of under 500 and are responsible for 197 churches. Such characteristics are far from unique to the Diocese of Lincoln, and many across the Church of England will be able to identify with them.
5. 92% of the 615 church buildings in the Diocese of Lincoln are listed buildings. Nationally, churches make up 45% of all grade I listed buildings in the country¹. The Church of England is thus responsible for the care of a considerable proportion of the nation's built heritage.
6. That responsibility is reflected in the much-appreciated Listed Places of Worship Scheme, under which qualifying churches can apply for grants to cover the cost of the VAT paid on repair and maintenance work. Her Majesty's Government is warmly thanked for extending the scheme earlier this year through to 2025.
7. Members of PCCs are trustees and custodians of their buildings under both charity and ecclesiastical law. Besides being responsible for keeping their buildings in good order, part of good stewardship involves ensuring adequate insurance cover. The burden of the associated cost is felt by all, though most acutely so by smaller rural parishes. For such as these, the cost of building insurance can be their largest annual expenditure item and for some is simply unaffordable.
8. Failure to adequately insure brings the risk of churches being abandoned following a tragic event. There are well-publicised cases of churches being extensively damaged by fire. In 2020 one church in the Diocese of Lincoln suffered the catastrophic collapse of its tower. In a pattern that will be familiar across the country, in this one diocese there have been at least 50 major lead thefts in the last 5 years leaving affected churches without all or part of their roof and, in many instances, consequential internal damage, requiring ~ £15m worth of repair work.
9. In responding to a question at General Synod's February 2019 Group of Sessions², Sir Tony Baldry, as Chair of the Church Buildings Council, advised that the estimated cost to parishes of IPT was £5.1m per year. The National Church Institutions had opposed the increased rate of tax in 2017 on the basis that it had doubled since 2014 and was a disincentive to properly insure and care for buildings. Sir Tony further noted that an exemption from IPT for all charities would cost the Treasury approximately £50m.
10. Even though IPT payments by charities, including churches, will have risen since 2019, they will still constitute a minute (<1%) proportion of HMRC's IPT receipts, which in the 2020/1 financial year totalled £6.3billion.³
11. The impact of IPT on charities has been recognised by specialist insurer Ecclesiastical and the Charity Finance Group. Prior to the March 2020 budget they jointly urged the Chancellor to make charities exempt from paying IPT. Angus Roy, Ecclesiastical's

¹ Source: Historic England Places of Worship Listing Guide: reissued Dec 2017

² Question 119

³ Source: "Insurance Premium Tax (IPT) commentary (December 2021)" accessed on the HMRC section of the Gov.UK website on 2 June 2022

charity director commented, “Buying insurance is an unavoidable cost for charities - either because they are legally required to, or because they are acting responsibly by putting adequate protection in place for their activities and assets. Many charities are paying hundreds of pounds in IPT on top of their insurance premiums. ...We are urging the Government to consider very carefully the negative impact that IPT is having on the work that charities do and consider granting them an exemption from this tax.”⁴

The Motion

12. When the Lafford motion was originally considered by Lincoln Diocesan Synod, the focus was on seeking IPT relief for listed places of worship. Subsequent discussion expanded consideration to include concern for the plight of charities, and particularly the smaller ones, who are providing vital services to local communities in need. Charities have to meet the cost of insurance (for buildings and contents, public liability, events, etc.) through voluntary contributions and other sources of income.
13. With much appreciated support from the staff at Church House, the original motion was consequently redrafted into its current form and unanimously approved by the Lincoln Diocesan Synod on 13 April 2019.
14. Much of this paper is focused on the concerns of churches which minister to smaller communities where the need for relief is at its most acute. The motion however calls on Her Majesty’s Government to grant a total exemption from IPT for all charities, irrespective of their size, as such relief will allow a greater proportion of their funds to be directed towards their charitable objectives and thus enhance the public goods they provide. A blanket exemption has the further advantage of administrative simplicity.
15. Despite the 4 years that have passed since Lafford Deanery originally drafted its motion, the need for relief for struggling parishes and other charities has never been felt more keenly. With rising inflation, increases in energy costs and the escalating cost of living crisis having a serious impact on givers’ ability to contribute to charitable causes, such relief is needed more now than ever. Granting relief from IPT will not, of itself, solve the challenges faced by many churches and other charities. It will, though, bring a welcome easing of the burden they carry and an encouragement as they continue in their vital work of service.

The Ven Gavin Kirk, Archdeacon of Lincoln

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⁴ Source: “Budget 2020: Ecclesiastical Insurance and the Charity Finance Group call for Insurance Premium Tax (IPT) exemption for charities” accessed on the Ecclesiastical website on 2 June 2022