THE IMPACT OF VAT
ON
CHURCH PROPERTIES

VOLUME I
REPORT

A Survey

by

Jeremy Eckstein Associates

Commissioned by

The Churches

Main Committee

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The survey design, data inputting and analysis were undertaken by me; I am also the author of this report. However none of it would have been possible without the enthusiastic support and hard work of several thousand church treasurers and others, on behalf of the denominations participating in the survey. They gave their time, mostly voluntarily, to extract data from their church records in order to answer their questionnaires carefully and conscientiously. The response rate to the survey generally far exceeded expectations. They also frequently volunteered additional information, in writing and by telephone, some of which has been included in a series of brief thumbnail anecdotal case studies. To them, and to others who gave enthusiastic encouragement and devoted considerable time and energy to assisting me throughout, I extend my grateful thanks.

Jeremy Eckstein

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Executive Summary

1. This study was commissioned by The Churches Main Committee, an ecumenical body representing a broad spectrum of religious denominations in matters of common concern. Its membership comprises 38 Christian denominations and other religious bodies including the following, which agreed actively to support and participate in this study: • the Church of England; • the Church of Scotland; • the Church in Wales; • the Presbyterian Church in Ireland; • the Roman Catholic Church; • the Baptist Union; • the Methodist Church; • the United Reformed Church; and • the Free Churches Council.

2. The remit of the study included the following basic points: • it should cover the whole of the UK; • it should cover both unlisted and listed properties; • it should be confined to work actually carried out during calendar 1999, or the most recent 12-month accounting period for which information was readily available; • it should cover repairs and alterations to church premises including not only the churches themselves, but also adjoining or nearby properties owned by the church and used exclusively and specifically for church purposes, such as the manse, church hall, etc; • it should cover expenditure arising out of administrative and other activities undertaken in these buildings, providing they related to the primary church function; • it should also cover certain key areas of maintenance in respect of the fabric of the church buildings.

3. The findings are based on the results of a survey designed to cover approximately 10% of the churches belonging to the participating denominations. Each of the denominations was treated as an independent survey module within the structure of the study as a whole, and they were given a degree of discretion to enable them to conduct the survey in the manner which best suited their own particular circumstances.

4. Altogether, the survey analysed responses from the representatives of 2,570 individual churches, together with aggregated returns from two dioceses and one denomination together representing a further 854 churches. The individual respondents alone reported aggregate building repair work during the period amounting in total to £27.7 million excluding VAT, and maintenance costs amounting to an additional £13.6 million. VAT on this expenditure amounted to a further £4.2 million and £1.8 million respectively.

5. **Extending these results to all the churches of the participating denominations, the global annual cost of VAT is estimated to amount to approximately £29.0 million on building repair work and to a further £8.9 million on routine maintenance – a total of £37.9 million per annum.**

6. One of the most striking features of the data, is the differences between the various denominations in many of the key measures. This means that it is difficult to think of "the Church" as a single entity with regard to the VAT issues covered by this survey. Although the issues of principle are the same for the participating denominations, and it is clearly helpful for them to present a united front when lobbying and in negotiations with the authorities, yet it must be borne in mind that in fact the impact of VAT varies enormously from one denomination to another.

7. Another important feature of the data is the magnitude of the VAT on maintenance costs *vis-à-vis* the figure for building repair work. When debating the VAT issue, the argument is sometimes limited to the alleviation / harmonisation of the tax on building repair work – disregarding the further problem of VAT on ongoing maintenance costs. However it is evident from the data that VAT on maintenance is as much of a burden to many churches as the VAT on building repair work. This is witness to the fact that for many churches, non-essential building work can be deferred until money is available, but it is less easy to avoid ongoing maintenance charges. It is therefore most important that the arguments for a reform of the VAT system as regards churches should include both these elements of expenditure, and not concentrate solely on building repair work.

8. The data also indicates an element of inequity with regard to the burden of VAT. For quite incidental reasons which have nothing to do with the intentions of Treasury regulations, parish churches which are least able to afford the added burden of VAT, tend on average to end up paying this tax at a higher rate than the very much wealthier cathedrals.

9. The global totals give an indication of the overall impact of VAT, but the mean expenditures per church are also important at a local level. Thus for example, the average expenditure on building repair work by those Church of England parish churches which incurred such expenditure during the period under review, amounted to approximately £8,600 for unlisted churches and £11,200 on listed churches. VAT on top of these sums amounted on average to a further £1,460 and £1,760 respectively. The VAT represents a significant additional burden, given the limited financial resources frequently available for carrying out such work.

10. The imposition of VAT has an influence on the manner in which building repair work and maintenance are carried out, which extends beyond its purely financial impact. Thus for example, a number of churches specifically seek to have work carried out by contractors who are not registered for VAT. Others organise their parishoners into carrying out repair work on a voluntary basis. Although such co-operative enterprises are undoubtedly important in terms of reinforcing feelings of community spirit, the underlying motive is more usually one of saving money.

1. *Background*

1.1 Value Added Tax was introduced in the United Kingdom in the early 1970s, and almost from the beginning ecclesiastical bodies have been arguing for a reform of the regulations as they apply to churches. When, just a few years later, State aid was first made available for historic churches in use,[1] many recipients were quick to point out that a substantial proportion of what they received in grant aid towards the cost of the repairs[2] did not contribute to the repairs themselves, but went towards paying the VAT bill on the repairs. Notwithstanding official explanations regarding the validity of Government's approach to the structure of heritage support and funding, it is widely felt to be difficult to justify a system which awards Government grant-aid for essential repair work with one hand, only to claw back perhaps the larger part of it – albeit to a different Government department - with the other.[3]

1.2 Ecclesiastical authorities have debated the issue frequently, and have been campaigning particularly actively for a change in the VAT regulations as regards churches. For example, in its background paper *An Intolerable Burden* [4] the Council for the Care of Churches supported the motion proposed by the St. Edmundsbury & Ipswich Diocesan Synod: "That this Synod views with great concern the continued imposition of VAT at the standard rate on church repairs, and requests Her Majesty's Government to levy VAT on all church building work at 5%".

1.3 Ecclesiastical authorities are not alone in lobbying for a change in VAT on building repair work, or in suggesting a single harmonised rate of 5% on all building work. The heritage sector too, has a similar objective.[5] However there are important differences between the objectives and arguments used by the two groups. The heritage sector has emphasised the anomalous situation as regards the imposition of VAT on repairs compared to new building

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1 Through grant-aid from English Heritage, Historic Scotland and Cadw.

2 This is, of course, a point which holds true for all historic buildings in receipt of grant aid towards repairs, not just churches.

3 In a debate in the House of Lords on 22 July 1999, The Lord Bishop of Hereford stated that " . . . the VAT burden on repairs to church buildings is currently running at approximately £18 million a year, which is almost as much as the £20 million a year which the Churches are receiving in State aid".

4 *An Intolerable Burden – The Case for VAT Reform*, a background paper by the Council for the Care of Churches, January 1998.

5 See for example*: VAT and the Built Heritage: The impact of VAT on repairs and alterations to listed properties*; A survey and report commissioned by the Tax Group of the Joint Committee of the National Amenity Societies; Jeremy Eckstein Associates, October 1999.

work, but its arguments concentrate chiefly on the fiscal and environmental impact of VAT on the country's built heritage – ie. on listed buildings. It is true that these arguments hold true for churches as well as secular buildings. However, while a large number of churches are indeed listed buildings, an even larger number are not (see for example Section 7B.1 below).

1.4 In any event, the arguments for a change in the VAT regime as regards churches draw on wider considerations than apply to the heritage sector. They have regard to the broader rôle of the church in the community,[6] and therefore apply to all churches, regardless of their listed status. The Church occupies a unique position among the country's institutions, and therefore no representations on the subject of VAT made in respect of other interest groups, can be expected to present all the arguments fully on behalf of the Church. For these reasons it is appropriate for ecclesiastical authorities to undertake their own study.

1.5 It is not the object of this study to re-state the various arguments made by church bodies in favour of a change in the VAT regime – or the Government's objections in principle to such changes.[7] Its remit is purely quantitative. The *raison d'être* of the study is the belief that there can be no reasoned debate on matters of substance without having regard to such data as may be appropriate yet, notwithstanding figures occasionally quoted in debates on the subject, there are no reliable, statistically robust up-to-date estimates of the impact of VAT on church properties presently available. The purpose of this study is therefore to provide independent, quantitative substance to facilitate the debate, in a manner which it is hoped will be broadly acceptable to all concerned.

1.6 Recognising the lack of up-to-date figures, and following the lead of the heritage sector, this study was commissioned by the Churches Main Committee (referred to hereafter as the Committee, or the CMC) with the specific purpose of estimating the impact of VAT on church properties. Because the influence and importance of the Church clearly transcends the

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6 VAT legislation is notoriously complicated. Expressed in its simplest terms, repairs to churches (as well as to other historically or culturally important buildings and monuments) do not appear in Annex H to the Sixth VAT Directive and are therefore not entitled to the application of a reduced rate of VAT. This is due to the fact that when applying reduced rates, the European Commission attaches most importance to the social impact of VAT. Thus goods of primary necessity are listed in Annex H, while building repairs are considered as being less influenced by the regressive character of VAT.

7 In the words of a letter in December 1996 from HM Treasury to an MEP with a special interest in the subject: "- - - there are many causes for which persuasive arguments can be made for special treatment as regards VAT. If one sector receives special treatment, pressure will inevitably follow from other sectors for similar treatment. HM Treasury is firmly committed to the principle of one single standard rate operating with a zero-rate; the reduced rate for domestic fuel and power is an exception and we have no intention of extending this unique reduced rate to other items. The Government recognises the financial burden borne by churches and parishioners. We fully appreciate the work that churches do and their important rôle in society. However this does not mean that they can be protected from taxes which apply to all other consumers."

Further correspondence from HM Treasury on another occasion stated that: "VAT is expressly designed as a broad-based tax applying to a wide range of consumer expenditure. Selective reliefs - - - would only serve to complicate the operation and administration of the tax - - - where distinctions exist the borderlines can very often prove difficult to define precisely and so become areas of ambiguity."

narrower confines of "heritage", the study was specifically given the remit of quantifying the impact of VAT on all manner of churches, new and old, unlisted as well as listed.

2. *Scope of Study*

2.1 The Churches Main Committee is an ecumenical body representing a broad spectrum of religious denominations in matters of common concern. Its membership comprises 38 Christian denominations and other religious bodies. They include the following, which agreed actively to support and participate in this study:

- the Church of England;
- the Church of Scotland;
- the Church in Wales;
- the Presbyterian Church in Ireland;
- the Roman Catholic Church;
- the Baptist Union;
- the Methodist Church;
- the United Reformed Church; and
- the Free Churches Council.

2.2 It was agreed in consultation with the Committee that as far as possible, and subject only to cost-effective allocation of the financial and other resources available, and certain other pragmatic considerations, the study should:

a) cover the whole of the UK;

b) cover unlisted as well as listed properties;

c) be confined to work actually carried out during calendar 1999, or the most recent 12-month accounting period for which information was readily available;[8]

d) cover **building repair work** and alterations to church premises including not only the churches themselves, but also adjoining or nearby properties owned by the church and used exclusively and specifically for church purposes, such as the manse, church hall, etc;

8 In fact, over 80% of the churches included in the survey provided details in respect of the calendar year 1999, 5% (predominantly Methodist churches) in respect of the 12 month period to end-August 1999 and 3% in respect of the financial year 1999/2000. Churches providing data covering a 12 month period which concluded more than 12 months prior to the beginning of the calendar year 1999 were excluded from the analysis.

e) cover expenditure arising out of administrative and other activities undertaken in these buildings, providing they related to the primary church function;

f) also cover certain key areas of **maintenance** in respect of the fabric of the church buildings[9];

g) cover the six denominations with recognised systems of control over works on church buildings and which were thereby entitled to the Ecclesiastical Exemption (the Church of England, the Church in Wales, the Roman Catholic Church, the Methodist Church, the United Reformed Church and the Baptist Union) together with the Church of Scotland and the Presbyterian Church in Ireland;

h) in principle also be ready to encourage the participation of smaller denominations, although in practice this would only happen insofar as a satisfactory distribution and coverage could be achieved within the survey structure devised for the main denominations.

3. *Survey Principles and Methodology*

3.1 The study was designed to be undertaken principally by means of a sample survey questionnaire. Where appropriate this would be supplemented by a small number of individual examples drawn from the survey responses and other sources, chosen to highlight particular features or individual findings. A sample of the questionnaire is attached as Appendix 1.

3.2 The overall objective of the procedure was to sample approximately 10% of all churches (in the participating denominations) across the country. The sample was to be drawn from the total population of churches so as to constitute an acceptably representative sample in terms of geographical location, urban / rural siting, size, listing status, age and state of repair of building, and any other factors which it was felt might have a bearing on expenditure on building repairs, alteration and maintenance.

3.3 It was recognised that the denominations participating in the survey did not all have the same mixture of properties with regard to the factors set out in Section 3.2 above. Further, they frequently differed significantly from one another with respect to the organisational structure on which the distribution and return of the survey questionnaires was dependent. It was therefore decided to treat each of the denominations as an independent survey module

9 See Appendix 4, Section 12.4 for a fuller explanation of what was included under the general heading of "maintenance".

within the structure of the study as a whole, and to apply the requirements regarding sample size and representation to each module individually.

3.4 It was further felt to be appropriate to allow each of the denominations a degree of discretion to enable them to achieve the sample survey requirements in the manner which best suited their particular circumstances. Each denomination was therefore given the responsibility of selecting its own representative sample from among its member churches, so as to achieve the survey sample criteria set out in Section 3.2, and for distributing the survey questionnaires.

3.5 Each denomination was therefore individually responsible for ensuring that its sample was indeed broadly representative of its constituent churches. This was an essential requirement of the sampling process, because only if the selected churches were broadly representative of their denomination, could the survey findings then be "grossed-up" in order to provide statistically valid global estimates for the denominations as a whole.

3.6 In order to ensure a basic consistency of approach, the same questionnaire was used for all denominations, with only minor allowances for differences in nomenclature. The questionnaires were accompanied by a standard letter (or variation, if appropriate) agreed by the CMC but written on the denomination's own notepaper and signed by an appropriate representative of that movement. The letter was invariably addressed to church treasurers. The draft on which individual denominations based their own letters, is attached as Appendix 2 to this report.

3.7 The majority of questionnaires were returned direct to Jeremy Eckstein Associates for analysis; a small number were returned to the issuing body, which batched them before forwarding them for analysis. In order to encourage responses, some of the distributing bodies enclosed a reply paid envelope for the return of the completed questionnaire.

3.8 In the large majority of cases, one questionnaire was completed in respect of each single church to which it was sent or applied. However, depending on the diocesan structure or the sampling frame, a small number of questionnaires were completed in respect of more than one individual church in a single parish.[10]

3.9 Further details of the sampling frames, processes and resulting responses for each of the participating denominations are contained in Appendix 3 to this report.

10 In fact over 91% of the questionnaires returned, were completed in respect of a single church (including associated buildings – see Section 2.2) and a further 7% were completed in respect of just two churches.

4. *Statistical Procedures*

4.1 It was obviously essential to the undertaking of this study that its conclusions should be as statistically robust as the data warranted. However it was also important that the statistics themselves should not be allowed to intrude on the reading of the report, since many - indeed probably the majority - of readers would neither want nor need to follow the detailed statistical tests and procedures involved. The survey findings which follow, are therefore presented in the text in a straightforward narrative manner, avoiding all but the most necessary occasional statistical jargon. The formal statistical tests[11] underpinning the findings, although critical to their validity, are appended as footnotes, where they may be read or ignored according to the interests of the reader. All the tables (with just one exception) are set out in a separate volume to this report.

4.2 There are, however, two important "statistical" concepts which cannot be relegated to the footnotes. One is the difference between mean and median measures – and the implications of such a difference. The mean is simply the average of a set of values. The median is defined as the value above and below which half the cases fall. It is a measure of central tendency not sensitive to outlying values - unlike the mean, which can be affected by a few extremely high or low values. In circumstances where the distribution is markedly skew – as it is frequently with this data – the median probably gives a more helpful indication than the average (or mean) of the "typical" costs of building repair work.

4.3 The other concept which needs to be explained, is the difference between unweighted and weighted averages – most usually in the context of this report, in respect of rates of VAT:

- The *unweighted* average rate of VAT is simply the average of the effective net rates of VAT paid by each individual church in any given category.[12]

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11 The choice of procedure in any given instance reflects the particular circumstances and the robustness of the underlying data. Where the means of two samples are compared with reference to a common variable, the Independent t test is generally used, with the acceptance level of $\alpha = 0.05$. When the means of three or more samples are compared, the (One Way) Analysis of Variance (ANOVA) test is generally used. Pearson's *r* is generally used for testing for correlation between two variables. Other statistical tests or forms of presentation are occasionally used where they add significantly to the interpretation of the data. Where necessary, to avoid distorting the findings, the data may first be screened to eliminate outlying results before carrying out these tests.

12 In mathematical terms, the unweighted average is calculated as:

$$[\Sigma(\text{VAT} / \text{Net Cost})] / n$$

- The *weighted* average VAT rate is the average VAT rate paid by each church, weighted by the net (ex-VAT) cost of the work undertaken.[13]

5. *Potential Sources of Bias in the Survey*

5.1 A number of the formal questionnaire responses, and also some of the related correspondence received in respect of the survey, drew attention to certain limitations in the data returned. The majority of the comments drew attention to ways in which the survey results as presented could distort the actual impact of VAT on repair work and maintenance. Thus for example, a number of responding churches stressed the fact that they specifically sought to employ contractors who were not registered for VAT for carrying out small building repair work. An extreme example of this is that a small but not insignificant number of churches indicated that they organised their own congregants to undertake the work themselves, voluntarily, so as to avoid labour charges altogether.

5.2 Other respondents acknowledged that they avoided undertaking any but the most essential building work at all due to the expense involved. The prospect of having to pay an additional 17½% on top of the cost of the work, just to cover the VAT bill, frequently proves to be the ultimate deterrent to carrying out the work at all (see also Footnote 14 to Section 6.5 below).

5.3 As in any survey on a subject which generates strong feelings, there will inevitably be some element of bias arising from self-selection within the survey distribution and response process, resulting in a potential overstatement of the results. The bias lies principally in the response, rather than in the primary selection process. Indeed the majority of denominations participating in the survey, chose their sample carefully with the sole objective of achieving an unbiased, representative sample of churches. However, when it came to the responses from this unbiased sample, it is possible that the responses may have been weighted towards those churches which incurred relevant expenditure during the period. It might be expected that church treasurers who had some building work to report would be more inclined to reply to the survey than treasurers who had no such relevant work to report. There is, therefore, some reason to discount the high proportions of churches apparently carrying out building work as evidenced from the responses received to the survey.

5.4 Perhaps for similar reasons, on the evidence of the responses received, there is also some cause to believe that listed churches were more likely to respond to the survey than

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13 In mathematical terms, the weighted average is calculated as:

$$\{ \Sigma [(\text{Net Cost}) \times \text{VAT}/(\text{Net Cost})] / \Sigma (\text{Net Cost})\} = \Sigma \text{VAT} / \Sigma (\text{Net Cost})$$

unlisted churches. This feature too, had to be taken into account when interpreting the survey results in any broader context.

5.5 It might also have been not altogether surprising if those churches which stood to gain most from a reassessment of the regulations governing VAT, were more likely to take the time and trouble to respond to the survey – perhaps in the hope that they might help to influence the outcome - than those which had little to gain by so doing. However, although this may appear to be a plausible possibility in theory, it should be stressed that there is no statistical evidence whatever to support this hypothesis.

5.6 It was always the intention of the survey that building work which attracted no VAT (other than zero-rated work) should nevertheless be included in the answers to the question on VAT-able building work, because it is central to the method used subsequently to "gross-up" the data in order to derive global estimates. However it was apparent from the responses that not all respondents did in fact include work done by non-VAT registered contractors.

6. *Global Estimates – General Principles*

6.1 The straightforward analysis of the survey results yields a range of data for each of the denominations regarding average expenditure on building repair work and maintenance, and the corresponding average additional amounts of VAT due on these sums. These averages are interesting and useful in their own right, especially in terms of comparisons between denominations, and between dioceses / regions within denominations. However, assuming that the samples on which they are based are indeed properly representative of the populations from which they are drawn (see Sections 3.2 and 3.5) these averages may be "grossed-up" in order to estimate the "global" annual cost of VAT on building repair work and maintenance for each of the denominations concerned.

6.2 Except where it is stated explicitly to the contrary, it is implicit in all the sections on global estimates which follow, that the survey samples are in fact representative of the movements from which they are drawn (at least in respect of the aspects of church expenditure relevant to this study) so that the statistics derived from the samples may therefore be applied to the movement's churches as a whole in order to derive estimates of global expenditure.

6.3 Basically, global estimates of expenditure are derived by applying the average amounts calculated from the survey findings to the total numbers of churches, denomination by denomination. However, the average expenditure figures calculated and set out in the tables, are based on those churches which actually carried out such work, not on *all* responding churches. In other words, the calculated averages make no allowance for those churches which did not undertake any relevant work during the period in question. In order to derive grossed-up estimates of global *annual* expenditure, it is necessary to make certain assumptions regarding the frequency with which building repair work and maintenance are carried out on any given

property, or, stating it another way, the proportion of churches which carry out such work in any given year.

6.4 Because of the structure of the survey and the varying nature and quality of the data, it is necessary to carry out these calculations separately for each denomination.

6.5 With regard to building repair work, some of the better organised, or financially better endowed churches, plan or account for such work on the basis of a rolling quinquennial programme of restoration and repairs. However the majority of smaller churches do not have the resources to undertake work on such a systematic basis. Economic reality dictates that the work is carried out only as and when absolutely necessary – or when funds become available from a successful appeal.[14] Indeed, a number of the churches responding to the survey (some 28% of churches overall) indicated that they had not undertaken any relevant repair work during the period in question, and several of these cited lack of available funds rather than absence of work requiring to be done, as their reason.

6.6 One approach to estimating the frequency with which such work is carried out, is to take the survey responses at face value. Thus for example, 79% of the responses from the Methodist church gave details of expenditure incurred on building repair work during the period. It would therefore be assumed that such work was carried out on all churches in the movement on average once in every 1.3 years,[15] or say on an average of ten out of every thirteen churches during any given year. However this calculation assumes that the response to the survey is unbiased *vis-à-vis* those churches which did not carry out any relevant work, and those which did. In fact it is quite possible (see Section 5.3) that those churches which *had* carried out qualifying work within the scope of the survey would be more likely to complete and return the questionnaire than those which had no such work to report. If this were the case, the proportion of churches carrying out relevant work as derived from the survey returns, would overstate the true situation applying to the population of churches as a whole for the denomination in question.

6.7 The high apparent incidence of undertaking building repair work calculated on the basis of the survey returns, will yield correspondingly high estimates of annual global expenditure on building repair work. This report adopts a prudent, conservative approach, by also calculating global estimates based on the assumption of lower frequencies of building repair work than those recorded by the survey.

6.8 Unless stated explicitly to the contrary, for the purposes of this exercise it will be assumed that each of the member churches of the denominations participating in this survey carry out building repair work on average once in every three to five years.

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14 There is also evidence that many parishoners are deterred from contributing to building repair funds, by the knowledge that 15 p out of every £1 they give (the effect of a 17½% rate of VAT), will not be used for the repair work but will be paid to the Government in tax.

15 i.e. 1 / 0.79.

6.9 To summarise:

- the figure based on the *recorded frequency* of carrying out building repair work (Section 6.6) effectively yields a *high-range estimate* of annual global expenditure on building repair work;

- the figure based on the *assumed frequency* of carrying out building repair work (Section 6.7) effectively yields *a low-range estimate* of annual global expenditure on building repair work.

6.10 With regard to maintenance, fewer than 3% of respondents omitted to give details in answer to this question, and the majority of these indicated that their reason for failing to do so was simply an accounting inability to provide the required information. Given the generally understood meaning of the work "maintenance" – as pertaining to ongoing routine expenses – it will be assumed that the average figures derived from the analysis of the survey results may be applied to *all* churches, and that no adjustments are required for the frequency with which such work is undertaken.

6.11 The degree of robustness of the assumptions underlying the survey results, the extent and quality of the additional information required and the element of uncertainty in the further assumptions, together mean that the global estimates of annual expenditure on both the low-range and high-range bases will inevitably be subject to possibly large and not wholly quantifiable margins of error. The global estimates derived for each denomination will therefore be treated as "central" values, and appropriate allowances will be made for such margins of error based on these calculated values.

6.12 Unless stated specifically to the contrary, the total margin of error will normally be taken (arbitrarily) as 25% (ie. ± 12½%). Where circumstances demand a wider margin, generally because of less robust data, the total margin will be increased to 30% (ie. ± 15%).

7A. *Church of England Parish Churches - Survey Findings*

7A.1 Overall, approximately 28% of the Church of England's parish churches responding to the survey were unlisted, and 72% were listed. Table 6 shows the considerable variations in these proportions at a Diocesan level.

7A.2 Some 77% of unlisted churches and 84% of listed churches overall had incurred some expenditure on building repair work during the period. Again there were considerable variations between the dioceses (Table 7) although there were no dioceses in which fewer than 50% of the responding churches had any work done.

7A.3 For those churches which did have building repair work done, Table 8 shows the average expenditure per church excluding VAT, the expenditure including VAT and the VAT element alone. The cross tabulation shows figures separately for unlisted and listed churches for each parish, as well as in aggregate. Looking at the group as a whole, the differences in the average expenditure on repair work between dioceses are statistically significant[16] but the difference between expenditure on -unlisted and listed churches is not statistically significant.[17] In other words, the variations in average expenditure between dioceses are significant, but they are not fully accounted for by differences in the proportions of unlisted to listed churches.[18]

7A.4 Table 8 shows both mean and median figures. This is because the relatively high cost of building repair work undertaken by a relatively small number of churches can distort the mean (for the distinction between "mean" and "median" measures, see Section 4.2). In such circumstances, the median actually gives a more meaningful indication than the mean, of the "average" or typical expenditure incurred.

7A.5 The sizeable difference between the two sets of figures in Table 8 is a clear indication of the fact that the mean is indeed considerably distorted by a small number of churches spending substantial sums on building repair work. This is clearly illustrated in Table 9. Almost 30% of parish churches undertaking such work spent £1,000 or less (including VAT); over 60% spent £5,000 or less. However at the upper end of the scale, 5% spent over £50,000. Only a relatively small number of individual dioceses deviated from this general pattern to any significant extent.

7A.6 Table 10 shows the average annual expenditure per church on maintenance.[19] As in Table 7, the figures are cross-tabulated to show figures separately for unlisted and listed churches for each parish. As was the case for building repair work, the differences between dioceses are significant[20] although the difference between unlisted and listed churches is not.[21] The relative closeness of the mean and median measures is underlined by the generally more even distribution of expenditure shown in Table 11.

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16 $F = 2.418$, $p = 0.000$.

17 $t = 1.101$, $p = 0.271$.

18 This is the most likely interpretation of the statistics. To explore the full extent of any significant interactions between listed status and dioceses in this context would require Two-Way ANOVA testing. This was not carried out, principally because it would tend to draw attention away from the main stated objective of the study, which was specifically to estimate the "global" total amount of VAT paid. Testing for interactions would have been appropriate if the study had been designed in order to assess and analyse the relative impacts of the various factors which might influence the amount paid. In any event, the nature of the data gathered for this study would not support such testing on any robust basis.

19 For a discussion of what is included under the heading of "Maintenance Costs", see Appendix 4.

20 $F = 5.516$, $p = 0.000$.

21 $t = 0.116$, $p = 0.908$.

7A.7 The overall effective (weighted) average rates of VAT, after taking into account work by non-registered contractors and reduced rates of VAT on utilities,[22] were 16.1% on building repair work and 11.0% on maintenance. The corresponding unweighted rates were 16.7% and 10.1% respectively; Table 12 shows the unweighted rates for the individual dioceses as well as the overall figures. The difference between the average rates of VAT paid on building repair work on unlisted and listed churches is not significant, neither is that between the corresponding rates on maintenance expenditure.

7A.8 The statistics reveal no significant correlation between the effective overall rate of VAT incurred by churches during the period on building repair work, and the total expenditure incurred ie. more extensive works tended on balance to attract no more or less VAT proportionately than smaller scale works. However there does appear to be a small but significant correlation between the effective overall rate of VAT on maintenance and the total expenditure involved;[23] the higher the outlay on maintenance, the greater the effective overall rate of VAT paid. This is probably not unexpected, because the lower-rated utility bills account for a larger proportion of the maintenance expenditure for small churches than for large churches, and because smaller churches are more likely to be able to take advantage of small service providers (cleaners etc). who are not registered for the purposes of VAT.

7A.9 High building repair costs tend to be associated with high maintenance charges. However the cost of building repair work exceeded the maintenance cost in just under two thirds (62%) of the responding churches. Taking data from Tables 8 and 10, the mean amount of VAT per church paid out on maintenance (£234) amounted to approximately 14% of the average expenditure on building repair work (£1,684).

7B. *Church of England Parish Churches – Global Estimates*

7B.1 The actual number of churches in each of the Church of England's dioceses is known. The total amounts to 16,240.[24] However the separate numbers of listed and unlisted churches in each diocese are not known,[25] although the total number of listed churches is normally taken as being in the region of 7,500[26] ie. approximately 46% of the total number of

22 Gas and electricity supplied under a domestic tariff attract a special unique concessionary rate of VAT of 5%.

23 At the 1% level, but not at the 5% level; r = 0.122, p = 0.000.

24 Source: *Church Statistics 1998*.

25 The only readily available data on listed churches (and other buildings) is that supplied by English Heritage, Historic Scotland and Cadw. Data from these sources are normally broken down into standard regions which do not correspond to the Church's diocesan boundaries.

26 *The Heritage Monitor 2000* (ETC Research & Intelligence, July 2000) states a figure of 7,540 listed Anglican churches.

churches. This is somewhat smaller than the overall proportion indicated by the responses to the survey (72% - Table 6). The implication is that a disproportionate number of survey questionnaires were returned by listed as opposed to unlisted churches.[27]

7B.2 To compensate for possible errors arising from this distortion, when estimating the annual global expenditure on building repair work, the proportion of listed churches in each diocese has been assumed to be 64%[28] of that shown in Table 3.

7B.3 Three of the 43 dioceses (accounting altogether for 1,624 churches) did not take part in the survey. When estimating the annual global expenditure on building repair work, it was assumed that the averages and other critical data for churches in these dioceses were equal to the overall averages for the 40 participating dioceses.

7B.4 The overall average proportion of unlisted churches carrying out building repair work during the period (79% - see Table 7) is significantly different to that for listed churches (84%).[29] It was therefore necessary to carry out the calculations for the high-range estimated global annual expenditure separately for unlisted and listed churches[30] on the basis of the proportions of churches in each diocese undertaking such work as recorded by the survey.

7B.5 On the basis of the assumptions set out above, the lower estimate of the total annual global expenditure excluding VAT on building repair work by Church of England parish churches amounts to £45.892 million ± 12½% allowance for margin of error i.e. to between £40.155 million and £51.628 million. VAT on this sum would amount to a further £7.562 million ± 12½% i.e. to between £6.617 million and £8.507 million. The corresponding upper estimate is £126.106 million ± 12½% i.e. between £110.343 million and £141.870 million excluding VAT, on which VAT would amount to a further £20.639 million ± 12½% i.e. to between £18.059 million and £23.219 million.

7B.6 The total annual global expenditure on maintenance is estimated at £34.924 million excluding VAT, again with a margin of error of ± 12½% i.e. between £30.559 million and £39.290 million, on which VAT would amount to a further £3.874 million ± 12½% i.e. to between £3.390 million and £4.359 million.

8A. *Church of England Cathedrals - Survey Findings*

27 Not surprisingly – see Section 5.4.

28 i.e. 0.46 / 0.72. This approach assumes an equal proportionate bias in each diocese.

29 t = 2.039, p = 0.042.

30 As re-stated according to Section 7B.2.

8A.1 It is explained in Appendix 4, Section 3 (dealing with sample procedures) that this analysis relates just to properly designated Anglican cathedrals. The small number of large churches generally referred to as the "greater churches" are not covered by this survey and report.

8A.2 The cathedrals are all listed buildings, principally Grades I (78%) or II* (9%), so it is not appropriate to analyse the data according to listed status. Given the unique situations of the cathedrals, neither is it appropriate to give a regional breakdown when analysing the data.

8A.3 All the cathedrals responding to the survey had undertaken some building repair work during the period. The mean expenditure (excluding VAT) amounted to £207,786. VAT amounted to a further £16,278 on average (Table 13). Compared to some of the other denominations covered by the survey, there was relatively little difference between the mean and median measures.

8A.4 The mean expenditure on maintenance amounted to £80,302, with a further £5,662 of VAT.

8A.5 The effective average rates of VAT were 10.3% on building repair work and 9.3% on maintenance. The former figure is perhaps surprising, given that a number of the larger cathedrals which recover up to 65% of their nominal VAT bill, according to the special banding system which recognises their rôle as commercial tourist attractions as well as places of worship.[31]

8A.6 There is no significant correlation between the level of expenditure and the effective overall rate of VAT for either building repair work or maintenance.

8A.7 Given the comparatively small number of cases covered by the survey, the frequency distributions for both building repair work and maintenance need to be treated with caution, but it is evident from Tables 14 and 15 that approximately 30% of the cathedrals spent between £50,000 and £150,000 on building repair work during the period, and almost 60% spent between £10,000 and £50,000 on maintenance.

8A.8 The average expenditure on maintenance amounted to almost 40% of the average for building repair work. In 25% of cases, more was spent on maintenance than on building repair work, and 40% spent £50,000 or more on maintenance. These figures attest to the high cost of even general maintenance on great historic buildings attracting several tens of thousands of visiting tourists through the year.

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31 By agreement with HM Customs & Excise. Although the banding system is primarily designed for cathedrals, Customs & Excise has agreed that it can be applied to any church with substantial business activities which wishes to take advantage of it. None of the other churches responding to the survey did so – possibly as much through ignorance of the facility as through any positive decision.

8B. *Church of England Cathedrals – Global Estimates*

8B.1 It was already explained in Section 8A above, that the defining characteristics of the Church of England cathedrals make it appropriate to analyse this group as a single entity.

8B.2 In estimating global annual expenditure, it is appropriate to take the survey findings at face value and assume that all cathedrals undertake some building repair work every year (see Section 8A.3) with the average annual expenditure equal to the average derived from the survey sample during the year under review. There will therefore be a single estimate of global annual expenditure on building repair work (± margin of error) instead of both low range and high range estimates.

8B.3 On this basis, the total annual global expenditure excluding VAT on building repair work by Church of England cathedrals is estimated to be £8.043 million ± 12½% allowance for margin of error i.e. between £7.038 million and £9.049 million. VAT on this sum would amount to a further £0.684 million ± 12½% i.e. to between £0.598 million and £0.769 million.

8B.4 The total annual global expenditure by the cathedrals on maintenance is estimated at £3.135 million excluding VAT, again with a margin of error of ± 12½% i.e. between £2.743 million and £3.527 million, on which VAT would amount to a further £0.238 million ± 12½% i.e. to between £0.208 million and £0.268 million.

9A. *Church of Scotland - Survey Findings*

9A.1 Because of the relative homogeneity of the Church of Scotland's churches in respect of the features of interest to this study, as well as for reasons of administrative convenience, it was appropriate to circulate the survey questionnaire to the treasurers of each of the 1,573 Congregations of the Church. The results were analysed in aggregate, without any geographical distinction.

9A.2 Almost exactly one third of the church buildings covered by the survey were unlisted buildings (33.1%); two thirds (66.9%) were listed. The large majority of the listed churches (68%) were Grade B.

9A.3 The large majority of churches (93%) had incurred some expenditure on building repair work during the period. The average cost of this work (excluding VAT) amounted to £9,285 for all churches taken together (Table 16). However the figure for unlisted

churches (£5,143) was significantly different[32] to that for listed churches (£11,255). For that reason, it is appropriate to analyse the results separately for unlisted and listed churches.

9A.4 Table 16 shows the mean and median expenditure on building repair work carried out over the period, with figures excluding VAT, including VAT, and the VAT element alone. The difference between median and mean figures is considerably more pronounced in the case of listed churches than for unlisted churches, suggesting that the former more than the latter are influenced by a small number of churches with relatively costly repair bills. This is borne out by Table 17, which shows the distribution of this expenditure (including VAT) for the two categories. Some 95% of the unlisted churches reported building repair work totalling under £25,000 during the period with only just over 1% spending more than £50,000 and none more than £100,000. By contrast, the 95% cut-off point for listed churches was only achieved at around the £50,000 level, with a small but significant number spending in excess of £100,000.

9A.5 Turning to expenditure on routine maintenance, Table 18 shows the mean and median figures separately for unlisted and listed churches, while Table 19 shows the distributions of the VAT-inclusive expenditure. One interesting feature is the relatively small differences between the median and mean figures, for listed as well as unlisted churches.

9A.6 The differences between the distributions of the maintenance costs for listed and unlisted churches are also worth noting: a larger proportion of listed than unlisted churches recorded maintenance charges at the upper end of the scale (5% and 3% respectively spent more than £10,000) but the same was also true at the lower end of the scale (59% of listed and 48% of unlisted churches spent less than £2,000 on maintenance).

9A.7 The weighted average overall rates of VAT on building repair work were only marginally below the full standard rate of 17.5% on both unlisted and listed churches (17.0% and 17.4% respectively) indicating that virtually all the work was undertaken by properly VAT-registered contractors. The corresponding unweighted average rates were 16.5% and 17.0% (Table 20).

9A.8 The effective overall rates of VAT paid on routine maintenance were 8.8% on unlisted churches and 8.6% on listed churches. This could signify either that a relatively large proportion of the expenditure was accounted for by utility payments, or that a relatively large proportion by value of the work was undertaken by workers who were not registered for VAT. The likelihood is that both probably contributed to the low rates, especially in smaller churches.[33]

9A.9 There is a significant correlation between expenditure on building repair work and the corresponding figure for maintenance.[34] The maintenance charge exceeded the amount

32 $t = 2.379$, $p = 0.018$.

33 There is a significant correlation ($r = 0.199$, $p = 0.000$) between the aggregate expenditure on maintenance during the period, and the average rate of VAT paid overall.

34 $r = 0.266$, $p = 0.000$.

spent on building repair work for 38% of the churches overall. The average expenditure on maintenance amounted to 25% of the figure for building repair work over the period.

9B. *Church of Scotland – Global Estimates*

9B.1 On the basis of the survey responses from the Church of Scotland, there were statistically significant differences in expenditure on building repair work and maintenance between listed and unlisted buildings (see Section 9A.3 above). It is necessary therefore to take these differences into account when estimating expenditure on a global basis for the movement as a whole.

9B.2 It has been noted (see Section 9A.2 above) that approximately 67% of the Church of Scotland's survey responses covered listed building. It has also been noted (see Section 5.4 above) that there is an expectation in general that responses might be biased towards listed churches, and indeed this has proved to be the case for most other denominations where it was possible to make an independent assessment of the true situation. However, in the case of the Church of Scotland, an independent assessment indicates that the proportion of churches in the movement which are listed is actually slightly higher than that recorded by the survey returns – the Church authorities estimate a figure of 75%, after consultation with Historic Scotland. This figure, rather than the one derived from the survey responses, is used when estimating global expenditure.

9B.3 Overall, some 93% of the survey respondents had incurred expenditure on building repair work during the period in question. In calculating the high estimate for global annual expenditure on building repair work it is assumed that this same proportion of all the movement's churches undertook such work in any given year.

9B.4 On the basis of the assumptions set out above, the lower estimate of the total annual global expenditure excluding VAT on building repair work by churches in the movement amounts to £4.080 million ± 12½% allowance for margin of error i.e. to between £3.570 million and £4.590 million. VAT on this sum would amount to a further £0.706 million ± 12½% i.e. to between £0.618 million and £0.794 million. The corresponding upper estimate is £14.230 million ± 12½% i.e. between £12.451 million and £16.008 million excluding VAT, on which VAT would amount to a further £2.462 million ± 12½% i.e. to between £2.155 million and £2.770 million.

9B.5 The total annual global expenditure on maintenance is estimated at £3.904 million excluding VAT, again with a margin of error of ± 12½% i.e. at between £3.416 million and £4.392 million, on which VAT would amount to a further £0.381 million ± 12½% i.e. to between £0.333 million and £0.428 million.

10A. *Church in Wales - Survey Findings*

10A.1 In view of the comparatively small number of responses to the survey by congregations of the Church in Wales, basic descriptive statistics were calculated for the churches taken together as a single group, without any geographic segmentation or distinction according to listed status.

10A.2 All the responding churches had some building repair work carried out during the period. The mean and median maintenance figures are unexceptionable. However the large disparity between the two measures for the cost of building repair work (£30,883 and £2,770 respectively – Table 21) points to the likely existence of one (or possibly more) large atypical outlying value, which is indeed the case. [35]

10A.3 Some 50% of respondents incurred expenditure on building repair work of between £1,000 and £5,000. Virtually all (94%) incurred expenditure on routine maintenance of less than £2,000.

10A.4 The overall average rates of VAT on building repair work and routine maintenance were 15.8% and 10.0% respectively.

10B. *Church in Wales – Global Estimates*

10B.1 Following the approach adopted for the basic analysis of the Church in Wales data in view of the low response rate, the estimates of global annual expenditure are also based on the results of all respondents taken together, without distinction on the basis of geographical location or listed status.

10B.2 It is not possible to make a reliable upper range estimate for global annual expenditure on building repair work, because the Church in Wales acknowledged that it gave particular emphasis to those rural deaneries in which relevant work had been carried out, when drawing its sample for the survey. Because of this bias, the frequency of undertaking building repair work as reported by the respondents, could not be said to be typical of all churches in the denomination as a whole.

35 In fact one of the responses to the survey covered the full restoration of a parish church, at a cost (excluding VAT) of some £382,000. If this outlying value were to be excluded from the analysis, the mean and median building repair costs (excluding VAT) would amount to £12,400 and £2,770 respectively.

10B.3 Because of the relatively small number of respondents compared to the total number of the denomination's churches, it is prudent to allow a wider margin of error when stating the results. A total margin of 30% (i.e. ± 15%) is therefore used on this occasion.

10B.4 On the basis of the assumptions set out above, the total annual global expenditure excluding VAT on building repair work by congregations of the Church in Wales is estimated to be £12.353 million ± 15% allowance for margin of error i.e. between £10.500 million and £14.206 million. VAT on this sum would amount to a further £2.162 million ± 15% i.e. to between £1.838 million and £2.486 million.

10B.5 The total annual global expenditure on maintenance is estimated at £1.713 million excluding VAT, again with a margin of error of ± 15% i.e. to between £1.456 million and £1.970 million, on which VAT would amount to a further £0.201 million ± 15% i.e. to between £0.171 million and £0.231 million.

11A. *Presbyterian Church in Ireland – Survey Findings*

11A.1 As was the case for the Church of Scotland, it was appropriate to analyse the responses from member congregations of the Presbyterian Church in Ireland in aggregate, without any geographical segmentation.

11A.2 Approximately two thirds (64.2%) of the church buildings covered by the survey were unlisted buildings. Just over one third (35.8%) were listed buildings; just over half (56%) of the listed churches were Grade B.

11A.3 Approximately 87% of churches responding to the survey, had carried out some building repair work during the period. The average expenditure on building repair work (excluding VAT) amounted to £16,742 for all churches taken together. Table 22 shows the figures in aggregate, and also separately for unlisted and listed churches, although the difference between the two (£15,951 for unlisted churches and £18,226 for listed churches) is not statistically significant.[36]

11A.4 Table 23 shows the distribution of expenditure on building repair work (including VAT) separately for unlisted and listed churches. Some 80% of unlisted churches and 75% of listed churches reported having spent less than £20,000 on building repair work during the period, but for each group there were small but significant numbers spending in excess of £100,000. This suggests relatively high expenditure on building repair work compared to other denominations.

36 t = 0.382, p = 0.703.

11A.5 The overall average rate of VAT paid on building repair work was 16.9% - 16.8% on unlisted churches and 17.2% on listed churches (Table 26). There was no correlation between the total cost of work carried out and the effective rate of VAT.

11A.6 Turning to ongoing maintenance costs, Table 24 shows the mean and median expenditure separately for unlisted and listed churches, while Table 25 shows the distributions of the VAT-inclusive figures. The overall average rate of VAT paid on routine maintenance was 10.6% (virtually the same for both unlisted and listed churches) and there was a statistically significant relationship between the total expenditure on maintenance and the effective rate of VAT[37] ie. churches spending more money on maintenance tended to pay a higher effective rate of VAT overall than churches with lower maintenance bills.

11A.7 Maintenance costs exceeded the amount spent on building repair work for 39% of the churches overall. There was a statistically significant relationship between the amount spent on building repair work and the amount spent on routine maintenance[38] ie. higher expenditure on building repair work tended to be associated with higher expenditure on maintenance. The average annual maintenance costs amounted to approximately 25% of the building repair costs.

11B. *Presbyterian Church in Ireland – Global Estimates*

11B.1 The Presbyterian Church in Ireland's respondents to the survey comprised 64% unlisted and 36% listed churches. However there are indications that this ratio of unlisted to listed churches may well not be representative of the movement as a whole. Independent estimates of the true proportion of the movement's churches which are listed, put the figure anywhere between 20% and around 50%.[39] Because of the unreliability of any assessment of the correct ratio in a "global" context, it is necessary to base the estimates of global annual expenditure on the results of all respondents taken together, without distinction on the basis of listed status, even though the survey results themselves are presented separately for unlisted and listed churches (see Tables 22 to 26). This approach is unlikely to result in any significant error in

37 $r = 0.266$, $p = 0.001$.

38 $r = 0.350$, $p = 0.000$.

39 It was pointed out by a representative of the movement that many congregations may not actually realise that their churches are listed – sometimes this only becomes an issue when they seek to undertake repairs. The problem of estimating the number of listed churches is further complicated by the fact that historic buildings in Northern Ireland are currently in the process of a re-listing programme, as a result of which a number of churches are actually being de-listed. Whatever the actual total number of listed churches, they are likely to be heavily biased towards old barn churches in rural locations.

the final figures, since it has already been determined (Section 11A.3) that the difference in the expenditure on building repair work by the two classes is not statistically significant.

11B.2 With regard to building repair work, 87% of survey respondents had incurred relevant expenditure during the period in question. In calculating the high range estimate for global annual expenditure on building repair work it is assumed that this same proportion of all the movement's churches undertake such work in any given year.

11B.3 On the basis of the assumptions set out above, the lower estimate of the total annual global expenditure excluding VAT on building repair work by churches of the Presbyterian Church in Ireland amounts to £2.121 million ± 12½% allowance for margin of error i.e. to between £1.856 million and £2.386 million. VAT on this sum would amount to a further £0.353 million ± 12½% i.e. to between £0.309 million and £0.397 million. The corresponding upper estimate is £6.919 million ± 12½% i.e. between £6.054 million and £7.783 million excluding VAT, on which VAT would amount to a further £1.153 million ± 12½% i.e. to between £1.008 million and £1.297 million.

11B.4 The total annual global expenditure on maintenance is estimated at £2.033 million excluding VAT, again with a margin of error of ± 12½% i.e. at between £1.779 million and £2.288 million, on which VAT would amount to a further £0.253 million ± 12½% i.e. to between £0.222 million and £0.285 million.

12A. *The Roman Catholic Church – Survey Results*

12A.1 The particular nature of the response by Roman Catholic churches to this survey is discussed in Appendix 4. With respect to the two dioceses which provided aggregated returns covering all the churches in the respective dioceses, it is not known what proportion of churches actually undertook building repair work, nor what proportions of the expenditure related to unlisted and listed buildings. Further, the average expenditures are significantly different from the figures reported by responding churches from other dioceses. The results for these two dioceses are therefore presented separately (Table 27).

12A.2 With regard to the responses from churches in other dioceses, which made individual survey returns, it cannot be determined whether taken together they constitute a sample which can be deemed to be representative of the building stock of Roman Catholic churches as a whole around the country – or even whether they are representative of their own dioceses. With insufficient numbers of responses from churches in any single dioceses to allow analysis at this level of detail, the results are presented in aggregate for all respondents together in Tables 27 to 29.

12A.3 Given these circumstances, a considerable degree of caution must be exercised when using these results as a basis for drawing any broader conclusions regarding the Roman Catholic Church as a whole.

12B. *The Roman Catholic Church – Global Estimates*

12B.1 Because of the extremely uneven response to this survey from dioceses and individual congregations of the Roman Catholic Church (see Section 12A), the resulting survey data is not felt to be sufficiently reliable to warrant its use as the basis for estimating the aggregate annual global expenditure by the Church as a whole.

13A. *The Baptist Union - Survey Findings*

13A.1 Taking the returns as a whole, the large majority of responding churches (84%) were unlisted; only 16% were listed, principally Grade II (see Table 30). There is little significant difference in these proportions between the East Midland Association (81% unlisted, 19% listed) and the London Association (88% and 12% respectively).

13A.2 Overall, 78% of the respondents had incurred some expenditure on building repair work during the year reviewed. There was again very little difference between the two regions sampled (Table 31). Table 32 shows the average costs of building repair work per church for those churches which did have work done, both excluding and including VAT, and also the VAT element. The results are shown separately for the two regions because of the substantial and statistically quite significant differences between the two.[40] Thus for example, the average cost of building repair work (including VAT) for all churches together amounted to £7,877 in aggregate – masking a variation between £4,960 in the East Midland region and £11,960 in the London region.

13A.3 As well as distinguishing between the two regional Associations, Table 32 also shows the results separately for unlisted and listed churches; this tabulation is for the record only, since tests confirm that the differences between the two (unlisted *vs.* listed) are not statistically significant.[41] In other words, there is no evidence that the average expenditure on building repair work on unlisted church buildings is any different to that on listed churches.

40 $t = 1.994$, $p = 0.054$.

41 $t = 0.494$, $p = 0.623$.

13A.4 Table 33 shows the markedly skew distributions of these figures in both regions. Almost 90% of churches in the East Midlands incurred expenditure of £10,000 or less; only 2.4% spent in excess of £25,000. The figures for the churches in the London region are not quite as markedly skew, but the distortion is still quite evident. In the circumstances, and to avoid the potential distortion caused by the relatively high cost of building repair work undertaken by a relatively small number of churches, a more meaningful indication of the "average" or typical expenditure on building repair work is actually given by the median figure. For this reason, Table 32 shows both mean and median figures. As an indication of the extent of the difference between the two, the overall median expenditure per church is £3,073 (including VAT), around 40% of the mean figure stated above.

13A.5 The average overall rates of VAT calculated on the aggregate data for building repair work are 17.2% in the East Midlands and 15.4% in the London region. Since this question in the survey (question 5) related only to work which was nominally eligible for VAT, the most likely reason for a figure of less than 17.5% in either case would be the use of small non-VAT registered contractors for undertaking the work.

13A.6 The corresponding unweighted rates are 16.6% for both regions. The fact that there is so little difference between the weighted and unweighted averages means that there is no particular evidence of any relationship between the cost of building repair work and the effective rate of VAT paid. This is confirmed by the formal statistical measure.[42]

13A.7 Comparing the effective overall rates of VAT paid on building repair work on unlisted and listed churches, the weighted aggregate figures are 15.9% for unlisted churches and 17.3% for listed churches. One possible interpretation for the fact that the weighted figure is smaller for unlisted churches than for listed churches, could be that the former are in a better position than the latter to employ small un-registered contractors, while listed churches are more likely to have to employ larger registered contractors to undertake repairs. However the differences are too small to indicate that this is likely to be a statistically important feature. Indeed, the difference between the unweighted average rates of VAT (16.7% and 15.9%) is not statistically significant.

13A.8 Table 34 corresponds to Table 32, but sets out the data relating to expenditure on ongoing maintenance rather than building repair work. Again cross-tabulations present the data both by region and by listed status, and once more there are statistically significant differences[43] between the East Midlands and London regions, but not between unlisted and listed buildings.

13A.9 The differences between the mean and median figures for maintenance are less pronounced than for building repair work, suggesting that maintenance costs are not unduly

42 $r = 0.102$, $p = 0.393$.

43 $t = 2.580$, $p = 0.012$.

influenced by a small number of buildings with heavy running costs. This is borne out by Table 35, which sets out the distribution of expenditure on maintenance.

13A.10 The weighted average overall rate of VAT on maintenance expenditure is 9.5%; the corresponding unweighted figure is 9.7% (Table 36). These relatively low rates suggest that gas and electricity charges must account for a significant proportion of ongoing maintenance expenditure. They also point to the likelihood that many of the low cost maintenance jobs are carried out by private individuals or contractors who are not registered for VAT. As was the case for VAT on building repair work, the difference between the average maintenance figures for unlisted and listed buildings is not significant.

13A.11 Comparing the figures in Tables 32 and 34, it will be seen that in fact the overall average annual amount of VAT paid on maintenance (£277) amounts to 25% of the sum paid on building repair work (£1,090).

13B. *The Baptist Union – Global Estimates*

13B.1 Although the tables present a number of the statistics relating to the Baptist Union separately for unlisted and listed churches, this was largely for information, since the difference between the two groups was not statistically significant with regard to the features measured (Section 13A.3). In any event, although the total number of churches in the Union as a whole is known, the numbers of unlisted and listed churches which comprise this total are not known for certain. Therefore the estimates of global annual expenditure are based on the results of all respondents taken together, without distinction on the basis of listed status.

13B.2 When estimating the annual global expenditure on building repair work, it is assumed that the churches in the two regions sampled together constituted a representative sample of all churches in the Union.

13B.3 In calculating the high estimate for global annual expenditure on building repair work it is assumed that the frequency of undertaking such work was in accordance with the figures in Table 31.

13B.4 On the basis of the assumptions set out above, the lower estimate of the total annual global expenditure excluding VAT on building repair work by churches in the Baptist Union amounts to £4.525 million ± 12½% allowance for margin of error i.e. to between £3.959 million and £5.090 million. VAT on this sum would amount to a further £0.713 million ± 12½% i.e. to between £0.624 million and £0.802 million. The corresponding upper estimate is £12.922 million ± 12½% i.e. between £11.306 million and £14.537 million excluding VAT, on which VAT would amount to a further £2.038 million ± 12½% i.e. to between £1.784 million and £2.293 million.

13B.5 The total annual global expenditure on maintenance is estimated at £6.722 million excluding VAT, again with a margin of error of ± 12½% i.e. to between £5.882 million and £7.563 million, on which VAT would amount to a further £0.645 million ± 12½% i.e. to between £0.565 million and £0.726 million.

14A. *The Methodist Church – Survey Findings*

14A.1 Responses were received from chapels covering the majority of the Methodist Districts. However in most instances, the numbers of respondents from each individual Circuit were too few to allow robust analysis at this level of detail. Further, taken as a whole, the large majority (over 90%) of the responding chapels were unlisted, and there is no statistically significant difference between unlisted and listed chapels with regard to expenditure on either repair or maintenance. The responses were therefore analysed in one single group, without distinction on the basis of either regional District or listed status.

14A.2 Table 37 shows the mean and median expenditure on building repair work and on maintenance, as well as the overall average rate of VAT in each case. Tables 38 and 39 show the distributions of the two classes of expenditure. In both cases there is a strong emphasis on expenditure at the lower end of the scale; 70% of responding chapels spent less than £5,000 on building repair work, and 84% spent less than £4,000 on routine maintenance. There was no correlation between the amount spent on building repair work and the net effective rate of VAT on the work, but there was a significant relationship[44] between the amount spent on maintenance and the net effective rate of VAT incurred.

14A.3 The mean expenditure on maintenance work is approximately 29% of the mean expenditure on repair work, and expenditure on maintenance exceeded that on building repair work in 35% of cases. It might be expected that such a relatively high level of expenditure on maintenance compared to building repair work would tend to be associated with comparatively new buildings, which require only low levels of building repair work. However this is unlikely to be the reason in this particular instance, since a significant proportion of Methodist churches are not new, but in fact date to the 19th century.

44 $r = 0.237$, $p = 0.000$.

14A.4 Methodist chapels which spend more on building repair work also tend to incur higher ongoing maintenance costs; there is a statistically significant correlation between the two.[45]

45 $r = 0.290$, $p = 0.000$.

14B. *The Methodist Church – Global Estimates*

14B.1 For the reasons explained in Section 14A.1 above, the estimates of global annual expenditure are based on the results of all respondents taken together, without distinction on the basis of either region or listed status.

14B.2 In calculating the high range estimate for global annual expenditure on building repair work it is assumed that 79% of Methodist chapels undertake such work in any given year, this being the proportion indicated by the survey returns.

14B.3 On the basis of the assumptions set out above, the lower estimate of the total annual global expenditure excluding VAT on building repair work by congregations of the Methodist Church amounts to £11.411 million ± 12½% allowance for margin of error i.e. to between £9.985 million and £12.838 million. VAT on this sum would amount to a further £2.064 million ± 12½% i.e. to between £1.806 million and £2.322 million. The corresponding upper estimate is £33.806 million ± 12½% i.e. between £29.581 million and £38.032 million excluding VAT, on which VAT would amount to a further £6.115 million ± 12½% i.e. to between £5.350 million and £6.879 million.

14B.4 The total annual global expenditure on maintenance is estimated at £12.489 million excluding VAT, again with a margin of error of ± 12½% i.e. at between £10.928 million and £14.050 million, on which VAT would amount to a further £1.183 million ± 12½% i.e. to between £1.035 million and £1.331 million.

15A. *The United Reformed Church – Survey Findings*

15A.1 As indicated in Appendix 4, Section 10, the United Reformed Church opted to send out a simplified form of the questionnaire to its member churches. Uniquely among the participating denominations, because of the relatively large number of responses involved, it also co-ordinated the return of the completed questionnaires and carried out its own preliminary analysis of the results.

15A.2 Some further analysis was required in order to develop the range of statistics in line with the approach adopted for the other participants. However this was only possible to a limited extent because of the summarised format of the original data.

15A.3 No geographical breakdown of the respondents was available. The responses were therefore analysed in aggregate, without distinction on the basis of geographical location.

15A.4 Further, the majority (approximately 72%) of the churches responding to the survey were unlisted, and there was no statistically significant difference between them and listed churches with regard to overall expenditure on building repairs or maintenance. The responses were therefore analysed as a single group, without distinction on the basis of listed status.

15A.5 Because of the form of wording used in the simplified questionnaire, it was not always straightforward to distinguish between building repair work and maintenance, which was the principal categorisation of expenditure used when analysing the data from other denominations. In this instance the analysis was therefore carried out simply on the aggregate expenditure (in the words of the questionnaire) on "routine property repairs, new building and major repairs, utilities and other costs attracting VAT". Table 40 shows the mean and median expenditure recorded, as well as the overall average rate of VAT.

15A.6 Table 41 shows the distribution of the aggregate expenditure on building work and maintenance. The figures show relatively high levels of expenditure; almost 30% of responding churches spent £10,000 or more on their properties during the period under review, and approximately 16% spent over £20,000.

15A.7 The overall effective average rate of VAT paid on this expenditure, amounted to 15.6%. There were, apparently, few opportunities for employing non-registered contractors to carry out the work reported to the survey.[46]

15B. *The United Reformed Church – Global Estimates*

15B.1 For the reasons explained in Sections 15A.1 and 15A.2 above, the estimates of global annual expenditure are based on the results of all respondents taken together, without distinction on the basis of geographical location or listed status.[47]

15B.2 For the reasons stated in Section 15A.4 above, the statistics derived for the churches responding to the questionnaire, were based on individual churches' aggregate expenditure on routine property repairs, new building and major repairs, utilities and other costs

46 The Financial Secretary to the United Reformed Church, who was responsible for carrying out the survey in respect of the denomination, reported that: "With the exception of light and heat costs, all costs that attract VAT are [assumed to be] charged VAT at 17½%. In accordance with the regulations, some churches pay VAT at 5% on their heat and light, some at 17½% and some at various rates in between - - - so I have assumed that VAT on church heat and light has been charged at 10% average."

47 In any event, it was not possible to determine the proportions of unlisted and unlisted churches within the United Reformed Church as a whole.

attracting VAT. However, when deriving global estimates based on these sample statistics, it is necessary to make some assumption regarding the apportionment of the total between expenditure on building repair work (which is assumed to be undertaken periodically, not every year) and expenditure on routine maintenance (which is assumed to be undertaken yearly). On the basis of the survey results, it was assumed, for the purposes of the grossing-up exercise, that: (i) the total expenditure excluding VAT may be divided approximately equally between the two categories of work, and; (ii) when calculating the upper-range estimates for global annual expenditure on building repair work, the proportion of churches carrying out building repair work in any given year is 46%.

15B.3 On the basis of the assumptions set out above, the lower estimate of the total annual global expenditure excluding VAT on building repair work by congregations of the United Reformed Church amounts to £2.503 million ± 12½% allowance for margin of error i.e. to between £2.190 million and £2.816 million. VAT on this sum would amount to a further £0.438 million ± 12½% i.e. to between £0.383 million and £0.493 million. The corresponding upper estimate is £4.317 million ± 12½% i.e. between £3.778 million and £4.857 million excluding VAT, on which VAT would amount to a further £0.756 million ± 12½% i.e. to between £0.661 million and £0.850 million.

15B.4 The total annual global expenditure on maintenance is estimated at £9.863 million excluding VAT, again with a margin of error of ± 12½% i.e. at between £8.630 million and £11.096 million, on which VAT would amount to a further £1.531 million ± 12½% i.e. to between £1.340 million and £1.723 million.

16A. *Free Churches' Council - Survey Findings*

16A.1 The survey responses in respect of the Free Churches' Council incorporated returns from six small separate member denominations.[48] None individually returned sufficient survey questionnaires to justify a separate analysis. The responses were therefore analysed as a single group, without regard to individual denomination.

16A.2 Two thirds of the responding churches were unlisted; one third were listed. The difference between the average building repair costs for the two groups was not statistically significant, so they were analysed together, irrespective of listed status.

48 The Countess of Huntingdon's Connexion, the Fellowship of Churches of Christ, the Independent Methodists, the Moravian Church, the Union of Welsh Independents and the Wesleyan Reform Union. A number of other small denominations belong to the Free Church, but these did not participate in the survey. Three larger member denominations - the Baptist Union, the Methodist Church and the United Reformed Church - participated in this survey individually, in their own right. Their survey findings are to be found in Sections 13, 14 and 15 respectively.

16A.3 Almost 90% of respondents had incurred some expenditure on building repair work during the period.

16A.4 The details are shown in Table 41. Aside from a small tendency for the means to be distorted by the skew distribution of the expenditure on building repair work - which is a feature of all denominations to a greater or lesser extent - there is nothing exceptionable in the figures to suggest that they are unusually distorted by one or more extreme values, and this is supported by the figures in Tables 42 and 43.

16A.5 The overall average rates of VAT on building repair work and routine maintenance were 14.5% and 8.3% respectively.

16A.6 The expenditure on building repair work undertaken by respondents during the period amounted to under £5,000 in some 75% of cases. Virtually all (97%) incurred expenditure on routine maintenance of £4,000 or less.

16A.7 Building repair costs exceeded maintenance costs in approximately two thirds of the cases.

16B. *Free Churches' Council – Global Estimates*

16B.1 In line with the approach adopted in the basic analysis of the data from the Free Churches' Council, the estimates of global annual expenditure are based on the results of all responses taken together, without regard to individual denomination, or distinction on the basis of region or listed status.

16B.2 The fact that as many as 90% of respondents had undertaken some building repair work during the period (Section 16A.2) suggests that there might well have been some unintentional bias, with churches carrying out such work being very much more likely to respond than those not carrying out any work. A high range estimate of global annual expenditure based on this figure would therefore be unreliable, so one has not calculated.

16B.3 Because of the relatively small number of respondents compared to the total number of the denomination's churches, it is prudent to allow a wider margin of error when stating the results. A total margin of 30% (i.e. ± 15%) will therefore be used on this occasion.

16B.4 On the basis of the assumptions set out above, the total annual global expenditure excluding VAT on building repair work by the smaller member denominations of the Free Churches' Council is estimated to be £6.159 million ± 15% allowance for margin of error i.e. between £5.235 million and £7.083 million. VAT on this sum would amount to a further £0.957 million ± 15% i.e. to between £0.814 million and £1.101 million.

16B.5 The total annual global expenditure on maintenance is estimated at £6.129 million excluding VAT, again with a margin of error of ± 15% i.e. between £5.210 million and £7.049 million, on which VAT would amount to a further £0.620 million ± 15% i.e. to between £0.527 million and £0.713 million.

17. *Global Estimates - Aggregated*

17.1 For the reasons explained in Section 6.10, it was appropriate only to calculate a single estimate of global annual expenditure on maintenance for each of the denominations participating in the survey. However as summarised in Section 6.9, subject only to constraints imposed by the quality of the data, two estimates were made of global annual expenditure on building repair work - a low-range estimate based on an *assumed* frequency of carrying out such work, and a high-range estimate based on the *actual* frequency as recorded by the survey.

17.2 The low-range figure is a conservative, cautious estimate, because it assumes that building repair work is carried out on average only once in every three to five years ie. that only approximately 27%[49] of churches carry out such work in any given year. The high-range figure is a less conservative, more generous estimate, because it assumes a significantly higher frequency of carrying out such work – as recorded by the survey results, assuming that there is no bias in the responses with regard to churches which have carried out such work, compared to those which have not.

17.3 It is important to provide a variety of estimates based on more or less conservative assumptions, as a means of indicating a possible range of cost outcomes. However, there is also clearly value in having a single "mid-range best estimate" figure (subject to margins of error) as a indicator of the most likely outcome.

17.4 The low-range and high-range estimates are based on two different sets of assumptions, rather than representing the lower and upper ranges of a single underlying set of assumptions. Therefore it is not necessarily accurate simply to assume that the mid-range best estimate single figure is mid-way between the two sets of results. Nevertheless it is not inappropriate to assume that the "true" result should be somewhere between the two extremes of a conservative and a generous estimate, and in the absence of robust evidence to the contrary, the

49 i.e. 0.5 x (1/3 + 1/5).

approach which will adopted in the context of this survey therefore is to assume a figure mid-way between the low-range and high-range estimates.

17.5 On the basis of the assumptions set out above, the estimated global annual VAT bill incurred by the churches participating in this survey amounts to approximately £29.0 million on building repair work and to a further £8.9 million on routine maintenance – a total of £37.9 million per annum.[50]

18. *General Conclusions and Observations*

18.1 In total, the survey analysed responses from the representatives of 2,570 individual churches, together with aggregated returns from two (Roman Catholic) dioceses and one denomination (United Reformed Church) together representing a further 854 churches – a total of more than 3,400 churches in all. The individual respondents alone reported aggregate building repair work during the period amounting in total to £27.7 million excluding VAT, together with maintenance costs amounting to an additional £13.6 million. VAT on this expenditure amounted to a further £4.2 million and £1.8 million respectively.

18.2 The results have been analysed separately for each of the participating denominations, because of the different approaches taken to achieving the requirements of the survey, and because of the markedly different features presented by certain elements of the results. This section draws together some of the key "headline" results for each of the denominations.

18.3 One of the most striking features of the data, is the differences between the various denominations in many of the key measures. Table 45 shows the mean expenditure per church on building repair work; it ranges from a little over £5,200 (excluding VAT) for smaller members of the Free Churches Council to almost £30,900 in the case of the Church in Wales. Taken as a whole, these differences are statistically significant.[51]

18.4 This means that it is difficult to think of "the Church" as a single entity with regard to the VAT issues covered by this survey. Although the issues of principle are the same for the participating denominations, and it is clearly helpful for them to present a united front when lobbying and in negotiations with the authorities, yet it must be borne in mind that in fact the impact of VAT varies enormously from one denomination to another.

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50 All figures ± an appropriate allowance for margins of error – see Section 6.12. For further details of the assumptions underlying these figures, see also Footnotes to Table 48.

51 $F = 43.938$, $p = 0.000$.

18.5 One of the principal reasons for the differences is the building stock itself. The size and age of churches are important factors with regard to expenditure on building repair work, and the survey measured considerable differences between denominations in the proportions of churches which were unlisted and listed.

18.6 That said, the differences between denominations in respect of the proportions of responding churches which had carried out building repair work during the period, were relatively small. Typically 80% or more churches responding to the survey had carried out such work, and the denominations which recorded high rates in this respect were not necessarily those which had higher proportions of listed churches. It has been noted elsewhere in this report (see Section 5) that churches which had carried out some building repair work during the period were more likely to respond to the survey than those which had not, so it is not altogether surprising to find a uniformly high proportion among respondents of all denominations.

18.7 Table 46 shows the mean expenditure per church on maintenance for each of the denominations. There are rather smaller differences between the denominations here than for building repair work, although the differences are still statistically significant.[52]

18.8 It is of course the VAT paid by churches on building repairs and maintenance, rather than the actual total expenditure, which is the principal concern of this survey. For this reason, the actual average amounts of VAT recorded are shown in bold type in Tables 45 and 46.

18.9 Table 47 shows the overall average rates of VAT on building repair work and on maintenance. Overall, for building repair work, there is a small but statistically significant negative correlation between the net effective rate of VAT paid, and the actual expenditure incurred.[53] In other words, higher levels of expenditure on building repair work tend to be associated with lower overall average rates of VAT. There is no significant correlation – positive or negative – in the case of maintenance expenditure.

18.10 In both instances – building repair work and maintenance - the data is taken from the responses to questions in the survey questionnaire which specifically refer to work which is nominally liable for VAT (work which is officially zero-rated is covered separately in the questionnaire, and in Section 18 of this report). The fact that the average overall rates for building repair work are invariably less than the full standard rate of 17.5%, highlights an important issue, namely the use of unregistered contractors. A number of responding churches state categorically that where possible they prefer to use small contractors to carry out building repair work. In some instances it is because smaller parish churches prefer to support small local (frequently un-registered) businesses as a matter of policy, but many also acknowledge that they seek out small local contractors who are not VAT registered, as a means of avoiding paying the additional tax which would otherwise be due.

52 $F = 88.618$, $p = 0.000$.

53 $r = .062$, $p = 0.004$.

18.11 Although a number of churches consciously adopt this perfectly legal "tax avoidance" measure, it is not the norm. If it were, the effective average rate of VAT would probably tend to be lower for the smaller churches (on the assumption that they tend to carry out less extensive building repair work) than for the larger churches carrying out more extensive work. In fact, the opposite is the case (see Section 17.9 above). It might also be expected that listed churches, which are more likely to have to employ specialist (and therefore presumably VAT-registered) contractors than smaller churches, would consequently pay higher overall rates of VAT on average, but there is no statistical evidence for this in the data.

18.12 A further feature to emerge from comments and annotations appended to several questionnaires, is that a small but significant number of churches manage partially to sidestep the VAT issue wherever possible by turning more straightforward building repair work into community projects, encouraging members of their congregation to undertake the work voluntarily. That way, the only element of cost is for the materials involved – the labour element of the work is free.[54]

18.13 With regard to maintenance, it is noted elsewhere (see Section 7A.7) that a sometimes significant proportion of the expenditure under this category is accounted for by the cost of heating and lighting, the provision of both of which are subject to a special concessionary reduced rate of VAT.

18.14 Tables 45 to 47 summarise the cost of VAT on building repair work and maintenance for each of the denominations participating in this survey, while Table 48 summarises the grossed-up estimates of the global annual amount of VAT paid on the basis of different more or less conservative assumptions. It shows the low-range and high-range estimates of the amount of VAT paid annually on building repair work, and the estimated amount of VAT paid annually on maintenance, separately for each denomination. Since they summarise the key findings of this report in terms of the impact of VAT, the four tables are also reproduced at the end of this Volume, as Appendix 5.

18.15 These summary tables highlight a number of important features of the data:

i. **The absolute magnitude of the figures.** The total annual VAT bill on building repair work is estimated to be approximately £29.0 million.[55] The additional total annual VAT bill on maintenance is estimated to be £8.9 million.[56]

54 In the words of one respondent: "We are a small congregation. This year is our centenary. We could not afford to pay a builder to renovate / repair the church, so we have done the work ourselves, and raised money [for materials] via sales, concerts etc.

55 Mid-range estimate, see Section 17.5.

56 All figures ± appropriate margins of error.

ii. **The differences between the different denominations.** As already noted, this makes it extremely difficult to talk of "the Church" as a single entity with regard to the impact of VAT.

iii. **Inequitable treatment.** Table 47 highlights one particularly noteworthy feature of the findings. The overall effective average rate of VAT on building repair work to cathedrals is the lowest recorded by any category, while the corresponding rate on maintenance is among the lowest. The reasons for this have already been noted (see Section 8A), but the fact remains that the parish churches which are least able to afford the added burden of VAT, tend on average to end up paying this tax at a higher rate than the very much wealthier cathedrals. This has nothing to do with Treasury policy, but is simply due to the ability of the cathedrals to offset some element of the charge against VAT due on income, or by recourse to the banding system agreed with HM Customs & Excise.

iv. **The magnitude of the VAT on maintenance costs *vis-à-vis* the figure for building repair work.** When debating the VAT issue, the argument is sometimes limited to the alleviation / harmonisation of the tax on building repair work – disregarding the further problem of VAT on ongoing maintenance costs. However it is evident from the data that VAT on maintenance is as much of a burden to many churches as the VAT on building repair work. This is witness to the fact that for many churches, non-essential building work can be deferred until money is available, but it is less easy to avoid ongoing maintenance charges.[57] It is therefore most important that the arguments for a reform of the VAT system as regards churches should include both these elements of expenditure, and not concentrate solely on building repair work.

19. *Zero-Rated Building Work*

19.1 This section covers building work which is formally zero-rated for the purposes of VAT, as opposed to work which does not attract VAT because it is carried out by contractors who are not themselves registered for VAT. For listed churches, the most usual reason for building work being zero-rated is when it is classified as Approved Alteration work. Other categories of zero-rated work, which also apply to unlisted churches, include new build work, work involving disability access or facilities, and work to repair bomb damage (in Northern Ireland).

57 In the words of one respondent: "Repairs have to be kept to an absolute minimum because of [financial] restraints".

19.2 Fewer than one in twelve of the questionnaire responses provided details of any zero-rated building work which had been carried out during the period under review. The total cost of the work on the 209 projects detailed, amounted to £5.7 million.

19.3 Approved Alteration work on listed churches accounted for almost 40% by value of all zero-rated work recorded by the survey, and other work on listed buildings (principally new build work) accounted for a further 35% i.e. altogether some 75% of total zero-rated expenditure recorded by the survey was accounted for by listed churches. Among the unlisted churches, the principal basis of zero-rating was new build work, which accounted for 18% of total zero-rated expenditure.

19.4 Disability access accounted for less than 10% of total zero-rated expenditure on unlisted and listed churches.

19.5 In fact, judging from the comments received in the process of undertaking this survey, the issue of zero-rating generally is one which causes some degree of uncertainty. Thus for example, a number of respondents gave details of zero-rated work, but were unclear as to why it had qualified for such exemption. Others believed that their work had been zero-rated for reasons which in fact did not qualify it for exemption, whereas the work had in reality been zero-rated for some other reason altogether (usually because it qualified as an approved alteration to a listed building).

19.6 It was evident from their responses that a number of churches were unaware that certain building work (principally in connection with the provision of disabled facilities) was zero-rated for VAT. It is perhaps to be expected that not all church treasurers should have known of this circumstance, but it is a matter of some concern that the other professionals presumably involved – architects, contractors and the like – did not think to enlighten them.

19.7 It is sadly the case that contractors are reluctant to become involved in negotiations with their local VAT office because if they incorrectly assess work to be zero-rated which is subsequently ruled to have been liable for VAT, it is they not their clients who are legally responsible to HM Customs & Excise for paying the amount due, which they then have to seek to recover from their client. They are further dissuaded from becoming involved in what may turn out to be protracted negotiations over what elements of a total bill may qualify for zero-rating, because it is difficult to charge their clients for the time and effort involved in doing so. The consequence is that contractors all too often take the easy path of adding VAT to bills as a matter of course, without first seeking to determine for certain whether the work could in fact have qualified for zero-rating. In following such practice, the contractors are perhaps relying on the ignorance of their clients, or on the assumed reluctance of volunteer PCC treasurers and other church officers to take them to task for failing to be properly diligent on their behalf.

20. *The Practical Impact of VAT*

20.1 Comments made by a number of the churches responding to the survey, raise a variety of interesting issues regarding the regulations governing the imposition of VAT. Some are matters of principle, others point to anomalies and inconsistencies (real or perceived). All are relevant to the manner in which VAT is levied, and to the impact of the tax. Many give clear voice to the frustrations of having to deal with the regulations as they stand at present. A selection of these points and comments are noted in the sections which follow below, wherever possible in the exact words (or a close paraphrase) of the original.

20.2 Even when building work itself has been zero-rated (for example where it is approved alteration work on a listed church) the architects', surveyors' and other professional fees associated with the work are nevertheless still liable for VAT. Several respondents were equally irritated and bemused by this glaring inconsistency.

20.3 One innovative approach to the problem: "We have paid professional fees amounting to £4,194 with VAT of £733.95. This relates to a major building project. However, we have opened up a shelf company for VAT purposes, and can claim all VAT back."

20.4 In respect of a listed church: "- - - our new lighting was quite different to before and could have been an alteration, but we still paid VAT. It was mentioned to the architect but no news of any possible rebate."

20.5 As an example of how determination may win the day: "This work [protective window screens] on a listed building was classed as new work only after an appeal to {Customs & Excise] head office. The local office had said that the work was not zero-rated."

20.6 Small churches which are unregistered for VAT have to absorb the VAT paid on goods which are purchased for subsequent resale, whereas larger churches which *are* registered are effectively able to offset the VAT involved when purchasing the same goods.

20.7 Larger churches are often on a business tariff for the supply of utilities, and are therefore not eligible for the special concessionary reduced rate of VAT on gas and electricity enjoyed by smaller churches on a domestic tariff.

20.8 A number of listed churches made the point that the amount paid in VAT during a year was approximately the same as they received in government grant-aid from English Heritage (see also Section 1.1). Others emphasised how much of their Lottery Grant was paid back to the Government through VAT.

20.9 The following extract from a letter to HM Customs & Excise is an example of the situation which can arise when a listed church receives assistance from English Heritage: " - - - we are having to renew the roof at a cost of £114,470, to which the contractors have added

VAT of £20,032. As the church is a listed building we are getting a 90% grant from English Heritage, but Interim Payments from them do not include VAT. At the end of the contract we will thus have received £103,023 (90% of £114,470) plus VAT of £18,029, making a total of £121,052. Our query is, can we reclaim the VAT shortfall of £2,003?" The answer from HM Customs & Excise was an unequivocal "No".

20.10 A further letter from a churchwarden to the Chancellor of the Exchequer: "We (a Grade I listed building) are in the process of - - - a major restoration project which will, in total, cost in the region of £400,000. We are a smallish rural parish with few opportunities to tap major funds for this type of work. Clearly, your moves on Gift Aid will be of great help in meeting this financial requirement. Unfortunately a significant proportion of that benefit will be removed in the amount of VAT which we will have to pay on these works – some £70,000. If all the money raised to meet these costs is covered by Gift Aid, the Inland Revenue will "donate" £72,000 only for Customs & Excise promptly to take it back! This seems illogical and perhaps was not what you had in mind when your changes were formulated. Clearly the removal of this burden would be of immense value to those parishes like our own which are faced with substantial restoration costs – restoration of a significant part of the nation's architectural heritage." Government's attitude towards such pleading is evident from Footnote 6 earlier in this report.

20.11 Again, a letter from a PCC treasurer to his Diocesan Secretary, makes the following point regarding the re-roofing of his church: "The funds to meet this cost were raised by personal donations from members and friends, trusts, commercial organisations and special functions and activities. On many donors' contributions we were able to recover income tax which amounted to £11,108. However it was very disappointing to find that almost all this amount was repaid to the Government in the form of VAT, amounting to £11,005."

20.12 The following extract from a letter accompanying the completed questionnaire, is a heartfelt reminder of the financial burden of VAT: " - - - my main concern is about the payment of VAT relating to capital expenditure this year on our tower which is expected to be approximately in the sum of £37,000 where fortunately we shall be receiving assistance from English Heritage. I calculate that on this figure some £6,500 will, in addition, be required to meet VAT and this represents almost two years capital fund raising for a small parish like ours."

20.13 On a more positive note: "The VAT liability is still not definite, as the last bills have yet to be paid, and the consequences of the VAT Officer's ruling that more of the work would be zero-rated than we had expected (or dared to hope) needs to be converted into refunds of VAT already paid on previous bills and may take some time to work its way back up through subcontractors and the main contractor." Although the outcome in this case is likely to be a positive one, the experience still has something of the flavour of a lottery about it, rather than the consistent application of straightforward rules.

20.14 One of the cathedrals responding to the survey, explained that it had established its shop as an independent trading company, which covenants all its profits back to the cathedral[58].

20.15 One large church chose the path of opting to tax in order to recover the VAT on building work to a new nursery building.

20.16 "The building we use for services is owned by another church. We pay a hire fee for three hours use each Sunday morning, and the owner church pays all the bills."

58 In fact it is known that several cathedrals have done this, and some have set up similar arrangements in respect of their refectories.

SURVEY
THE IMPACT OF VAT
ON church properties

This Survey is being carried out on behalf of the **Churches Main Committee**, for the purpose of determining the net amount of VAT paid by churches during 1999. The survey covers VAT on all building work and repairs and also, if you are registered for VAT, the VAT for which you are liable on activities taking place on your premises eg. tourist admissions, gift shop sales, charges for brass rubbings, catering, lettings etc.

For the purposes of this survey, church premises should be taken to include not only your church itself, but also any adjoining or nearby properties owned by the church and used specifically for church purposes eg. residential, offices, church halls etc.

If you are not yet able to supply details for 1999, please give the information requested for the most recent accounting period for which the information is readily available. If you are not able to give precise figures, please give your best estimates. If there is insufficient space under any question for you to give a full answer, please continue on an additional sheet of paper.

With respect to building work, you should state the cost of work actually carried out during the relevant period, regardless of whether the projects were completed during the period or were still in progress at the end of the period. Therefore please exclude any payments made by you to contractors etc during the period in respect of work carried out during a previous period, but include payments made or due after the end of the period which relate to work carried out during the period.

This questionnaire form has been designed for use by a number of different denominations. It is therefore possible that some questions may not use precisely the form of wording to describe certain functions that you would use in your own church. Further, some questionnaires will be completed on behalf of all churches in aggregate in a selected Parish / Circuit, while others may be completed in respect of a single church. In any event the intention and spirit of the questions should be clear.

To assist in meeting our deadlines, it is important that this questionnaire should be completed and returned by (see last page for details).

Thank you for your co-operation.

Questions 1 – 4 ; Basic Information

1. a) Are you responding in aggregate in respect of all churches in your Parish / Circuit, or in respect of a single church? If more than one church, please state the number.

_____

b) If you are responding in respect of all churches in your Parish / Circuit, please give name, address and Parish / Circuit details. If you are responding in respect of a single church, please also include the name of church

_____

_____

_____

Parish / Circuit _____

2. **Denomination** _____

3. **Is your church (or any of the churches in your Parish, as appropriate) a listed building?**

Yes / No If "Yes", Grade _____

4. **To what period does the information relate?**

From _____ **to** _____

Questions 5 - 7 ; Repairs

5. **Please give details of all building *repair* work carried out during the specified period on your church (or in your Parish, as appropriate) *on which VAT was charged* .**

Location / Nature of Work	Total Cost excl. VAT	VAT Paid	Total Cost incl. VAT

6. **If the VAT recorded in Q.5 above is less than the full standard rate, is this because you have a special agreement with Customs & Excise (for example under the special Banding arrangement if you attract a significant number of tourist visitors). If so, please give details.**

7. **If you are nominally liable for VAT at the full rate, were you nevertheless able to negotiate a partial recovery on a "one-off" basis in respect of any specific projects where special circumstances applied? Please give details** ***(include any amounts you know you will be able to recover in due course, even if you have not yet done so, if they relate to work carried out during the period).***

8. ***Alterations*** **; Please give details of all alteration work carried out during the specified period on your church (or in your Parish, as appropriate)** ***which was zero-rated for VAT*** **. This might include approved alteration work if the building in question is a listed building, work related to disability access or health and safety matters, new build work etc.**

Location / Nature of Work	Total Cost	Basis of Exemption

9. ***Maintenance and Running Costs*** **; Please indicate the amount of VAT paid on heating, lighting, cleaning services and other routine maintenance in respect of the properties covered by this survey.**

Total excl. VAT	VAT	Total incl. VAT

10. ***Sales and other Income Generating Activities*** **; Is your church liable for VAT in respect of any other activities carried out on your church premises eg. catering (café / restaurant), book stall or gift shop sales, tourist admission charges, guided tours, lettings for outside commercial use etc (since 1 April 1999 the threshold for VAT registration is annual turnover of £51,000). If so, please give details as follows:**

Nature of Activity	Total Income from activity during period	Allowable Input Costs	Net Income	Net VAT Due

In case we need to contact you regarding your replies, we would be grateful if you would please give your name and a daytime contact number below.

Name _____

Daytime telephone no. _____

This survey is being carried out independently, on behalf of the Churches Main Committee, by : **Jeremy Eckstein Associates (Cultural & Heritage Sector Research)**

If you have any questions regarding this survey, please contact Jeremy Eckstein direct on: Tel: 02084454334; Fax: 02084456803;

E-mail: jeckstein_assoc@compuserve.com

Please return your completed questionnaire no later than

direct to :

IMPACT OF VAT ON CHURCHES – DRAFT LETTER TO ACCOMPANY SURVEY QUESTIONNAIRE

As I am sure you will know, we have been struggling for many years to persuade the Government to reduce the rate of VAT on church expenditure, especially on repairs to church buildings. Much of our income is from giving by our own members: it is wholly wrong that, when this is spent on necessary repair and maintenance, £17.50 out of every hundred pounds goes to the Government.

Through campaigning by church bodies, large and small, through debates in synods and assemblies, not least in Parliament, we have pressed he case for a lower rate, say 5%. So far the Government have shown no sign of willingness to make this change. One of the difficulties has been the lack of reliable figures to show how much v A T the churches are now bearing and how much a lower rate would cost. We are sure that the VAT burden is considerably greater than the grants from English Heritage and other bodies, but we do not have any real, authoritative evidence.

Jeremy Eckstein is a statistician who has recently carried out research on the impact of VAT on listed properties, including churches. But this research does not itself provide a basis for estimating the cost of VAT to the churches. Mr Eckstein has now been commissioned by the Churches main Committee to carry out a further exercise, covering churches, listed and unlisted, throughout the UK, and covering all expenditure on which VSAT is borne, not only work on the buildings. The aim is to complete the exercise and present the report to the Chancellor of the Exchequer this summer.

We seek your co-operation. I enclose a questionnaire, devised by Mr Eckstein, which contains 10 / 11 questions, all of them, I trust, clear and straightforward. Please complete this questionnaire **as soon as possible** and return it to me by - - - - - - - - - - - . If you have difficulties in answering, by all means have a word with Mr Eckstein, whose telephone number is on the questionnaire. But do please comply with the deadline, even if you can't answer all the questions. I know that form filling is tiresome, but I trust you will agree that this is not really complicated and the objective is very worthwhile.

With many thanks

Abbreviated Survey Questionnaire used by the United Reformed Church:

Try to reduce the cost of VAT

The Church spends a lot of its money on VAT, but it would be helpful if we could estimate how much. We are co-operating with other churches to do this, which might encourage Government to reduce this tax burden on the churches.

Please will you complete the brief form below, and return it as soon as possible to Clem Frank, The United Reformed Church, 86 Tavistock Place, London WC1H 9RT.

Replies sent after Easter 2000 will arrive too late for useful action

Name of Church …… Church Number ……

According to the last annual accounts prepared, how much was spent, including VAT? Please exclude any payments, which did not incur VAT because the buildings are listed buildings, or the costs are on new property.

On	Church	Manse
Routine property repairs	£	£
New buildings/major repairs	£	£
Gas and Electricity	£	£
Other costs which attract VAT	£	£

If you paid any amounts in the year that did not attract VAT, because they were on new buildings, or because they were for the repair of listed buildings, please state the amount. (Amounts paid to small tradesmen who do not charge VAT because they are not registered should be included above)

£……

Thank you. If you would like to help further by completing a fuller questionnaire, please tick the box:

☐

Sample Procedures

1. Introduction

1.1 This section deals with the methods used by each of the participating denominations to achieve the required distribution of the survey questionnaires, and with other matters relating to the conduct of the survey.

1.2 As stated elsewhere in this report, the denominations were allowed a considerable amount of discretion in choosing how to achieve the overall objective of a representative sample of 10% of their churches most effectively. Details are given in the following sections.

1.3 A copy of the questionnaire used is shown in Appendix 1.

2. The Church of England – Parish Churches

2.1 The planning and co-ordination of the questionnaire distribution process for parish churches was undertaken by the Church of England's Statistics Unit. The Church's 43 dioceses were each requested to select a number of representative deaneries in their diocese. These deaneries in turn were requested to circulate the questionnaire to all their parish churches. In most cases the deaneries distributed the questionnaires to individual parish churches, but in some instances – where there was more than one church in a given parish - the distribution was made to the parish councils, which completed the questionnaires in respect of all the churches in their parish.

2.2 In the event, just 3 of the 43 dioceses were unable to take part in the exercise. Details are set out in Table 1.

2.3 It will be seen from the table that the response rates for individual dioceses ranged from just over 30% to as high as 95%. Twenty four dioceses achieved response rates in excess of 50%. The overall response rate (based on those dioceses for which the figures are known accurately) was approximately 57%.

2.4 Altogether the 43 dioceses comprise some 13,000 parishes with 16,240 churches. The aggregate effective response therefore amounts to approximately 6.9% of parish churches overall.

3. The Church of England – Cathedrals & Greater Churches

3.1 In matters of building repair work and maintenance, it is necessary to distinguish cathedrals and "greater churches" from parish churches, because of the very different scale of their operations. They were therefore treated as separate "modules" for the purposes of this survey.

3.2 There are 42 English Anglican Cathedrals, and a further smaller number of greater churches. In view of the small numbers involved, it was decided to adopt a full census approach and send the questionnaire to every one of these cathedrals and churches.

3.3 There were 23 responses to the questionnaire from Anglican cathedrals – a response rate of approximately 55%.

3.4 Only one greater church responded to the survey. Although the greater churches are closer to cathedrals than to parish churches with regard to the costs of building repair and maintenance, it was not appropriate to add the one greater church response to the responses from the cathedrals. The greater churches were therefore ultimately excluded as a group from the survey analysis.

4. The Church of Scotland

4.1 Because of the problems involved in selecting a sample which was representative in terms of the criteria relevant to the survey – size, age, location etc – it was felt that it would be more straightforward administratively to adopt a full census approach and distribute the questionnaires to the treasurers of all 1,573 Church of Scotland Congregations.

4.2 Some of the more rural Congregations comprise more than one church. However in the large majority of cases the Congregations tend to have one church building each within their parish area.

4.3 A total of 660 questionnaires were returned, in respect of 800 churches, yielding an effective (usable) response rate of approximately 50%.

5. Church in Wales

5.1 For administrative purposes the Church in Wales is structured into 78 Rural Deaneries in six dioceses. With regard to the sampling process, the Representative Body of the Church agreed that one Rural Deanery should be chosen in each Diocese. Specific Rural Deaneries were identified which it was felt would provide a representative sample of urban / rural building work undertaken during the period in question.

5.2 In the event, only four of the six dioceses took part in the exercise; the remaining two dioceses were unable to identify a representative deanery. The overall number of churches involved in the survey was 102, representing slightly less than 7% of all the churches in the movement.

5.3 Fourteen usable questionnaires were returned, on behalf of 20 churches – an effective response rate of 20%. The treatment of this small number of responses is dealt with in Section 10 of the main body of the report.

6. Presbyterian Church in Ireland

6.1 Because it was organisationally the most straightforward approach to adopt, the questionnaire was sent to the treasurers of all 475 congregations of the Presbyterian Church in Ireland in Northern Ireland. A total of 172 completed questionnaires were returned, on behalf of 173 churches. This yielded an effective (usable) response rate of approximately 34%.

7. Roman Catholic Church

7.1 The Roman Catholic Church adopted a diocese-based approach to the questionnaire distribution process. Rather than selecting a small number of representative dioceses centrally, and undertaking an intensive survey within each, it was decided instead that the questionnaire should be distributed to every diocese, requesting each one to make its own representative selection of approximately 10% of churches in the diocese. It was felt that this approach was preferable, because the task of making an appropriate selection of churches would be made at the diocese level, by people who would be in the best position to asses what constituted a representative sample in their diocese.

7.2 In the event, a total of 54 completed questionnaires were received covering churches in seven dioceses. In two instances, the relevant authorities provided aggregate returns in respect of all the churches in the diocese rather than for a sample of churches. For that reason, the returns actually cover 512 churches, although one aggregate return could not be used. Full details are shown in Table 3. This pattern of response posed certain difficulties with regard to analysing the data; see Section 12 of the main body of the Report.

8. The Baptist Union

8.1 The Directors of the Baptist Union Corporation ultimately selected two regional Associations which they believed would together constitute a broadly representative selection of the churches in membership with the Union, in terms of large and small churches, listed buildings and others. The two Associations were requested to undertake a full census, by circularising each of the churches in their area. The East Midland Baptist Association (including churches from the County Unions of Derbyshire, Leicestershire, Lincolnshire and Nottinghamshire and the Peterborough District) ultimately distributed questionnaires to 125 of its 172 churches, of which 53 were returned – a response rate of 31% of its membership. The London Baptist Association distributed questionnaires to its 282 members, of which 41 were returned – a response rate of 15%.

8.2 Altogether, there are some 2,110 member churches of the Baptist Union of Great Britain. Taking the two Associations together, the overall return of 94 completed questionnaires represents a response rate of approximately 4.5% of the denomination's members as a whole.

9. Methodist Church

9.1 According to information supplied by the Methodist Church, it comprises a total of 6,192 chapels, grouped into 630 Circuits[59] throughout England, Scotland, Wales and the Islands. The Circuits themselves are grouped within 33 Districts.

9.2 For the purposes of this survey, the Church authorities selected circuits within each district which together provided a broadly representative cross-section of the Methodist structure in terms of the balance between rural and urban, small and large etc. They then arranged for the distribution of survey questionnaires to every chapel within each of the selected circuits. Altogether, questionnaires were distributed to 738 chapels – approximately 12% of the total number in the movement, and well in excess of the overall 10% target. Details are shown in Table 4.

9.3 Uniquely among the denominations, a small but significant number of Methodist churches responding to the questionnaire gave details of building repair work and / or maintenance work covering periods of either more than or less than twelve months. Where this occurred, the figures were scaled up or down pro-rata, as appropriate, to give equivalent expenditure for a twelve month period. Each case was considered individually according to its particular circumstances; where there was any question of doubt, for example the validity of grossing up a figure which included a substantial one-off item of capital expenditure, a deliberately conservative approach was adopted, of understating the estimate for the full year.

9.4 A small number of churches submitted data relating to a period substantially prior to the requested calendar 1999 period. These questionnaires were excluded from the analysis, because they could have distorted the necessary assumptions regarding the frequency with which building repair work was undertaken.

9.5 Altogether 268 useable questionnaires were returned, covering 270 chapels.

9.6 There is considerable variation in the response rates between different Districts. However the overall effective (usable) response rate amounted to approximately 37%, including those returned questionnaires which contained insufficient information to identify the District.

59 Corresponding broadly to what would be called parishes in the Anglican church.

10. The United Reformed Church

10.1 The United Reformed Church was alone among the denominations participating in this survey, in opting for a simplified form of the questionnaire, which it distributed to all its 1,749 member churches. A copy of the questionnaire used is shown in Appendix 3.

10.2 Responses were received from 597 churches, representing a response rate of 34% of churches.

11. Free Churches' Council

11.1 The Free Churches' Council represents 19 denominations comprising some 14,700 churches in England, Wales and Scotland. Given the wide variety of denominations thus represented, and the organisational difficulties involved in sampling and distributing survey questionnaires, it would be difficult to be confident that the responses were representative of the movement as a whole. Nevertheless the Council agreed to endeavour to co-ordinate the distribution of survey questionnaires among a number of the smaller member congregations, in the expectation that they would at least provide some insight into the issues addressed by the study.

11.2 The three largest member congregations – the Methodists, the Baptists and the United Reformed Church – were excluded from the process since they were separately represented on the Churches Main Committee and had already agreed to participate in the study independently.

11.3 In the event not all denominations were in a position to send out questionnaires in time to meet the survey deadlines. Table 5 shows the responses from the six congregations which did eventually participate – the Countess of Huntingdon's Connexion, the Fellowship of Churches of Christ, the Independent Methodists, the Moravian Church, the Union of Welsh Independents and the Wesleyan Reform Union.

11.4 Excluding the Methodists, the Baptists and the United Reformed Church, which participated independently in the survey, the 16 smaller denominations represented by the Free Churches' Council comprise in total approximately 4,400 churches, of which 880 belong to the six denominations actually participating in the Council's survey. In aggregate the 40 usable questionnaires returned represent approximately 5% of this latter figure.

12. Interpretation of Questions and Consistency of Responses

12.1 It was a fundamental principal of the design of the survey questionnaire, that more, and better quality responses would be achieved by a short, straightforward questionnaire than by a more complex one, and that ultimately statistically robust answers to a few basic

questions would be of more value than fragmentary answers to a lengthier and more complicated questions. For these reasons, the questionnaire was purposely limited to a small number of relatively straightforward questions.

12.2 As far as possible, the wording of the questionnaire was designed to be relevant to each of the distinct sub-groups (denominations) participating in the survey, in spite of the fact that they did not always all use precisely the same terms and phrases to describe features being investigated.

12.3 It was felt that the questionnaire, with its accompanying letter, was sufficiently self-explanatory not to need a lengthy set of instructions. However it was made clear on the questionnaire and in the accompanying letter that help in completing the questionnaire could be sought from Jeremy Eckstein Associates. In addition, a guide, in the form of an annotated version of the questionnaire including explanatory notes, was prepared by one particular interested group. In order to ensure its wider availability, it was posted on the Church of England's website (at www.cofe.anglican.org) from which it could be downloaded.

12.4 The large majority of respondents used their own discretion in interpreting and answering the questions. Where advice was sought, the following additional instructions were given to reinforce the underlying intent of the questions:

- Where building repair work was subject to an insurance claim, the amounts entered were the sums paid by the church, net of any recoveries from the insurance companies;

- The cost of building insurance was to be included under the heading of "maintenance" (question 9 in the questionnaire). Where this expenditure was identifiable, the insurance premium tax was invariably treated in the same way as VAT;

- A church, together with its manse, hall, and related buildings was taken as constituting a single church within the terms of question 1;

- Work on churchyard walls, paving etc were to be included, where they clearly comprised part of the entity of the church as a whole;

- Maintenance charges (question 9) were generally understood to cover maintenance to the fabric of the building. Allowable expenses covered: utilities (heating, lighting, water etc), insurance, regular cleaning (including cleaning materials), telephone and other sundries. Aside from cleaning materials, church consumables such as candles (which carry VAT) and wafers (which don't) were to be excluded.[60] Office consumables (such as paper, ink, envelopes, postage, photocopier / printer toner etc) were generally excluded. Other general office / administration costs were sometimes

60 It is evident that there are a number of anomalies with regard to the imposition of VAT on church consumables.

included, even though this sometimes strayed somewhat from the formal intention of limiting expenditure to what was incurred in maintenance to the fabric of the building. Capital expenditure on new carpets, tables, chairs, cupboards, kitchen equipment etc was excluded. Maintenance of chairs, cupboards etc was generally excluded if they were free-standing, but included if they were fixtures (pews, built-in cupboards etc). There is some evidence for both overstatement and understatement in the answers to this question;

- Routine maintenance of church organs, whether fixed or free-standing, was normally included under the heading of maintenance; more substantial organ repairs were treated under the heading of building repair work. The same distinction was normally made for work on a church's boiler;

- Expenditure on training, courses etc was excluded altogether.

12.5 There were a very small number of responses from churches which were shared by congregations from two different denominations - principally Methodist and Baptist, or Methodist and United Reformed Church. These churches were treated as belonging to the denominations from which the questionnaires were originally sent.

Table 45: Summary – Average Expenditure per Church on Building Repair Work, by Denomination

		Unlisted	Listed	All
Church of England - Parish Churches	Excl. VAT	£8,558	£11,177	£10,474
	Incl. VAT	£10,021	£12,942	£12,158
	VAT	**£1,463**	**£1,765**	**£1,684**
Church of England - Cathedrals	Excl. VAT	-	£184,960	£184,960
	Incl. VAT	-	£200,704	£200,704
	VAT	**-**	**£15,743**	**£15,743**
Church of Scotland	Excl. VAT	£5,143	£11,255	£9,285
	Incl. VAT	£6,017	£13,208	£10,890
	VAT	**£874**	**£1,953**	**£1,605**
Church in Wales	Excl. VAT	-	-	£30,883
	Incl. VAT	-	-	£36,288
	VAT	**-**	**-**	**£5,405**
Presbyterian Church in Ireland	Excl. VAT	£15,951	£18,226	£16,742
	Incl. VAT	£18,460	£21,538	£19,531
	VAT	**£2,510**	**£3,312**	**£2,789**
Roman Catholic Church (a)	Excl. VAT	-	-	£26,311
	Incl. VAT	-	-	£29,615
	VAT	**-**	**-**	**£3,304**
Baptist Union	Excl. VAT	£7,110	£5,325	£6,788
	Incl. VAT	£8,236	£6,247	£7,877
	VAT	**£1,127**	**£921**	**£1,090**
Methodist Church	Excl. VAT	-	-	£6,911
	Incl. VAT	-	-	£8,161
	VAT	**-**	**-**	**£1,250**
United Reformed Church (b)	Excl. VAT	-	-	£10,999
	Incl. VAT	-	-	£12,813
	VAT	**-**	**-**	**£1,814**
Free Churches Council (c)	Excl. VAT	-	-	£5,249
	Incl. VAT	-	-	£6,065
	VAT	**-**	**-**	**£816**
All (d)	Excl. VAT	-	-	£12,525
	Incl. VAT	-	-	£14,418
	VAT	**-**	**-**	**£1,893**

Notes:
(a) General dioceses only (excluding named dioceses)
(b) Building repair work and maintenance together.
(c) Not including the Baptist Union, Methodist and United Reformed Churches.
(d) Excluding the United Reformed Church.

Table 46 : Summary – Average Expenditure per Church on Maintenance, by Denomination

		Unlisted	Listed	All
Church of England - Parish Churches	Excl. VAT	£2,150	£2,127	£2,134
	Incl. VAT	£2,392	£2,358	£2,368
	VAT	**£241**	**£230**	**£234**
Church of England - Cathedrals	Excl. VAT	-	£72,157	£72,157
	Incl. VAT	-	£77,617	£77,617
	VAT	**-**	**£5,460**	**£5,460**
Church of Scotland	Excl. VAT	£2,494	£2,478	£2,483
	Incl. VAT	£2,736	£2,720	£2,725
	VAT	**£242**	**£242**	**£242**
Church in Wales	Excl. VAT	-	-	£1,142
	Incl. VAT	-	-	£1,275
	VAT	**-**	**-**	**£134**
Presbyterian Church in Ireland	Excl. VAT	£3,593	£5,465	£4,281
	Incl. VAT	£4,018	£6,181	£4,814
	VAT	**£426**	**£717**	**£533**
Roman Catholic Church (a)	Excl. VAT	-	-	£5,442
	Incl. VAT	-	-	£6,219
	VAT	**-**	**-**	**£776**
Baptist Union	Excl. VAT	£2,881	£3,148	£2,925
	Incl. VAT	£3,138	£3,526	£3,202
	VAT	**£257**	**£378**	**£277**
Methodist Church	Excl. VAT	£2,032	£1,941	£2,017
	Incl. VAT	£2,224	£2,139	£2,208
	VAT	**£191**	**£198**	**£191**
United Reformed Church (b)	Excl. VAT	-	-	£10,999
	Incl. VAT	-	-	£12,813
	VAT	**-**	**-**	**£1,814**
Free Churches Council (c)	Excl. VAT	-	-	£1,393
	Incl. VAT	-	-	£1,534
	VAT	**-**	**-**	**£141**
All (d)	Excl. VAT	-	-	£3,056
	Incl. VAT	-	-	£3,364
	VAT	**-**	**-**	**£307**

Notes:
(a) General dioceses only (excluding named dioceses)
(b) Building repair work and maintenance together.
(c) Not including the Baptist Union, Methodist and United Reformed Churches.
(d) Excluding the United Reformed Church.

Table 47 : Summary – Overall Effective Average Rates of VAT on Building Repair Work and Maintenance, by Denomination

Unweighted average rates of VAT)

		Unlisted	Listed	All
Building Repair Work	Church of England - Parish Churches	16.8 %	16.6 %	16.7 %
	Church of England - Cathedrals	-	10.3 %	10.3 %
	Church of Scotland	16.5 %	17.0 %	16.8 %
	Church in Wales	-	-	15.8 %
	Presbyterian Church in Ireland	16.8 %	17.2 %	16.9 %
	Roman Catholic Church (a	-	-	15.2 %
	Baptist Union	16.7 %	15.9 %	16.6 %
	Methodist Church	-	-	17.5 %
	United Reformed Church (b)	-	-	15.6 %
	Free Churches Council (c)	-	-	14.5 %
	Group Total (d)	-	-	**16.7** %
Maintenance	Church of England - Parish Churches	10.0 %	10.2 %	10.1 %
	Church of England - Cathedrals	-	9.3 %	9.3 %
	Church of Scotland	8.8 %	8.6 %	8.7 %
	Church in Wales	-	-	10.0 %
	Presbyterian Church in Ireland	10.6 %	10.7 %	10.6 %
	Roman Catholic Church (a)	-	-	12.4 %
	Baptist Union	9.3 %	12.1 %	9.7 %
	Methodist Church	-	-	8.4 %
	United Reformed Church (b)	-	-	15.6 %
	Free Churches Council (c)	-	-	8.3 %
	Group Total (d)	-	-	**9.5** %

Notes:
(a) General dioceses only (excluding named dioceses)
(b) Building repair work and maintenance together.
(c) Not including the Baptist Union, Methodist and United Reformed Churches.
(d) Excluding the United Reformed Church.

Table 48 : Summary – Estimates of Global Annual Amount of VAT Paid on Building Repair Work and Maintenance, by Denomination

	Annual VAT on Building Repair Work (£,000)						Annual VAT on Maintenance Work (£,000)		
	Low - Range Estimates			High - Range Estimates					
	- Margin of Error	Mid	+ Margin of Error	- Margin of Error	Mid	+ Margin of Error	- Margin of Error	Mid	+ Margin of Error
Church of England - Parish Churches	£6,617	£7,562	£8,507	£18,059	£20,639	£23,219	£3,390	£3,874	£4,359
Church of England - Cathedrals	£598	£684	£769	£598	£684	£769	£208	£238	£268
Church in Scotland	£618	£706	£794	£2,155	£2,462	£2,770	£333	£381	£428
Church of Wales	£1,838	£2,162	£2,486	n/a	n/a	n/a	£171	£201	£231
Presbyterian Church in Ireland	£309	£353	£397	£1,008	£1,153	£1,297	£222	£253	£285
Roman Catholic Church	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Baptist Union	£624	£713	£802	£1,784	£2,038	£2,293	£565	£645	£726
Methodist Church	£1,806	£2,064	£2,322	£5,350	£6,115	£6,879	£1,035	£1,183	£1,331
United Reformed Church	£383	£438	£493	£661	£756	£850	£1,340	£1,531	£1,723
Free Churches' Council (a)	£814	£957	£1,101	n/a	n/a	n/a	£527	£620	£713
Totals (b) (c)	**£13,606**	**£15,639**	**£17,672**	**£36,784**	**£42,280**	**£47,775**	**£7,790**	**£8,927**	**£10,063**

(a) Excluding Baptist Union, Methodist and United Reformed Churches.
(b) Excluding Roman Catholic Church.
(c) For the purposes of this table only, the high-range totals have been grossed up pro-rata to include estimates of the missing data from the Church of wales and the Free Churches' Council.