Parish Support
THE DIOCESE OF DERBY

HR

Employment Status, Payments and Honoraria

1. Guidance for Parochial Church Councils

Practical guidance on when someone is likely to be an employee, when payment through accounts may be appropriate, and how to handle honoraria for volunteers.

Important note
This document provides general employment law and HMRC compliance guidance for PCCs. It is not a substitute for case-specific legal, tax or payroll advice. Where the status of an individual is unclear, the PCC should seek advice engaging with the individual. Status of individuals should remain under review.

This guidance is intended to help PCCs engage people correctly and manage payments lawfully. It applies to regular and occasional paid roles, self-employed contractors, volunteers, and individuals who receive honoraria or expense payments.

The key principle is that employment status is determined by the reality of the working relationship, not by the label used. A person is not self-employed simply because they invoice the PCC, and a payment is not tax-free simply because it is described as an honorarium.

PCCs should consider four categories: Employee, Worker, Self-employed Contractor and Volunteer. Where an individual undertakes regular duties in return for payment, the PCC should not assume they are self-employed and should consider whether employee or worker status may apply.

Core compliance message
PCCs should not pay someone "off the books". If a person undertakes regular duties in return for payment, the PCC should assess their status and ensure the payment is processed appropriately, usually through payroll where the relationship is one of employment.

2. The Main Categories of Engagement

Status	Typical indicators	How payments are usually made	Key PCC action
Employee	Regular duties, there is a contract of employment in place (although this should be written, it can be implied), controlled and employed by the PCC, ongoing commitment, integration into church life, use of PCC/church equipment. There is often a regular working pattern or variable agreed hours. Key is mutuality of obligation – the PCC guarantees the individual work and they agree to work in exchange for payment.	Through payroll, with PAYE and National Insurance as appropriate.	Issue a written statement or contract of employment on day 1 of their employment, consider holiday pay, statutory employment rights including minimum wage, pension auto-enrolment and payroll registration.
Self-employed contractor	Runs their own business, has other clients, controls how work is done, can refuse work, can send a genuine substitute, supplies equipment and takes financial risk, submits invoices. NB if consultant is selling or buying goods, special rules apply and advice should be sought to avoid costly terminations.	Through accounts payable against invoices.	Keep evidence of self-employed status and review if the pattern becomes regular or controlled by the PCC. Ensure there is a consultancy agreement in place. Be mindful of IR35.[1]
Worker / Casual worker	There is no mutuality of obligation. The PCC does not guarantee any work. The worker does not have to accept any work.	Through payroll.	Consider entitlement to paid annual leave, National Minimum Wage, and other worker rights. Ensure there is a workers contract in place.

[1] IR35 was introduced in April 2000 to stop **tax avoidance** through **disguised employment**. It targets workers who provide services through an intermediary like a personal service company, but who work day-to-day just like traditional employees. The UK government want to ensure these workers paid fair income tax and National Insurance.

Status	Typical indicators	How payments are usually made	Key PCC action
Volunteer	Offers time freely, no expectation of payment, no obligation to attend, no obligation for PCC to provide work, arrangement can end freely.	No pay. Genuine out-of-pocket expenses may be reimbursed.	Use a volunteer agreement, avoid language of employment, and reimburse only actual and reasonable expenses.

2.1 Examples

Example	Likely status
Volunteer flower arranger with no payment other than expenses	Volunteer
Organist playing regular Sunday for a regular fee, attending rehearsals and expected to provide the service personally	Employee
Musician engaged occasionally for weddings who invoices several churches and can provide a deputy	Self-employed contractor
Cleaner working five hours every week under PCC direction	Usually Employee

3. Employment Status: Practical Tests

No single factor is conclusive. PCCs should look at the whole arrangement. The following questions are useful indicators.

- **Personal service:** Does the individual have to do the work personally, or can they send a substitute without needing permission?
- **Control:** Does the PCC, incumbent or church officer decide what is done, when it is done, and how it is done?
- **Mutual obligation:** Is the PCC expected to provide work and is the individual expected to accept it?
- **Regularity:** Are the duties carried out weekly, monthly, seasonally or according to a rota?
- **Integration:** Is the person presented as part of the church team or relied on as part of regular church operations?
- **Financial risk:** Does the person bear real business risk, set their own price, correct defective work at their own cost, or supply their own resources?
- **Equipment and premises:** Does the person use church premises, church equipment or PCC resources to perform the role?

What the answers may indicate

Test	Answers more likely to indicate Employee/Worker Status	Answers more likely to indicate Self-Employed Contractor Status
Personal service	The individual must undertake the work themselves and cannot freely send a substitute.	The individual has a genuine right to provide a suitably qualified substitute and does so in practice.
Control	The PCC decides what work is done, when it is done, and how it is carried out.	The individual decides how the work is delivered and is engaged to provide a result or service.
Mutual obligation	The PCC is expected to provide work and the individual is expected to accept it.	The PCC is not obliged to offer work and the individual is free to refuse engagements.
Regularity	Duties are performed weekly, monthly or according to an established rota or pattern.	Work is undertaken only for specific projects, events or occasional engagements.
Integration	The individual is treated as part of the church team and is involved in regular church operations.	The individual remains independent and is engaged only to provide a specific service.
Financial risk	The individual is paid for their time with little or no financial risk.	The individual sets prices, invoices for work, supplies equipment and bears financial risk.
Equipment and premises	The individual mainly uses church premises and church equipment.	The individual provides and maintains their own equipment and resources.

Important: No single answer determines employment status. PCCs should consider the overall picture. Where most answers point towards personal service, control, mutual obligation, regularity and integration, employee or worker status is more likely. Where most answers point towards independence, substitution, financial risk and operating a business with multiple clients, self-employed contractor status is more likely. Where there is no ongoing obligation on either party, but work is undertaken personally when offered and accepted, worker or casual worker status may be the more appropriate category.

Where the answer is unclear
Seek advice.

4. Paying Through Accounts: When It May Be Appropriate

Payment through accounts, rather than payroll, may be appropriate where the individual is genuinely self-employed or where the PCC is paying a business supplier. The PCC should be able to evidence the basis of that decision.

- The individual or business provides invoices with clear details of the work undertaken.
- The contractor controls how the work is delivered and is not managed as part of the church staff team.
- The contractor can provide a substitute, subject only to reasonable safeguarding or quality requirements.
- The contractor works for other clients and is responsible for their own tax and National Insurance.
- The arrangement is reviewed if it becomes regular, ongoing, or starts to look like an employed role.

5. PAYE scheme requirements and arrangements

5.1 Requirements

As soon as the PCC has one **employee** which requires them to create a PAYE scheme, then all the PCC's casual workers/employees must also be included in this same scheme. The one exception to this is retired or non-stipendiary clergy. Retired and non-stipendiary clergy are considered to be Office Holders and as such it can be argued that they are never employees of the PCC when officiating at a service. This said, any fee given to such clergy is taxable income and they must declare it to HMRC.

If retired or non-stipendiary clergy ask to be part of a PCC's existing PAYE scheme, then they may be included. In the case of a Reader or retired self supporting clergy who officiates at a funeral or burial, PCC's should refer to the parochial fee guidance available here: https://derby.anglican.org/en/church-admin/fees/fees-2026.html.

5.2 Requirements

Many of the discussions around PAYE at a PCC meeting will often revolve around whether the PCC can excuse themselves from needing to run a PAYE scheme. The reasoning behind this often focuses on hard pressed volunteer church officers, like treasurers, who are limited in their available time and skill sets. In response to this a few points should be noted.

a) A PCC's PAYE scheme does not have to be administered by the treasurer. It is perfectly reasonable to make use of a third party, either from within the church's membership, or from outside of it, to administer the scheme. The treasurer only needs to know how much and to whom to pay
b) When making their decision, a PCC needs to be aware that an employee enjoys a number of employment rights that are not held by the self-employed, or a contactor (e.g. unfair dismissal, holiday/redundancy pay, etc.)
c) While membership of a PCC's PAYE scheme does not automatically infer that an individual is an employee for employment legislation purposes, it would aid the argument for employee status if presented at an employment tribunal.

PAYE Options:

If the PCC finds it is required to create a PAYE Scheme, then there are three options available.

1. PAYE software run locally on a stand alone PC or laptop, which can connect to HMRC via the internet.

2. An internet PAYE application. The PAYE software resides on a provider's secure web server and the local church would only need web browser software to access it.
3. Third party PAYE services supplier. Information is sent to the supplier who would make all the required submissions to HMRC. Whether the supplier paid your employees directly, or just supplied information back to the PCC to make the necessary payments would form part of the supplier's contract.

The principle differences between the above three options are financial cost and administration time required.

Note: All HMRC approved PAYE software is free to use for nine or less employees and a list of approved software can be found on HMRC's website here: https://www.gov.uk/payroll-software

Third party suppliers will normally charge a fee from the first employee.

The Bottom Line: If you pay anyone above the Lower Earnings Limit, or anyone who already receives any type of pension, or anyone who has another job, and they are deemed to be your employee, then you must run a PAYE scheme.

6. Regular duties such as Organists, Choir Directors, Vergers, Cleaners and Grounds Staff

PCCs should take particular care with regular church roles. A person paid every week or month for defined duties could be an employee even if payments are described as fees, casual payments, expenses, or an honorarium. The key is to review the reality of the arrangement.

Indicators of employment status	Indicators that self-employment may be stronger
The person plays, cleans, opens, locks up or maintains grounds on a fixed rota or every week.	The person is engaged for a one-off event or a distinct project.
The PCC decides the times, duties, standards and methods of work.	The person decides how to deliver the service and supplies their own equipment or business method.
The person is expected to attend personally and cannot send a substitute freely.	The person has a genuine right to send a suitable substitute and does so in practice.
The person uses church equipment and is treated as part of the regular church team.	The person advertises services to the public and works for multiple clients.

Organists and church musicians should be considered carefully. Regular attendance at services and rehearsals, control over music in accordance with parish arrangements, use of church equipment, and an expectation of personal service can all point towards employee or worker status. A "self-employed" label will not determine the issue by itself.

6. "Off the Books" Payments

PCCs should not make off-the-books payments. Small churches and charities are not exempt from employment, tax or payroll requirements simply because the sums involved are modest.

- Never pay cash or bank transfers without recording the payment in the PCC accounts.
- Never use honoraria to avoid payroll for regular work.
- If there is an expectation of payment for duties worked, the individual is unlikely to be a volunteer.
- Keep clear records of the reason for every payment, including whether it is wages, a contractor invoice, expenses, or a genuine discretionary gift.

Suggested PCC rule
If the person is paid regularly for regular duties, assume this needs a status review. A careful review should be carried out prior to the engagement and kept under review thereafter.

7. Volunteers and Expenses

A volunteer gives time freely and should not receive wages or disguised remuneration. A PCC may reimburse genuine out-of-pocket expenses incurred because of volunteering.

- Reimburse actual and reasonable expenses only, such as mileage, parking, public transport, refreshments bought for church activities, or materials bought on behalf of the PCC.
- Ask volunteers to provide receipts or mileage records wherever practicable.
- Avoid round-sum expense payments unless they are a genuine and reasonable estimate of actual costs.
- Do not pay volunteers for their time.

8. Honoraria for Volunteers

An honorarium is a token payment made to recognise service. The name of the payment does not decide the tax or employment law position. If the payment is expected, regular, linked to duties, or effectively a reward for services, it may be taxable and may indicate employment or worker status.

Appropriate use	Avoid	PCC records to keep
A genuinely discretionary, one-off recognition payment where there was no prior expectation or entitlement and of small value.	Regular honoraria, payments for defined duties. High value. Contractual relationship under which person is undertaking work in return for gifts or rewards.	PCC minute approving the payment, reason for the payment, confirmation it is one-off and discretionary, and any advice received.

Examples of higher-risk honoraria include paying an organist a fixed amount every Sunday, paying a cleaner monthly, or paying a treasurer annually where the payment has become expected. These should be avoided for volunteers. Equally, a verger who routinely supports weddings, funerals and other occasional offices and receives a fixed payment for each service may also present a higher-risk arrangement. Where the verger is regularly expected to undertake duties, is personally required to attend, and receives predictable payments linked to those duties, the PCC should review whether the individual has worker or employee status rather than treating the payments as honoraria.

9. Recommended Process for PCCs

Step	Question	Action
1	Is this voluntary, employed, worker or self-employed?	Complete a short status assessment before relationship starts and keep it under review.
2	Is the person paid regularly?	If yes, review whether payroll is required.
3	Is there control, personal service and mutual obligation?	If yes, the arrangement may be employment or worker status.
4	Is the person genuinely in business on their own account?	If yes, pay through accounts against invoices and retain evidence.
5	Is this a volunteer expenses reimbursement?	Reimburse actual expenses only and keep records.
6	Is this an honorarium?	Use only for genuinely discretionary one-off recognition. Do not use for regular duties.
7	Is the PCC uncertain?	Seek diocesan HR, payroll, legal or tax advice before continuing payments.

PCCs must not make regular payments to individuals for ongoing duties on an “off the books” basis or honoraria payments to volunteers. Where an individual undertakes regular duties in return for payment, the PCC must assess whether the individual is an employee, worker or genuinely self-employed contractor. If the arrangement is one of employment, payments should be processed through payroll. Honoraria should be reserved for genuine one-off discretionary recognition of voluntary service and must not be used as a substitute for salary, fees or expenses.

11. Simple Status Checklist

Question	Yes / No	Comment
Is the person expected to carry out the work personally?		

Question	Yes / No	Comment
Does the PCC or incumbent decide when, where and how the role is undertaken?		
Is there a regular pattern of work or a continuing arrangement?		
Is there an expectation that the PCC will provide work and the individual will accept it?		
Is the person paid a regular amount or a predictable fee?		
Does the person use church equipment or premises to perform the role?		
Is the individual integrated into parish operations or held out as part of the team?		
Can the individual freely send a substitute without prior approval?		
Does the individual operate as a business with other clients and invoices?		

If several answers point towards regularity, control, personal service and payment, the PCC should treat the arrangement as higher risk and obtain advice before starting the arrangement.

Sources and Further Reading

The following sources informed this guidance and may assist PCCs when reviewing status and payment arrangements:

- HMRC Employment Income Manual: Voluntary organisations and unpaid office holders
- HMRC guide to PAYE/NIC for Local Religious Centers (LRC)
- HMRC Employment Status Manual: Workers for voluntary organisations
- HMRC Check Employment Status for Tax
- RSCM legal guidance for church musicians
- Low Incomes Tax Reform Group: Payments to volunteers
- Understanding off-payroll working (IR35) - GOV.UK

Need support?

PCCs can contact the Diocese of Derby Parish Support Team (HR@derby.anglican.org) for support.