

The HLC Scheme is run in partnership with HM Revenue and Customs and is unique to the Church Commissioners' clergy payroll.

It allows you to claim tax relief on the heating, lighting, cleaning and garden upkeep (HLC) costs of your official property. It's a reclassification of part of the stipend which is paid before tax and National Insurance are deducted, it isn't an additional payment.

It's viewed as a taxable service benefit because you can claim for your costs for the whole property, not just the work related portion.

## Terms and Conditions

To qualify for the scheme, you need to:

- Be a full-time office holder paid through the Church Commissioners' clergy payroll
- Occupy, rent-free, an official house provided by the Church of England (or a charity)*(please note for clergy couples living in the same vicarage, only the person the house is provided for may claim HLC, you cannot claim twice for the same property)*
- Submit an Annual Return each year

You can only claim for your HLC costs in those parts of the property which are used for official purposes and/or occupied by you or your family.

## Licensed Lay workers

The HLC arrangements described above don't automatically apply to licensed lay workers. Each case must be reviewed by HMRC and we will only be able to give the allowance once HMRC has confirmed.

## What if I am not eligible?

If you are part-time or live on your own home - as per HMRC guidelines - you are not eligible to receive the HLC allowance. You are, however, still able to claim tax relief on any work-related heating, lighting, cleaning and garden upkeep expenses through the [Ministers of Religion Tax Return](#) under other expenses.

## How does it work?

When you join the scheme, we will ask for an initial estimate of your annual HLC costs. This figure will be used to calculate your provisional monthly tax-free allowance. It will show on your statement as a negative amount as it reduces the amount of your pay that is subject to tax and National Insurance. It is important to make this estimate as realistic as possible as it affects how much tax and NI you pay, you can contact us to amend your estimate if your costs are higher/lower than you expected.

At the end of each tax year we will ask you to submit an Annual Return, which is when you tell us what you actually spent. We will adjust your allowance based on the information you provide, your pay is likely to fluctuate while these adjustments are being made. These adjustments will be minimised if you provide a realistic estimate of your costs and complete your Annual Return earlier in the year.

## How do I make an initial estimate if I am new to the scheme?

You need to look at what the scheme covers and make a reasonable estimate based on that information. It is important to make this estimate as realistic as possible as it affects how much tax and NI you pay. Please fill in the HLC estimate form in our [New Payee Pack](#).

It is worth keeping records of your expenditure throughout the year to make it easier to work out what you spent at the end of the year and also so you can see if the costs are similar to what you expected. If you need to amend your estimate [please contact us](#).

### Costs covered by the scheme

It covers heating, lighting, cleaning and garden upkeep costs for the whole house:

- **Fuel** (gas, electricity, oil, coal, wood, petrol etc.)
- **Materials** (polish, dusters, cleaning products etc.)
- **Servicing** (overhaul of central heating, vacuum cleaner, lawnmower etc.)
- **Repairs** (including replacement of life-expired equipment on a like-for-like basis)
- **Wages** (payments to a cleaner or gardener or a relative provided you can prove that they are commercially reasonable and have been made)

**Important:** The scheme does not cover capital costs (machinery, new or improved equipment, garden or home improvements, furniture, sheds, garden plants etc.) or depreciation. You can only claim for costs that you have personally borne, you can't claim for anything that is reimbursed by your PCC or another body.

You will need to factor in an amount for your personal costs (cooking & laundry) and deduct this from the total. Some energy companies have online tools which will help you to estimate these costs.

*Please note that The Church Commissioners are unable to assist you with calculating the personal costs to deduct from your total for heating, lighting and cleaning allowance, and we are unable to advise a percentage of your total HLC to be deducted for personal costs.*

### Reporting your figures

Your **annual HLC Return** is now submitted via the People System. You will need to confirm your actual costs during the year together with an estimate for the coming tax year. We will continue to include your HLC allowance based on the estimate you provided in the previous year so it is important that you submit your Annual Return as soon as possible so your allowance is based on accurate figures. This will also help to minimise any adjustments to your allowance and ultimately your net payment.

If you don't submit your form by 30 September, your allowance will be suspended until you submit your form.

If you don't return the form by the end of February, we won't be able to make any further adjustments to your allowance for that year. You can still claim the work-related costs via your tax return for that year but you won't get the full benefits of the scheme.

HLC and Your Tax Code

HMRC view the HLC allowance as a service benefit and your tax code will be adjusted to allow for this. You may notice a line for service benefit on your personal tax code calculation from HMRC.

The benefit will be reported on form P11D at the end of the financial year and will need to be declared on your tax return. The amount of tax you pay back can be limited by the service benefit cap calculation, so it is important that you do this calculation.

Although some of the tax saved has to be paid back, it is worthwhile because:

- The tax you have to pay back is restricted so you will still receive tax relief on at least the work related proportion of your cost
- You and your funding body will save National Insurance on the whole amount

Example of a tax code calculation considering the service benefit:

Tax Allowance for 2018/19	£11,850	Tax code 1185L
<i>minus</i> Service Benefit	£1,000	
<i>plus</i> Job expenses	£250	
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Actual Tax Allowance	<b>£11,100</b>	Actual Tax code <b>1110L</b>

This is for illustration purposes only. If you have recently started on the payroll or joined the HLC scheme HMRC will use an estimated figure to minimise the amount of tax you would need to pay back at the end of year. If you expect your costs to be higher than their estimate, you may wish to contact them to ask them to adjust your tax coding.

**Source URL:** <https://www.churchofengland.org/resources/clergy-resources/national-clergy-hr/clergy-payroll/hlc-scheme>