

# Degrees of Separation: An Exploration of Issues Arising from the Current Financial Relationship of UK Baptist Churches and the State

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## **Abstract:**

This paper presents evidence to demonstrate a dependency among Baptist churches in the United Kingdom upon the state for their financial survival. It reviews a range of tax allowances and exemptions available to Baptist churches. It assesses the scale and impact of the three most usually accessed on an annual basis. The operant theology of Baptist churches is explored through examination of the published accounts of thirty churches of various sizes. The evidence of practice is contrasted with the espoused, normative, and formal Baptist principle of the separation of church and state. It includes some theological reflections on matters arising from the exploration, including possibly adverse aspects of charitable status, and proposes further study.

## **Keywords:**

Baptist; finance; tax; separation of church and state; charity

## **Introduction**

While church and state may each work for the common good, a distinctive of Baptist theology is that they best function separately. This article presents evidence to demonstrate a reliance among UK Baptist churches<sup>1</sup> upon the state for their continuing financial survival. The operant theology under which this takes place is contrasted with espoused, normative, and formal Baptist principles. It includes some theological reflection on matters arising from the study, including a call for the further exploration of how charitable status has affected Baptist polity and witness. Two strands of thought have led to this exploration.

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<sup>1</sup> For the purposes of this study, the term 'Baptist churches' refers to churches in membership of the Baptist Union of Great Britain (BUGB).

*a. Baptist Churches' Annual Budget Cycle*

The first is the annual budget cycle typically found in UK Baptist churches. The church treasurer, in discussion with the pastor and other leaders, will bring a draft budget for the following twelve months to the church members' meeting for prayerful discussion and approval. While there may be additional items, the budget generally comprises incremental adjustments to former years' costs to offset the effects of inflation. However, recently there have been two exceptional factors:

- (i) Ministerial stipend is often the largest component in the annual budget. Churches which have, or have had, ministers in membership of the Baptist Pension Fund faced a deficit recovery surcharge as a percentage of ministerial stipend to address a shortfall in the capital fund supporting the pension scheme, though this is now reducing.
- (ii) Covid-19 has resulted in churches not meeting in person and in many cases a loss of lettings income for those whose buildings are regularly used by other organisations or community groups, so increasing a dependency upon other income streams, particularly tax-efficient giving by members.

It was curiosity about the scale of this latter stream of income that led to the limited research set out in the Appendix and which I explore in greater depth below. The more churches rely upon any single income stream, the greater the care required to ensure that this is both financially prudent and consistent with Baptist values. My curiosity was greatly increased by an article in *The Huffington Post* on the dependency of the Church of England upon tax relief, which contained the following startling claim:

The Church of England [...] has reported that 60% of its income comes from Gift Aid and if the church were forced to pay taxes, it would cease to exist.<sup>2</sup>

To what extent are UK Baptist churches in the same position?

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<sup>2</sup> Sophie Turton, 'If the Churches Paid Taxes', *Huffington Post*, last updated 13 June 2014 <[https://www.huffingtonpost.co.uk/sophie-turton/church-taxes\\_b\\_5144964.html](https://www.huffingtonpost.co.uk/sophie-turton/church-taxes_b_5144964.html)> [accessed 4 December 2020].

*b. Compromised by choices?*

A second prompt for this study arose from reaction to two speeches made by The Most Reverend Justin Welby, Archbishop of Canterbury. Dr Welby has made several social policy speeches in recent years. In a speech on 20 June 2013,<sup>3</sup> he promoted credit unions while condemning the prevalence of pay-day loans bearing extremely high rates of interest. Addressing the Trades Union Congress in 2018,<sup>4</sup> he drew attention to hardships associated with the introduction of Universal Credit<sup>5</sup> and the social problems attending zero-hours contracts. The press coverage of these speeches drew attention to apparent conflicts with the operant practices of the Anglican church, undermining the effect of the archbishop's statements. In other words, the actions of the church were seen to be at odds with its public stance. Therefore, the church was ill-placed to issue a challenge on issues in which it might be thought to be compromised, financially or culturally, by apparently contrary actions. The same question might be raised here: are Baptist voices compromised by our funding choices?

## Methodology

For this study, I have adopted a simplified version of the Four Voices of Theology model<sup>6</sup> created by Helen Cameron et al.<sup>7</sup> The four voices specified are as follows:

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<sup>3</sup> Archbishop Justin Welby, 'Alternatives to Payday Lending', *House of Lords Debate* (20 June 2013, volume number 746, column number 485): <https://publications.parliament.uk/pa/ld201314/ldhansrd/text/130620-0003.htm> [accessed 4 December 2020].

<sup>4</sup> Justin Welby, 'Archbishop of Canterbury's Speech at the Trades Union Congress' (Manchester, 12 September 2018):

<https://www.archbishopofcanterbury.org/speaking-and-writing/speeches/archbishop-canterburys-speech-tuc> [accessed 4 December 2020].

<sup>5</sup> A UK state benefit intended to assist people on low income or who are unemployed with their living costs.

<sup>6</sup> I am grateful to my colleague and pastor, Revd Pamela Davies, for introducing me to this model.

<sup>7</sup> H. Cameron, D. Bhatti, C. Duce, J. Sweeney, and C. Watkins, *Talking about God in Practice* (London: SCM Press, 2010), pp. 53–58.

- a. Operant theology — that which is embedded within a group’s actual practices.
- b. Espoused theology — that which is anchored within the group’s articulation of its beliefs and values.
- c. Normative theology — including scripture, official church teachings and patterns of behaviour, and the faith community’s orthopraxy.
- d. Formal theology — theological analysis and interdisciplinary dialogue.

The intention of discerning the four voices in a specific situation is to gain a better understanding of the issues, how they have come about, and how well they ‘speak’ to one another. Cameron et al. have found this tool to be a ‘fairly straightforward way of disclosing important tensions’,<sup>8</sup> particularly where the operant theology of practitioners has been awkwardly dissonant with normative or formal theology. In exploring this matter using this framework, it is hoped that the investigation will result in ‘an epiphany or moment of disclosure’,<sup>9</sup> leading to a transformative outcome.

## **Evidence of State Financial Aid**

At the heart of this article is the contention that the operant theology of UK Baptist churches is that they depend, to a greater or lesser extent, upon state reliefs and exemptions from tax in order to function in their normative mode. What follows is a brief survey of some tax-related sources of income for churches as charities, with an estimate of their actual or potential value. It does not include contracts for service delivery. The material is set out in chart form (figure 1) and presents the main sources of tax-relief income open to churches, along with a brief explanatory description of what this means in practice.

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<sup>8</sup> Cameron et al., *Talking about God in Practice*, p. 146.

<sup>9</sup> C. Watkins, ‘Practising Ecclesiology: From Product to Process’, *Ecclesial Practices*, 2, no. 1 (2015), 23–39.

It is important to state at the outset that I have found nothing to suggest that any of the following is unethical or of itself imprudent. However, taking a collective view of what is set out below does raise legitimate questions about the extent of the repetitive reliance of churches upon the goodwill of the state even if, pragmatically, these benefits both our continued existence in normative mode and our mission.

Figure 1: Chart setting out the main sources of tax-relief income open to churches, along with a brief explanatory description of what this means in practice.

Category	Details
Tax relief on gifts made by individuals under the Gift Aid scheme <sup>a</sup>	From 1990, Gift Aid allows individuals who are subject to UK income tax to complete a short declaration that they are an income taxpayer. Financial donations made to a registered charity after making a declaration are treated as being made after the deduction of income tax at the basic rate (20% in 2021), and the charity can reclaim the basic rate income tax paid on the gift from Her Majesty’s Revenue and Customs (HMRC). For a basic-rate taxpayer, this adds 25% to the value of any gift made under Gift Aid. Higher-rate taxpayers can claim income tax relief at their marginal rate.
Manses <sup>b</sup>	The standard terms of appointment of a minister of a Baptist church provide that living accommodation (‘manse’) will generally be made available for the better performance of their duties. Owing to an exception in taxation law, <sup>c</sup> the provision of such ‘customary’ accommodation will not give rise to any taxable benefit. The notional value of this for pension purposes in 2020 was £6248 per annum.

Category	Details
Tax relief on certain manse expenses <sup>d</sup>	<p>Certain payments associated with the provision of manse accommodation are, like the benefit of the accommodation itself, also exempt from charge to income tax. These include Council Tax (a local taxation on domestic property), water/sewerage charges, buildings insurance, structural repairs and alterations, exterior decoration, and the maintenance and replacement of landlord's fixtures. No taxable benefit arises if a minister is provided with a telephone landline, broadband, or mobile telephone for exclusively church business use.</p>
Tax reliefs available to ministers of religion <sup>d</sup>	<p>A church may contribute towards 'qualifying' relocation costs of a minister up to a total of £8000 without giving rise to any tax liability on the part of the minister.</p> <p>The payment of a motor mileage allowance in respect of church business journeys will not give rise to a taxable benefit provided such allowance is within the HMRC approved rates (currently 45 pence per mile for the first 10 000 church business miles per annum and 25 pence per mile thereafter).</p> <p>Ministers may include in their tax returns a claim for any expenses incurred in the performance of their duties which have not already been reimbursed on a 'tax-free' basis by the church. In addition to claiming any allowable manse light and heat expenses, expenses may include a salary paid to a spouse (or another person) for manse cleaning and/or secretarial duties, laundry of ministerial vestments, books and periodicals, and subscriptions to professional bodies.</p>

Category	Details
	A minister is also entitled to claim (for the year of expenditure) a 100% investment allowance under the capital allowances regime in respect of expenditure on computers and other office equipment used for church business purposes.
Exemptions from Value Added Tax (VAT) due on new church buildings <sup>e</sup>	The construction of a new church building, subject to the issue to the builder of the appropriate certificate that it is for non-business/charitable purposes, will be zero-rated for VAT. Construction of a new church hall will also generally qualify for zero-rating, as will construction of a new manse. In the few cases where Baptist church buildings are listed, there may be conditional relief from VAT on their maintenance. <sup>f</sup>
Exemption from Corporation Tax on profits from ‘primary purpose’ trading and some VAT reliefs <sup>g</sup>	As charities, churches are exempt from tax on profits arising from a trading activity if the trade forms part of the primary purpose of the charity and such profits are used only for the purposes of the charity. HMRC has indicated that the operation of, for example, a church coffee shop will be regarded as ‘primary purpose’ trading where it forms part of a church’s outreach activities.
Capital Gains Tax (CGT) <sup>h</sup>	As charities, churches are exempt from CGT if any chargeable assets are realised and wholly applied for charitable purposes. Donations of capital assets which would otherwise be chargeable capital gains will similarly be exempted from CGT.
Business rates relief on church buildings <sup>i</sup>	A property in England and Wales that is a ‘place of public religious worship’ is wholly exempt from business rates if

Category	Details
	<ul style="list-style-type: none"> <li>a. it is registered and certified as a place of worship under the Places of Worship Registration Act 1855; or</li> <li>b. it is a church hall, chapel hall or similar building used in connection with a place of worship.</li> </ul>

### Three Main Areas of Tax Relief Available to Churches

#### *Gift Aid*

Among the most frequently accessed of the direct reliefs described in figure 1 is Gift Aid. To gauge the scale of the benefit, in autumn 2020 the most recently published and independently examined accounts were reviewed from thirty Baptist churches affiliated to the Eastern Baptist Association in the United Kingdom.

#### Figure 1 Notes

Note: HMRC is the UK state tax collection agency.

<sup>a</sup> UK Government, 'Tax relief when you donate to a charity' <[https://www.gov.uk/donating-to-charity/Gift Aid](https://www.gov.uk/donating-to-charity/Gift-Aid)> [accessed 4 December 2020].

<sup>b</sup> Baptist Union of Great Britain, 'Financial Guidance' <[https://www.baptist.org.uk/Groups/220709/Financial\\_Guidance.aspx](https://www.baptist.org.uk/Groups/220709/Financial_Guidance.aspx)> [accessed 4 December 2020].

<sup>c</sup> Section 99(2) of the Income Tax (Earnings & Pensions) Act 2003 (UK Public General Acts 2003 c.1 <<https://www.legislation.gov.uk/ukpga/2003/1/contents>> [accessed 17 March 2022]).

<sup>d</sup> Baptist Union of Great Britain, 'Leaflet X03: Taxation Guidance Notes for Churches and Ministers' (Revised October 2020) <[https://www.baptist.org.uk/Articles/368823/Leaflet\\_X03\\_Taxation.aspx](https://www.baptist.org.uk/Articles/368823/Leaflet_X03_Taxation.aspx)> [accessed 4 December 2020].

<sup>e</sup> HM Revenue and Customs, 'VAT Notice 708: Buildings and Construction', *GOV.UK* (updated 20 July 2018) <<https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/vat-notice-708-buildings-and-construction>> [accessed 4 December 2020].

<sup>f</sup> UK Government Department for Digital, Culture, Media & Sport, 'Listed places of worship grant scheme' <<http://www.lpwscheme.org.uk>> [accessed 4 December 2020].

<sup>g</sup> UK Government, 'Charities and Trading' <<https://www.gov.uk/guidance/charities-and-trading>> [accessed 4 December 2020].



<sup>h</sup> UK Government, 'Charities and Tax' <<https://www.gov.uk/charities-and-tax/tax-reliefs>> [accessed 4 December 2020].

<sup>i</sup> UK Public General Acts, 'S11, Schedule 5 of the Local Government Finance Act 1988' (as currently amended), GOV.UK <<https://www.legislation.gov.uk/ukpga/1988/41/schedule/5>> [accessed 4 December 2020].

While not a statistically significant sample, efforts were made to ensure a fair spread of subject churches. A wide range of size of membership and local demography is represented. The full data are shown in Appendix A. The main points of the findings are set out below. For the thirty churches sampled,

- the total tax reclaimed in the most recent figures available is £544 298 based upon a total income of £5.12 million;
- 28 of the 30 churches reclaimed tax;
- the one with the greatest benefit derived 17% of its annual income from recovered tax (£31 325);
- the largest monetary amount reclaimed was £55 150;
- the mean figure showed 11.23% of annual income deriving from Gift Aid across the churches.

What can be seen from these figures is that tax recovered under the Gift Aid scheme comprises a significant proportion of the annual income of most of the churches surveyed.

### *Manses*

In 2020, the notional value of the provision of accommodation for a minister for pension purposes was assessed as £6248.<sup>10</sup> If this relief were to be withdrawn, the accommodation would become a taxable benefit for the minister and it is likely that HMRC would want to consider the market rental value of the manse: typically, a four-bedroomed house at £10 000–£15 000 per year; more within Greater London. The church might continue to pay Council Tax (between £1000–£2500) and water rates (another £1000). So, if HMRC did start treating manses as a benefit in kind, they would tax the minister on a total of £15 000–£20 000 benefit, resulting in additional tax of £3000 to £4000 per year. No

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<sup>10</sup> Baptist Union of Great Britain, 'Financial Guidance': <[https://www.baptist.org.uk/Groups/220709/Financial\\_Guidance.aspx](https://www.baptist.org.uk/Groups/220709/Financial_Guidance.aspx)> [accessed 4 December 2020].

opinion is offered here about whether this might be a fair outcome, given that church members may routinely face these costs. However, this additional cost might have a decisive effect upon the capacity of ministers to live within their stipend, bringing pressure to bear on the church to uprate the stipend to compensate — an increase they might be unable to meet.

In 2016, HMRC engaged in a ‘call for evidence’ with a view to determining whether changes should be made to the basis of calculating any taxable benefit derived from the provision of accommodation. Bodies representing the churches mounted a determined campaign to persuade HMRC not to make any changes, and the agency eventually decided not to pursue the matter for the time being. However, the possibility of change has not gone away. HMRC is also looking at the withdrawal of the exemption in the case of such accommodation provided for employees in the higher education sector, for example Oxford and Cambridge colleges, on the grounds that it is no longer ‘customary’ for accommodation to be provided.<sup>11</sup>

### *Business Rate Relief*

An example of a significant indirect relief is that places of worship are exempt from the business rate levied on commercial premises of equivalent size. This study is unaware of any systematic estimate of the scale of this relief in monetary terms across the BUGB churches. It is likely to be hugely significant in relation to costs saved by each local congregation, as the vast majority will have qualifying buildings. As an illustration, in 2020 a building with an area of 300m<sup>2</sup> might attract an annual business rate of £17 185 before any adjustments at the discretion of a local authority.<sup>12</sup>

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<sup>11</sup> I was introduced to this possibility during a conversation in March 2019 with the honorary tax advisor to the BUGB, to whom I am grateful for the information.

<sup>12</sup> HM Revenue and Customs, ‘Find your business rates valuation’, *GOV. UK* <<https://www.tax.service.gov.uk/business-rates-find/properties/1226643023>> [accessed 4 December 2020], and HM Revenue and Customs, ‘Estimate your business rates’, *GOV. UK* <<https://www.gov.uk/calculate-your-business-rates>> [accessed 4 December 2020]. It would be impossible to find a single example to cover the vast range of sizes and configurations of church buildings. So, for illustrative purposes, I took a 300m<sup>2</sup> area building which was until recently a car showroom and service area in the south-east Essex town of Shoeburyness. This had a £35

## An Illustration of the Annual Impact of Tax Reliefs

Simply taking the mean Gift Aid yield in Appendix A, the notional market rental value of the manse and associated provision, and the indicative benefit of exemption from business rates, a middle-range Baptist church among the thirty sampled within the Eastern Baptist Association would lose £18 143 in the current year from the loss of Gift Aid, a further £17 185 from the imposition of business rates on its building, and face the probable additional cost of £4000 in terms of stipend to allow ministers to absorb the assessed taxable benefit of the accommodation and its associated costs. At full costs this would add a total additional burden of £39 328, rendering several of the 30 churches liable to immediate closure and representing a 25.6% loss to the annual income of the median church in the sample. This would inevitably lead to major changes in the internal capacity and missional work of churches; in many cases it would result in closure.

Having examined the evidence presented so far, some qualification may be necessary:

- (i) While some reliefs outlined above are specific to churches, some will apply to *all* registered UK charities and/or to all mainstream religions, not just to churches in general or specifically to Baptist churches. However, we might ask if churches should not aim for a higher standard than simply ‘benchmarking’ against other agencies. It could be argued that we should arrive at a relationship with the state that is appropriate to our unique values, involving some uncomfortable questions and outcomes. I suggest that ‘we are no different to other charities or religions’ should be an awkward position for Baptists to defend.
- (ii) Some of the reliefs described are occasional or are rarely accessed by churches. For example, it is relatively uncommon for churches to commission new buildings.
- (iii) I had the privilege of serving as a Baptist church treasurer from 1989 to 1996 and often made the point in members’ meetings that, in Gift Aid, the government was waiving ‘our’ tax. I now

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000 rateable value. Using the government’s published formula, the annual business rates due (before any local discounts) would be £17 185.

regard this as a specious argument: the money is not returned to the free disposal of the donor. Once again, we depend upon the agency of the state to make a gift in support of the church and its work.

- (iv) There are many possible changes to the external environment that might result in a less favourable relationship between church and state. However, the current essentially stable and mutually respectful relationship may evolve in non-threatening ways over time. This might occur through evolving case law, where conflict between different human rights might result in a rebalancing of status. The Ashers Bakery case<sup>13</sup> is just such an example of conflicting rights resulting in an adjustment to the law of freedom of conscience. Alternatively, adjustments to the tax and regulatory framework over time may impinge upon existing benefits. These are simply plausible possibilities.

Having undertaken this outline survey of the financial reliefs available to churches as churches, as well as those for which they qualify as charities, it is apparent that the state's financial investment in Baptist churches (by tax relief, exemptions, special conditions, and others) constitutes a significant proportion of most churches' annual income. This would tend to justify serious reflection upon the consequences of

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<sup>13</sup> UK Supreme Court, 'Lee v. Ashers Baking Co. Ltd & Another [2015] NICty 2' (19 May 2015) <<https://www.supremecourt.uk/cases/uksc-2017-0020.html>> [accessed 4 December 2020]; the appeal decision is listed as [2016] NICA 39; the Supreme Court judgement is listed as [2018] UKSC 49. The plaintiff (Mr Lee) brought an action alleging discrimination on the grounds of sexual orientation against the owners of the Ashers Bakery in Northern Ireland when, having accepted a commission to bake a cake with a legend supportive of gay marriage, this was subsequently declined on the basis of a claimed conflict with the Christian faith of the bakery owners. Despite a popular misconception that this matter was about freedom of belief alone, in essence this case was concerned with resolving which of two human rights should prevail in the circumstances: the right to freedom of expression or the right to freedom of conscience (here represented by the freedom not to be obliged to promote a view with which one strongly disagreed). This question of apparently conflicting rights is of relevance to churches and other religious bodies because they enjoy an exception from some of the requirements of the Equality Act 2010. The general trend is towards the extension of equality in society. Therefore, future cases may alter the balance of human rights, where they conflict, in favour of greater equality and reducing the exceptions enjoyed by religious bodies. This may, in turn, lead to primary legislation to amend schedule 23 of the Equality Act which grants religious bodies their exemptions. This scenario arose during a conversation with Revd Peter Thomas and Mr Nick Tavener in October 2018, to whom I am grateful.

deriving so great a proportion of each year's income from the goodwill of the state.

### **Charitable Status and Churches**

The reliefs seen above mostly derive from the charitable status of churches. An accommodation was reached by BUGB with the Charity Commission in 2006: Baptist Churches with an annual income over £100 000 need to be registered with the Charity Commission; churches with an income under £100 000 are currently 'excepted from registration' by law. The excepting regulations were due to expire in March 2021 but are being extended for a further ten years.<sup>14</sup> Anecdotal evidence reflects a sustained increase in the demands upon registered churches (as with all charities) to comply with higher regulatory standards, especially regarding finance. This is driven by the size and turnover of the charitable sector and the potential for abuse of public funds.<sup>15</sup>

It is worth noting that several commentators have pondered whether the Charity Commission will continue to be content for the advancement of religion — a legally recognised purpose (or 'head') of charity justifying the charitable status of churches and other faith communities — to remain charitable in the longer term. The National Secular Society actively campaigns for the removal of religion as a head of charity.<sup>16</sup>

I would contend that there should be further reflection on whether the charitable status of Baptist churches is sufficiently consistent with our values or if we should be seeking a different kind of relationship with the state.

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<sup>14</sup> Baptist Union of Great Britain, 'Charity Registration' <[https://www.baptist.org.uk/Groups/220752/Charity\\_Registration.aspx](https://www.baptist.org.uk/Groups/220752/Charity_Registration.aspx)> [accessed 28 January 2021].

<sup>15</sup> National Council for Voluntary Organisations, 'Fast Facts about the Charity Sector' <<https://www.ncvo.org.uk/about-us/media-centre/briefings/1721-fast-facts-about-the-charity-sector>> [accessed 29 January 2021].

<sup>16</sup> National Secular Society, 'For the Public Benefit? The Case for Removing the Advancement of Religion as a Charitable Purpose' <[https://www.secularism.org.uk/uploads/nss-advancement-of-religion-charity-report-\(electronic\).pdf](https://www.secularism.org.uk/uploads/nss-advancement-of-religion-charity-report-(electronic).pdf)> [accessed 28 January 2021].

## Espoused Theology: Some Reflections

Any apparent conflict between the operant and espoused theology of

UK Baptist churches regarding state fiscal aid and exemptions arises from the fact that Baptists have historically seen church and state as having separate, though complementary, roles to play in society. Early Baptist Thomas Helwys wrote,

The King is a mortal man, and not God, therefore he hath no power over the mortal soul of his subjects to make laws and ordinances for them and to set spiritual Lords over them.<sup>17</sup>

Helwys was arguing for liberty of conscience and for the church to be governed by God alone, interpreted through the consciences of church members. However, I think we may well ask whether his successors have too readily embraced laws and ordinances made for the church by the state, and whether the Charity Commissioners are exercising regulatory 'lordship'. The Charity Commission has published guidance on how churches and other religious charities may comply with the legal requirement to fulfil their obligation to demonstrate 'public benefit'.<sup>18</sup> It may not for much longer be enough to fulfil the requirement by simply opening the doors of our buildings for public worship. Who, then, decides what qualifies as the public benefit upon which we depend for valuable tax reliefs? Roger Hayden reminds us that

under Cromwell, when the traditional relationships between church and state were widely debated, Baptists faced a number of awkward questions. For example, should Baptist ministers take payment from the state when it offered to finance godly ministers? Particular Baptists generally answered negatively [...] [O]nce the Commonwealth was over, the conviction that the Lord's people should support the Lord's work took hold and became the norm for Baptist churches.<sup>19</sup>

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<sup>17</sup> A handwritten inscription inserted into a copy of Thomas Helwys, *A Short Declaration of the Mystery of Iniquity (1611)* presented to King James I (R. Hayden, *English Baptist History and Heritage* (Didcot: Baptist Union of Great Britain, 2005), p. 24).

<sup>18</sup> Charity Commission for England and Wales, 'The Advancement of Religion for the Public Benefit', GOV.UK: <[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/358531/advancement-of-religion-for-the-public-benefit.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/358531/advancement-of-religion-for-the-public-benefit.pdf)> [accessed 28 January 2021].

<sup>19</sup> Hayden, *English Baptist History and Heritage*, p. 73.

This principle articulated by our early Baptist forebears has been a key distinctive of our theology and practice. As Nigel Wright says,

Dissenters are inclined to see church and state as in principle incommensurate and therefore resist the idea of a church state alliance or establishment. Any binding partnership between them is therefore a conjunction of forces that are at best awkward bedfellows and at worst mutually subversive.<sup>20</sup>

It might be suggested that state support with respect to tax reliefs is a recognition of the contribution that churches make to social capital and the common good. However welcome such recognition may be, the state and the church have values which are far from identical. When a church has a substantial reliance upon the state as a source of income, how might this affect both its willingness and its moral right to speak prophetically in the public arena? In the event of a significant change in the relationship between state and church — by choice or through unilateral action — leading to the withdrawal of some of the benefits churches receive, how would UK Baptist churches fare? Wright, once again observes,

Even at times when the state is well disposed to the churches, even to the point of giving financial support to socially useful projects, it is wise to be cautious and to avoid any arrangements that will bind the church to becoming something it does not wish to be.<sup>21</sup>

We have already asked whether it is prudent for Baptist churches to draw, regularly and perhaps with inadequate reflection on the possible consequences, a significant proportion of their annual income from the goodwill of a third-party that does not share its core values. A counter argument to this would be to say that there is no clean money, and that funds invested in church work may be unclean in their origin but redeemed in their application. However, the key point here, surely, is not the point of origin as such but the degree to which structural dependency upon external sources risks jeopardising the power and clarity of the church's message, to itself and to others.

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<sup>20</sup> Nigel G. Wright, *Free Church, Free State: The Positive Baptist Vision* (Milton Keynes: Paternoster Press, 2005), pp. 210–211.

<sup>21</sup> Wright, *Free church, Free State*, p. 211.

It might be argued here that while the separation of church and state has historically been a defining Baptist principle, this is currently much more honoured in theory than in practice; upheld in the academy and literature but weaker in our operant theology. Based on current practice, it may not feel as though church/state separation is under threat or that this would be a serious loss. I would argue that this of itself should lead us to be more reflective upon the issue. The danger is that choices made by the denomination and by individual churches on the matters discussed here have evolved more through pragmatism than arising out of deeper theological reflection. This may be, as Paul Fiddes has suggested, because some churches have ‘lost their memory of the Baptist story [...] joining the Union with little or no deep understanding of the Baptist tradition’.<sup>22</sup>

Church and state have separate but complementary roles in God’s economy; when each plays its part, society benefits. But both parties must honour their own and the other’s different roles and values. Therefore, we might ask: Have we entered our current financial and regulatory relationship with the state in full awareness and in good conscience? Are we aware of any erosion in our distinctive identity?

### **Normative and Formal Theological Voices**

As Baptists, we have recourse to Jesus, the Bible, and to the principles that have guided believers in the past. In this respect, the Old Testament is generally not analogous to our current situation. Monarchical theocracy has little correlation to a modern situation of a secular government funding a dissenting church.

Three major Old Testament figures take significant roles of civic leadership during times of exile, exploring how God would have them live within alien and generally oppressive cultures. The first of these is Joseph,<sup>23</sup> who rises to the position of vizier in the court of Egypt, a position second only to the pharaoh himself. However, Joseph appears

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<sup>22</sup> P. Fiddes, ‘A Response to David Carter’s Review of *Tracks and Traces*’, *Ecclesiology*, 1, no. 3 (2005), 93–100 (p. 96).

<sup>23</sup> Genesis 30–45.



to have assimilated into the Egyptian culture. On that basis, his example might only speak to a church careless of its distinctive voice.

Nehemiah was given the opportunity of leading the Israelites in the return to Jerusalem, overseeing the rebuilding of the walls and rediscovering the books of the law.<sup>24</sup> Yet the story of Nehemiah is of a leader withdrawing people of faith from the alien culture in which they had been embedded. For that reason, it is perhaps less instructive for churches that will remain immersed in the twenty-first-century UK setting while attempting to maintain a distinctive voice.

Perhaps the most helpful Old Testament figure for this study is Daniel. He is subject to Nebuchadnezzar of Babylon and serves the king with loyalty and ability until the time of the Persian conqueror Cyrus, all the while remaining true to the God of Israel. While in the story Daniel holds a high governmental office in Babylon, he notably refuses to compromise his faith even at grave risk to his safety,<sup>25</sup> and is upheld as a paradigm for remaining faithful in a challenging external environment. The Book of Daniel is complex and we should not resort to facile lessons. Yet Daniel is an active participant in civic life, willing to engage. He is a believer exercising power and responsibility in the alien culture in which he finds himself. However, there are limits to his cooperation with the ruling power, and Daniel chooses to retain his defining values in the public gaze in the face of personal and positional jeopardy.

In the same way, we are not called to withdraw from public engagement for the common good of the communities in which we live. Yet we might ask what the non-negotiable boundaries of our relationship with our host communities are. I suggest that these lines tend to be understood rather than articulated in our churches and may tend to centre on issues of personal morality or politics.

The New Testament is more directly relevant to the case at hand, as this describes the relationship between early Christians and a government inimical to the values of Jesus Christ. It was in this context

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<sup>24</sup> See the whole Book of Nehemiah.

<sup>25</sup> Daniel chapter 6 in particular.

that Jesus clearly taught the importance of separate loyalties, not least in terms of finance.<sup>26</sup>

While Paul teaches ‘let every person be subject to the governing authorities’,<sup>27</sup> this is about the common good that arises from sound and godly civil government, which Christians should support. It does not require churches to be subjected to intrusive state regulation. Peter argues, ‘Submit yourselves for the Lord’s sake to every human authority’,<sup>28</sup> but also tells the Jewish leaders, ‘We must obey God rather than human beings.’<sup>29</sup>

None of these verses relates directly to the state funding of churches, which was unknown in the first century. However, they do speak to a recognition of God-given but separate roles and to the importance of maintaining the church’s distinctive voice in society.

The main difference between the prevailing cultures of New Testament times and our current position in the UK in 2020 is that the Roman government in the first century was hostile to the Christian values espoused by the church, whereas today our charitable status may tend towards churches losing their distinctiveness by being seen only or mainly as charities. The peril to the first Christians was persecution; to us it may be syncretism, leading to the loss both of self-governing independence and a distinctive voice.

We might also take note of the period of Christendom, an approximately 1500-year period of broadly benevolent relationship between Christianity and the state, during which time church and state in the United Kingdom became mutually supporting both politically and financially. However, the focus of this paper is upon Baptist churches, with a theology which has been broadly shaped by the Reformation and by Anabaptist and other dissenting influences. It was in part to avoid the compromises of the historical interdependency of church and state that the first Baptist congregations gathered.

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<sup>26</sup> Matt 22:15–22 and in several parables. All biblical quotations are from the New International Version.

<sup>27</sup> Rom 13:1 following.

<sup>28</sup> 1 Peter 2:13.

<sup>29</sup> Acts 5:29.

I note that other European countries with a largely Protestant heritage continue the direct, intentional state funding of churches, often by means of a church tax, either mandatory or optional. It might be instructive to explore the experience of these churches, for example in Denmark or Germany, and how overt state funding affects their operation and theology.<sup>30</sup>

One aspect of the normative voice of the four voices model is to determine the faith community's orthopraxy. Each of the tax reliefs and exemptions described above is promoted by the Baptist Union of Great Britain, both in general terms on its website and in its expert advice to churches on taxation matters. While all Baptist churches are self-governing in principle, this strong lead by our national body is important in shaping local decisions.

A balanced debate would need to recognise that there are highly respected contemporary Christian voices championing new approaches to the financing of churches and their mission, as well as to the collaboration between church and state for the common good. For example, in *A Future Bigger Than the Past: Catalysing Kingdom Communities*,<sup>31</sup> Samuel Wells makes a strong argument for the renewal of the church by moving away from the traditional models of resourcing congregational life and mission (benefaction and stewardship) towards new approaches, notably commerce. Yet there is no conflict between churches exploring innovative approaches to funding and a call to revisit a potentially inappropriate dependency upon government for multi-annual income.

Finally, an observation. Though serious conflicts between Christian values and state regulation of charities might be rare, there is an enduring risk of the incremental and unexamined erosion of Baptist principles. In this respect, it is helpful to refer to Paul Goodliff, who identifies some examples of unexamined changes in Baptist polity,<sup>32</sup> and

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<sup>30</sup> Francis Messner, ed., *Public Funding of Religions in Europe* (London: Routledge, 2015).

<sup>31</sup> Samuel Wells, *A Future That's Bigger Than the Past: Catalysing Kingdom Communities* (Norwich: Canterbury Press, 2019), particularly chapter 2, p. 54 ff.

<sup>32</sup> Paul Goodliff explores this further in 'Baptist Church Polity', in *Church Laws and Ecumenism: A New Path for Christian Unity*, ed. by Norman Doe (London: Routledge, 2021), pp. 188–207 (especially p. 190).

to Gareth Morgan<sup>33</sup> and Andrew Iwobi,<sup>34</sup> who both explore some of the current issues regarding religion and charitable status in the UK setting.

## Conclusion

This paper sets out evidence of an annual dependency by Baptist churches upon state tax reliefs and exemptions to fund their current levels of activity. In the case of relief on manses, this is demonstrated by HMRC policy and practice. The limited survey of thirty churches in the Eastern Baptist Association offers evidence of the scale of Gift Aid. While it might possibly be argued that the Eastern Baptist Association is somehow atypical of the wider membership of BUGB, any differences would be marginal. The estimate of savings through business rate exemption is indicative rather than aiming at pinpoint accuracy and will vary from church to church. However, the basis for the calculation can be proved through reference to published government policy. It would be hard, therefore, to marshal convincing arguments to challenge the contention that Baptist churches benefit significantly from reliance upon exemption from taxes on an annual basis.

We might argue that the enduring financial relationship between state and church in the United Kingdom is harmonious, reflecting society's appreciation of all charitable bodies and religions. However, to accommodate this view would require the revisiting of our espoused and normative Baptist theology which seeks the separation of church and state, even if financially beneficial. The opposite position would state that the church has jeopardised one of its distinctive values by relying upon the benefits that come with charitable status.

I suggest that the least tenable option would be to continue to seek tax-related income on such a scale while maintaining a contrary stance in our declared Baptist theology. I would hope that this would give rise to a crisis of conscience among thinking Baptists.

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<sup>33</sup> G.G. Morgan, 'Churches and Charity Regulation: 1993–2009', *Public Money & Management*, 29, no. 6 (2009), 355–362.

<sup>34</sup> A. Iwobi, 'Out with the Old, in with the New: Religion, Charitable Status and the Charities Act 2006', *Legal Studies*, 29, no. 4 (December 2009), 619–650.

This article draws attention to a worrying conflict between values and practice which needs to be resolved. It may not be possible to do so without revisiting the wisdom of our current charitable status and the extent to which that may compromise our distinctive witness as Baptist Christians. This article aims to be a contribution to that discussion. I am unaware of any published consideration of how Baptist churches might choose to exist without the official charity model. If Baptist churches cannot function in good conscience as charities within the UK regulatory framework, what are they to do? That is an excellent question that deserves further exploration.

### **Appendix: Gift Aid — an Outline Survey of Thirty Churches**

A survey was carried out of the most recently published and independently examined annual accounts of thirty Baptist churches affiliated to the (UK) Eastern Baptist Association. A wide range of size of membership and local demography is represented.

<b>ANALYSIS OF A SAMPLE OF MOST RECENTLY PUBLISHED BAPTIST CHURCH ACCOUNTS — REVIEWED AUTUMN 2020</b>			
<b>Church No</b>	<b>Annual income</b>	<b>Latest tax reclaim</b>	<b>Rounded %</b>
	<b>£</b>	<b>£</b>	<b>%</b>
1	570 745	40 909	7%
2	408 862	54 956	13%
3	374 531	55 150	15%
4	329 147	39 779	12%
5	308 818	40 451	13%
6	293 689	9857	3%
7	285 343	26 110	9%
8	265 500	14 370	5%
9	251 941	34 921	14%
10	220 881	35 085	16%

11	183 315	31 325	17%
12	180 204	29 500	16%
14	165 414	24 888	15%
15	153 385	13 255	9%
16	150 580	13 611	9%
17	149 564	11 923	8%
18	135 421	15 990	12%
19	115 924	9870	9%
20	109 114	0	0%
21	108 055	10 412	10%
22	75 393	7582	10%
23	42 410	1998	5%
24	42 147	5841	14%
25	41 821	6075	15%
26	40 988	3648	9%
27	39 684	0	0%
28	30 326	2891	10%
29	26 727	3101	12%
30	23 348	800	3%
	<b>5 123 277</b>	<b>544 298</b>	<b>11.23</b>
			<b>£</b>
<b>Mean annual income for the period</b>			<b>170 776</b>
<b>Median annual income for the period</b>			<b>153 385</b>
<b>Mean annual tax recovered as percentage</b>			<b>11.23%</b>
<b>Range of tax recovered</b>			<b>0-17%</b>