

# A GUIDE TO BOARDS OF MANAGEMENT

AND

# NON-CASH BENEFITS

**Compiled by the Victorian Maintenance of Ministry Committee  
(2006)**

**(as amended to July 2009 this printing 31 July 2009)**

# A GUIDE FOR BOARDS OF MANAGEMENT

## **1. Introduction**

This Guide has been prepared to assist officers of Boards of Management, both Federal and Congregational, in their duties regarding Terms of Settlement of Ministers and other "employment" -type matters. Dealings between the Board, Presbytery and The Maintenance of the Ministry Committee are covered also.

## **2. The Maintenance of the Ministry Committee**

The Maintenance of the Ministry Committee was established by the General Assembly and, subject to the direction of the Assembly, is charged with the responsibility of ensuring that adequate provision is made for the maintenance of the ministry and for all ministerial appointments.

The Committee's work is detailed fully in the Regulations accompanying this Guide, and includes:

? Recommending to the General Assembly and to the Commission of Assembly each year, the amounts of minimum remuneration including: setting the minimum stipend and the maximum non-cash benefits, the Long Service Leave levy and any alterations to the minimum Terms of Settlement which it considers advisable.

? Recommending to the Assembly and to the Commission of Assembly each year

? The sustentation qualifying stipend amount

? The reimbursement rate for parish related travel in excess of 6,000km per annum

? Approving or disapproving the proposed Terms of Settlement in respect of each proposed settlement of a Minister in any Charge or appointment in an Appointment Parish

? Undertaking a review of any existing Terms of Settlement in a Charge, in consultation with the relevant Presbytery, if the Committee considers such a review is required.

? Administering the various funds assigned to the Committee by the General Assembly

This includes

? Making available sustentation grants and travel grants to qualifying parishes.

? Making available one off hardship grants to ministers upon consideration of the their individual circumstances.

? The payment of Long Service Leave entitlements to ministers and their parishes.

? Reporting to the Assembly on all matters connected with the maintenance of the Ministry and making recommendations as it sees fit.

Periodically the Committee requires Boards of Management to submit to it, through their Presbytery, a APR (which will be dealt with later in this Guide) or other information as required to help it discharge its duties.

### **3. Minimum Terms of Settlement**

#### **3.1 Definitions**

Before setting out the minimum Terms of Settlement for a Minister it is necessary to define some of the terms that are used by this Committee.

(a) **"Remuneration"** is the total financial package available to the minister and includes stipend, non-cash benefits, amounts for travel exceeding 6,000 km per annum, manse energy, professional expenses and other items included in the Terms of Settlement for any particular charge (A sample APR is enclosed with this Guide).

(b) **"Stipend"** is the actual amount of money paid or payable to a Minister from Church sources for his ordinary ministerial duties. The stipend payable in any particular Parish should be in keeping with the resources of that Parish. The Stipend is subject to tax (PAYG) and Parishes must deduct this tax from the stipend and remit it quarterly to the Australian Tax Office using the appropriate ATO Form. Forms and current Tax Rates can be located via the ATO Website or from Forms obtained from your local Post Office. These tax rates are subject to change and it is the responsibility of the Board of Management and the Treasurer of each parish to keep track of this.

(c) **"Non-Cash Benefits"** are the Church's provision of benefits to, or payment of amounts on behalf of a Minister or his family. The difference between Stipend and Non Cash Benefits is that **Non-cash Benefits are payments FOR and NOT TO the Minister** (Further information about the use of Non Cash Benefit Accounts can be found later in this document).

The total Remuneration of Stipend and Non-cash Benefits must be equal to or greater than the Minimum Remuneration set by the Assembly each year.

The Stipend amount must be equal to or greater than the minimum Stipend and the Non-cash Benefit equal to or less than the Maximum Non Cash Benefit set by the Assembly each year.

Please note that the NCB component **must not** be greater than 42.5% of the Minimum Remuneration set by the Assembly each year. This is to comply with both the letter and spirit of the FBT laws. Specialist advice can be obtained from either this Committee or qualified Tax Advisers.

(d) **"Sustentation Qualifying Stipend"** is the amount of stipend a Parish is required to pay its Minister in order to qualify for a Sustentation Grant from this Committee.

A Parish must be able to provide the Maximum Non-Cash Benefits and Sustentation Qualifying Stipend before it can request a Sustentation Grant from this Committee.

(e) **"Committee"** in this document refers to the Maintenance of the Ministry Committee unless otherwise noted.

### 3.2 Terms of Settlement

Minimum Terms of Settlement are part of the proposal to settle a Minister in a Charge or Appointment Parish, and shall set out the promise of provision for AT LEAST:

- a) All costs of relocation of the Ministers family and goods to his new place of residence, except where, the Committee approves a variation in special circumstances.
- b) Remuneration comprising:
  - (i) A stipend equal to or greater than the Minimum Stipend, except where a Sustentation Grant is sought, in which case, the proposed stipend shall be not less than the Sustentation Qualifying Stipend. If a Parish is to receive a grant from other Church sources (e.g. the Home Missions Committee) such grant plus the amount to be paid by the Parish, (together with a Sustentation Grant if applicable), shall be equal to the Minimum Stipend.
  - (ii) Non-cash benefits equal to or less than the maximum Non-cash Benefits that together with the Stipend amount shall be equal to or greater than the Minimum Remuneration payable by the parish to the Minister.
  - (iii) An additional amount at the rate declared by the General Assembly for travel in excess of 6,000 km per annum of all Church-related travel.

**NOTE 1** - Boards of Management should be aware that, when the Parish is vacant, they are responsible for paying the travel expenses incurred by the Interim Moderator in discharging his duties in respect of that Parish. Amounts are to be calculated using the rate of reimbursement set by this Committee.

**NOTE 2** - Boards should also be aware that Church-related travel may include Church work beyond the Parish boundaries and accordingly, allowance should be made when agreeing on the annual distance on Church-related travel (e.g. travel to Presbytery meetings and Assembly meeting. Assembly Committees are responsible for paying their members travel expenses).

(c) Rent-free occupation of a suitable dwelling as a manse, or alternatively, the provision of a manse allowance that would allow the minister to rent or purchase a suitable dwelling in the locality. Parishes are encouraged in addition, to meet at least part of the cost of energy consumed in the manse, such as electricity and gas.

(d) Direct payment of professional expenses (not including expenses related to travel) incurred in carrying out ministerial duties including, but not limited to, telephone rental and church calls, stationery, printing, copying and postage. If the resources of the Parish will permit it, consideration could be given to meeting the cost of all telephone calls, perhaps, if desired, with some limitation on non-church calls.

(e) The provision of five (5) weeks annual leave, including the provision of pulpit supply for five (5) Sundays. Annual leave is annual leave and therefore should be taken annually. Should a minister desire to accumulate annual leave the Minister should seek the leave of the Presbytery to do so.

(f) The provision of seven (7) days of Study Leave including one (1) Sunday for which pulpit supply will be provided. Such Study Leave requires the approval in advance by Presbytery. Study Leave does not necessarily have to be taken all at once but may be split.

(g) The provision of long service leave (currently 3 months long service leave for every 10 years of ministry. Long Service Leave accumulates from one parish to the next.

(h) Monthly contributions to the PCV Ministers Superannuation Fund on behalf of the Minister

#### **4. Notification of Changes to Remuneration**

In accordance with the adoption of a July to June financial year by all Assembly Committees, this Committee takes to the Commission of Assembly each year its recommendations for Minimum Remuneration, Minimum Stipend, Maximum Non-cash Benefits and the Sustentation Qualifying Stipend to be set for the forthcoming financial year. It also takes to the Commission of Assembly any changes to the rate of travel allowance payable by the parish to the minister.

Any changes to Remuneration agreed to by the Commission of Assembly take effect from the 1<sup>st</sup> of July of that year.

Following the decisions of the Commission of Assembly the Clerk of the Assembly notifies all Parishes concerning any such changes to Ministers' Remuneration. This notification usually includes additional financial data that should assist Parishes in determining their budget for the new financial year.

These notifications must be dealt with promptly by Parishes and adopted by a resolution either:

- (a) At a meeting of the Congregation; or
- (b) By the Board of Management, if it has been authorized to do so by the Congregation.

Ideally Congregational authority should be sought at each year at the Congregations Annual General Meeting.

For the purpose of establishing the additional amount to be paid for church-related travel exceeding 6,000 km per annum, the Board of Management should be empowered by the Congregation to agree to a figure in consultation with the Minister.

#### **5. Method of Payment of Remuneration**

Payment of stipend to the Minister and transfer of non-cash benefits to the separate bank account shall be made at such time in each month as is agreed between the Board of Management and the Minister. These may be by cheque or by direct bank transfers. Any bank charges associated with such payments are a Parish expense.

## **6. Returns to The Committee**

### **6.1 Forms**

There is now only one form that is required to be completed by Boards of Management. This form is known as the Annual Parish Report Form or APR. It supplies all the financial details of the parish and states the Terms of Settlement relating to the Minister.

The APR replaces all other forms.

The APR is required to be submitted to this Committee via the Presbytery.

The Form is to be used by all Charges, Appointment Parishes and Home Mission Stations. Assistance from the Committee is available only to Full Charges and Appointment Parishes (see Grants below). Assistance for Home Mission Stations is the responsibility of the Ministry Development Committee.

The APR is to be used in the following circumstances:

#### **A. Full Charges**

- (a) On the 1<sup>st</sup> of July each year, reporting for the full year (this Report is to be audited along with the Parish's regular annual financial reports)
- (b) When a Sustentation Grant is being applied for or travel assistance sought.
- (c) When there is a change in the remuneration paid to the minister.
- (d) Upon the Charge becoming vacant
- (e) Prior to a Call being issued

#### **B. Appointment Parishes**

- (a) On the 1<sup>st</sup> of July each year, reporting for the full year (this Report is to be audited along with the Parish's regular annual financial reports)
- (b) When a Sustentation Grant is being applied for or travel assistance sought.
- (c) When there is a change in the remuneration paid to the minister
- (d) Prior to an appointment being made.

#### **C. Home Mission Stations**

- (a) On the 1<sup>st</sup> of July each year, reporting for the full year (this Report is to be audited along with the regular annual financial reports)
- (b) When there is a change in the remuneration paid to the Home Missionary
- (c) Prior to an appointment being made.

Prompt completion of the APR by the Board of Management at the required times is encouraged.

This Guide uses the term "Parish" to embrace all the above forms of local church ministry, and includes Parishes with Federal Board structures as well.

### **6.2 Action by Presbytery**

When the Presbytery receives a completed APR, it examines the Terms proposed. If it feels that the Terms are not in keeping with the resources of the Parish, it shall urge the Parish to reconsider the matter with a view to "greater liberality." When it

considers that the Terms of Settlement, with or without amendment, are satisfactory, Presbytery shall approve the Terms and recommend them to the Committee.

If the Presbytery finds that the proposed stipend and non-cash benefits (with or without aid from Church sources other than the Committee's funds), are less than the Minimum Remuneration, Minimum Stipend and Minimum Non-cash Benefits, but are equal to or in excess of the Sustentation Qualifying Stipend and Minimum Non-cash Benefits, and Presbytery has satisfied itself that the Parish is offering all it can provide, and certifies that the continuation of the Charge in its present form is essential for the work and witness of the Church, it may approve the Terms of Settlement and recommend them to the Committee with application for payment of a Sustentation Grant.

If the Presbytery finds that the proposed stipend and non-cash benefits are less than the Sustentation Qualifying Stipend and Minimum Non-cash Benefits due to the Parish facing sudden and extreme financial hardship BEYOND ITS CONTROL, it may approve the proposed Terms and recommend them to the Committee with application for a Hardship Grant. If the insufficient level of stipend and non-cash benefits is not due to hardship, the Presbytery shall disapprove the proposed Terms.

### **6.3 Action by The Committee**

The Committee then examines the Form submitted and the recommendation of the Presbytery. It may then make further enquiries if it is considered necessary, or refer the proposed Terms back to the Presbytery for further negotiation with the Parish, or approve the recommendation of Presbytery and "declare" the proposed Terms.

Notwithstanding any of the above, the Committee may at any time request relevant information in respect of any Parish. In any case where a recommendation includes payment of a Sustentation Grant or a Hardship Grant, the Committee will necessarily take into account the availability of funds under its control to meet the recommended grant.

The Presbytery and the relevant Charge shall be advised of the Terms of Settlement declared by the Committee. Should there be any difference of opinion between the Committee and either the Presbytery or the Charge, the Committee shall report the facts to the Assembly.

The amounts declared by the Committee to be the remuneration, stipend and non-cash benefits for a specified Charge, shall be recognized as such for all official purposes.

### **6.4 Observance of the Terms of Settlement**

It is the equal responsibility of the Minister and the Treasurer of the Board of Management to report promptly to the Presbytery, any failure to pay the declared remuneration, stipend and non-cash benefits at least monthly.

The same responsibility applies to the implementation of other aspects of the declared Terms of Settlement. Upon receipt of such a report, the Presbytery has certain procedures to follow, including advising of this Committee.

## **7. GRANTS**

### **7.1 Sustentation Grants**

The Committee is able to make a grant to a Parish of an amount up to the difference between the minimum Stipend and the Sustentation Qualifying Stipend. Once approved the Sustentation Grant is paid by the Church Office direct to the Parish to assist it in meeting the regular payments of remuneration to the Minister.

The Committee may also approve a "Hardship Grant" application, which is paid from the Church Office directly to the Minister's account in cases where the Parish is unable to meet the full requirements of the Remuneration (Clause 6.2).

### **7.2 Travel Assistance Grants**

The Committee is also able to make available to Parishes a Travel Assistance Grant where there is an unusually high amount of traveling undertaken by the Minister in undertaking his Parish responsibilities.

Such a grant is payable where a Parish is experiencing difficulty in fully providing the additional amount for travel in excess of 6,000 km per annum to which its Minister is entitled.

There is room on the APR to make such a request and any request is to be sent to this Committee via the Presbytery.

Along with such an application, any significant changes to the financial position of the Parish and the Board of Management's budget expectations for the coming year, as reported in its last APR, are to be supplied.

If Presbytery approves the application, it will forward a recommendation to the Committee.

Any Travel Assistance Grant approved will be for a maximum of twelve months only, and back dated to the July 1<sup>st</sup> of that year.

Where ongoing Travel Assistance is sought a new application is to be made on the APR each year.

The rate at which Travel Assistance Grants is calculated at the same rate as Travel Assistance from the Parish - a rate which is determined by the Committee each year and approved by the General Assembly.

The Church Office pays travel Assistance Grants into the Parish General Account at the beginning of each month. The Parish then includes this amount in the amount of Non-cash Benefit paid to the Non-cash Benefit Account.

### **7.3 Reduction of Grants**

The Committee may decide at any time to reduce or discontinue a grant in respect to a particular Parish but shall not do so until six months after giving notice to the Presbytery and to the Treasurer of the Board of Management.



## **8. Work Cover & Accident Insurance!**

All Boards of Management are required to pay the Minister's Disability Insurance premium each year. An account for which is sent to the Parish from the Church Office. This Disability Insurance begins to take effect 3 months after the Minister has fallen ill or become injured.

## **9. Sick Leave**

In the normal course of his duties a minister is entitled to take time off from his parish responsibilities to recover from illness.

However,

(a) Where a minister has been unable to perform his parish duties for a period of two months on account of ill health the Session Clerk shall forthwith inform the Clerk of Presbytery who shall contact the Minister.

(b) The Minister, (or the person responsible for his care) shall forthwith, (but not later than 10 days thereafter)

(i) Advise the Presbytery of the nature and extent of his illness

(ii) Present to the Presbytery a Medical Certificate

(c) On receipt of the certificate the Clerk of Presbytery may in consultation with the Moderator

(i) Declare the minister to be on sick leave and appoint an Interim Moderator. Such action is to be confirmed at the next meeting of Presbytery.

(ii) Direct the Minister on sick leave (or the person responsible for his care), as soon as possible to supply the Interim Moderator all information necessary for the Board of Management in consultation with the Church Office to make a claim for disability insurance payments.

Return to duties

(a) The Interim Moderator shall be responsible to advise the Session and Presbytery of the situation regarding the minister's health.

(b) Any return to work program, either part or full time, must be in consultation with the Session and approved by the Presbytery.

Permanent Incapacity

In the event of the Minister not being able to resume either full or part time duties to the satisfaction of the Presbytery and on receipt of a certificate from two registered medical practitioners that the minister's condition is unlikely to improve, to a point where the Minister is able to resume full or part time duty, the Presbytery may dissolve the pastoral tie, declare the charge vacant and take the usual steps for filling a vacancy.

## **10. Long Service Leave**

Boards of Management are required to pay an annual Long Service Leave Levy into the Long Service Leave Fund of the Church, administered by the Committee. The amount of the Levy is fixed by the General Assembly on the recommendation of the Committee.

When a Minister, with the prior approval of the Presbytery, takes long service leave,

the Board continues to pay his stipend and non-cash benefits, but receives a payment from the Long Service Leave Fund. Previously this was at a level to enable the provision of supply during the Minister's absence. In addition, the Minister received a grant for each three-monthly period of the leave. From Jan 2009, the LSL provisions moved to a "fully-funded" basis, so that progressively the amounts paid to the Parish will reflect an increasing proportion of the Base Stipend and Minimum NCBs payable by the Parish for the period of leave.

The following procedure has been put in place to help streamline the process when a minister applies for Long Service Leave. We strongly suggest this is followed.

First the minister needs to establish the amount of Long Service Leave he is entitled to by contacting the Church Office. [The General Manager administers the Long Service Leave records on behalf of the Committee.]

He should then notify his Session and Board of Management that he intends to take Long Service Leave informing them of the amount to be taken and the dates over which this will occur.

He should then notify his Presbytery that he intends to take Long Service Leave stating the amount of leave being taken and the dates of this leave.

Presbytery then notifies the Maintenance of Ministry Committee by way of extract minute of the minister's intention to take Long Service Leave, again including the amount of leave and the dates that leave will be taken.

The Maintenance of Ministry Committee will then notify the Church Office of the request for Long Service Leave and ask the Office to pay the entitlements to the minister and his Parish.

In the event of the death of the Minister, the Board of Management is to pay the accrued amount of Long Service Leave to his estate, and the Committee will reimburse the Board from the Long Service Leave Fund.

A Minister who resigns from the Church other than through sickness, and who has served at least ten years as defined in the Regulations, may be paid, at the discretion of the Committee, the proportional entitlement of any long service leave owing.

### **11. Superannuation**

Boards of Management are required to pay a Superannuation Fund approved of by either the Church Office or the Minister, Superannuation contributions on his behalf.

Parishes are required to report to the Minister every three months on the amount paid into a Superannuation Fund on his behalf.

Ministers may also contribute to the Fund should they so desire. Contributions from the Minister must be made from the Stipend component of his Remuneration as contributions made from the Non-cash Benefit Account are considered by the ATO to be Employer contributions and taxed at a different rate to contributions made by an

Employee.

## **12. Manse Allowances**

It has become more common in recent times for a manse allowance to be paid to ministers in the Presbyterian Church. This has come about for a couple of reasons. The Presbyterian Church has encouraged her ministers to move towards purchasing their own homes in which to live whilst still active in ministry. There has also been an increase in the number of parishes unable to provide a suitable manse for the minister and his family to occupy. This has given rise to the payment of a manse allowance by Boards of Management as a way of compensating a minister who does not live in a parish provided manse. Should the Board of Management find itself in this position for one reason or another the following information is provided as a guide.

How much manse allowance is paid is determined on the amount it would cost to commercially rent a home (usually located within the bounds of the Parish) that is equivalent to the minimum manse requirements set down by the General Assembly of Victoria and administered by the Architects Committee or its equivalent. This is currently set at four bedrooms plus a study. The Committee encourages Parish Boards to exercise "sanctified common sense" in determining what constitutes a reasonable property as a benchmark for this calculation.

Once this figure has been arrived at it is to be paid into the Non Cash Benefit Account used by the minister in addition to any other Non Cash Benefits.

## **13. Income Tax**

The Australian Taxation Office has ruled that Parishes and Ministers are to be deemed to be operating as if they were employers and employees for certain purposes, including the regular deduction of income tax installments from a Minister's Stipend.

Therefore Parishes must deduct PAYG tax (formerly called "Group Tax") from the Minister's Stipend and remit that amount quarterly to the ATO.

The Parish Treasurer is therefore required to hold Tax File records and other tax information as an employer would be expected to do, and to prepare a Group Certificate annually for their Minister.

## **14. Stipends in Special Circumstances**

Stipend and Non-cash Benefits payable to persons other than ordained Ministers in settled

Charges are as follows:

Exit Students: 87.5% of Minimum Stipend plus all Non-cash Benefits;

Home Missioners: 85% of Minimum Stipend plus all Non-cash Benefits.

## **15. Supply Preaching**

It is the responsibility of the Committee to recommend to the Assembly or Commission thereof the Supply Preaching Fees and travel reimbursement each year.

These payments are to be offered to the preacher when a parish is vacant or when the

minister is away on leave or unable to preach owing to illness.

Payments are to be calculated on the number of services taken and different sermons preached. Full details can be obtained by contacting the Committee. Usually these figures will be advised to Treasurers annually just before July, following resolutions made by the Commission of Assembly.

### **16. Pulpit Supply and Tax Deductions.**

Owing to recent changes in the tax laws PAYG Withholding Tax (formerly called "Group Tax") is now applicable to Pulpit Supply payments. The following information is intended to help clarify if and when PAYG Tax needs to be deducted from any Supply Preaching payments. Details can be obtained from this Committee

#### Situations where PAYG Withholding Tax applies includes:

? Sunday Pulpit Supply - where either the sermon is preached or the whole service conducted.

? Part time Supply - both regular supply and pastoral care supply, except as below

#### PAYG Withholding Tax does not apply:

1. When the elders from the congregation provide voluntary supply from the congregation or when ministers 'swap pulpits' and no money is involved.
2. When the Supply Preacher indicates he is offering his services on a voluntary basis and so is unwilling to accept the supply preaching payment.
3. When one sermon is preached or one service is taken. The Supply Fee will usually be set at a point below which tax must be accounted for.

#### Persons normally conducting supply preaching

- ? Ministers of other charges
- ? Visiting ministers (if they are paid), even if the regular minister is present
- ? Retired ministers
- ? Home Missionaries not specifically appointed
- ? Elders of the congregation who are paid out of the church funds
- ? Elders from a different congregation
- ? Lay preachers who are not elders but approved by presbyteries for supply purposes

#### Persons excluded from the definition

- ? Missionaries
- ? Visiting preachers on deputation
- ? Theological students on field experience

The precise definition reads:

"A supply preaching fee is to have tax deducted at the marginal tax rate for the person preaching, where the preacher is being engaged for more than two (2) events in any quarter."

'Event' means any occasion where a church service is held and preaching is integral to the service. This would exclude activities such as a separate Sunday School, a Youth Group or the like with a short devotions time, and Bible Study sessions/home fellowship meetings, but might include special occasions such as weddings, funerals or baptismal services, even though the preaching is not as large a part of the service as on a normal Sunday.

'Quarter' means Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec, coinciding with the periods for the GST BAS and regular PAYG Withholding returns.

#### Records & Reporting

The same records and reporting are required as for the regular Minister's stipend, and it will be necessary to obtain a Tax File Number (TFN) Declaration (usually one per year), and supply an Annual Withholding Tax Payment Summary ("Group Certificate") to each supply preacher each year. However, the absence of a TFN will not change the rate of deduction (see below). **Payments for travel are reimbursements, and should be described as such in any letter or advice accompanying the payment. Receivers of supply payments should also be careful to exclude travel reimbursements from their annual tax returns.**

From the advice we have received, we interpret the declarations that:

a) "Absence of a tax file number does not affect the rate of deduction"

And

b) Tax is to be deducted at the marginal tax rate for the person preaching to exclude the use of Column 4 of the tax table (sometimes known as the penalty rate column).

Therefore, the amount of tax to be deducted is calculated according to the weekly tax scales used for normal stipend or salary (usually column 3 in the Tax Table).

#### Recommendations

We recommend that parish treasurers include supply preachers in their "normal" pay procedures, by either

a) If using a manual Pay Record book, having one page for the Minister (unless vacant of course), and one page per supply preacher during the year or

b) If using a computerized pay system, including supply preachers in those computer records.

We further recommend that full-time ministers in parishes would be wise to consider arranging pulpit swaps wherever practicable, to cover short leave absences, so as to alleviate the load of record-keeping upon their volunteer treasurers.

#### Further Assistance

Any questions may be directed to this Committee via the Convener or the Secretary.

### **17. Relocation Expenses**

While some expenses of removal of the Minister and his family to a new Charge are

obvious, e.g. the cost of furniture removal, there may be some other costs, which should not be overlooked. These could include overnight accommodation if a long distance of travel is necessary, or motor vehicle re-registration expenses if moving interstate. Board of Management should be alert to any such additional costs affecting the Minister.

## **GUIDELINES FOR PAYMENT & ADMINISTRATION OF NON-CASH BENEFITS**

### **Introduction**

The use of Non-cash Benefits as part of the remuneration package of Ministers in Victoria commenced on 1st. January 1989. The Fringe Benefits Tax Assessment Act (No. 39 of 1986), which came into force on 1st. July 1986, provided for Fringe Benefits Tax (FBT) to be paid by employers on certain benefits that they provided to their employees. Section 57 of that Act established that benefits provided to certain employees of religious institutions, such as ministers, would be exempt from taxation.

It is suggested that when opening up a Non Cash Benefit account that, as well as having the minister (and/or his wife) as signatories to the account, a member of the Board of Management (preferably the Treasurer) also becomes a signatory. This is simply a matter of practicality as it allows the Board of Management to close the account should it no longer be required and the minister (and/or his wife) are no longer around. It does not give the Board of Management, or the Treasurer, any influence or authority over the operation of the account, which remains the exclusive use of the minister.

### **2. What are Non-cash Benefits?**

Non-cash Benefits or NCB is the component of the minister's remuneration made available to him through having some of his personal and family living expenses paid for him by the Church.

### **3. Who is Advantaged by the NCB System?**

The NCB enables a Parish to maintain the standard of living of its minister for a lesser cash outlay. This is because the Parish is not required to deduct PAYG tax from the NCB proportion of the Minister's remuneration.

### **4. Can the NCB System be Used For Ministry Expenses?**

The NCB proportion of a Minister's remuneration can be used for ministry expenses. A side benefit to the minister is that it is not necessary for him to keep documentation of expenditure from the NCB proportion of his remuneration in order to substantiate a taxation deduction (e.g. for traveling expenses on parish related business). However, the taxation advantage of keeping such records to enable a claim for ministry expenses as a deduction against taxable stipend should not be overlooked.

### **5. Is It Legal?**

The FBT legislation recognizes that income can be received by way of Fringe Benefits or as a Non-cash Benefit. It contains a positive provision stating that certain institutions are exempt from having to pay FBT. Therefore, it is legal for a Parish to use Non-cash Benefits in a minister's remuneration package.

### **6. Is It Fair?**

The answer is yes! There are many instances where the Government provides selected concessions for individuals, institutions and organizations. For example, the income tax legislation provides for rebates for dependents, and gives exemption from

payment of income tax to certain classes of institutions including churches.

Exemption from GST is available to educational institutions, and to churches for items purchased for use in services of worship and in Sunday Schools. Church property is exempt from local government rates if used for worship purposes, as is a residence for a practicing minister, or for charitable activities. This is not the case if a minister lives in his own home.

Sections 57 and 57A of the Fringe Benefits Tax Assessment Act 1986 outline the various classes of institutions that are exempt from having to pay any FBT, which includes churches.

### **7. How Is the Non-cash Benefit Paid?**

The Australian Taxation Office has not issued guidelines in relation to the payment of Non-cash Benefits. However whilst Non-cash Benefits belong to the Parish until expended, they are the entitlement of the minister, having been "promised" to him through the declared Terms of Settlement as set out in the APR.

These benefits may be administered using the following methods:

- (a) A special Cheque Account in the name of the Parish from which cheques can be drawn. The title of this account should read XXXX Presbyterian Church Non Cash Benefit Account. This is to be operated upon by a minimum of two signatories, one of whom should be the Minister, the other usually his wife.
- (b) A Bank Debit Card attached to an account in the Parishes name.
- (c) Invoices paid directly by the Parish upon presentation by the minister.
- (d) A corporate credit card in the name of the Parish.

It is recommended that options (a) and (b) together be adopted by Boards of Managements for the payment and use of the minister's Non-cash Benefit. This is because of the declining acceptance of cheques as a method of payment in today's electronic age and the growing use of EFTPOS facilities.

It should be noted that it is not permitted to withdraw cash from a Non-cash Benefit account but that all withdrawals are to be by cheque, direct debit, or debit card only.

As this separate account is a Parish account, any interest earned on the funds in it belong to the Parish, and any charges relating to the account or to any credit card which may be used in conjunction with the account or separately, would be a Parish expense. However, the Board of Management may be prepared to allow any interest to remain in the account and be treated as part of the NCB component.

In order to show that the payments were for goods or services and not a cash withdrawal, it may be prudent for payments made from the NCB account to be supported by documentation retained by the minister. This may take the form of statements, invoices or dockets identifying the amounts paid.

If payments are made to a credit or debit card, special care is to be taken to ensure that the card account does not go into credit.

Should the Board of Management in consultation with the Minister agree to operate the NCB component of his remuneration using option (c) special care needs to be



taken by the Board to ensure that accurate records are kept in it's books of the NCB balance and receipts received.

### **8. Should Non-cash Benefits Transactions be Recorded and Reported?**

As the NCB account is a Parish account, a summary of it should appear in the annual financial statements and set out as in the following example

Non-cash Benefit Account Summary for Financial Year 1.7.00 - 30.6.01

|                       |          |
|-----------------------|----------|
| Balance as at 1.7.00  | \$ 200   |
| Credits to account    | \$12,000 |
| Debits from account   | \$11,500 |
| Balance as at 30.6.01 | \$ 700   |

Details of payments made from the NCB Account shall not be made available to the congregation. Nor shall there be any reporting of such details to any meeting of the Board of Management. Church Treasurers must ignore for what purposes the funds are used. So far as Parish records are concerned, all payments are for non-cash benefits made for or on behalf of the minister.

### **9. Should the NCB Account be Audited?**

Because the NCB Account is in the name of the church or parish it is necessary for the accounts to be audited. It is therefore requested that the auditors examine the Non Cash Benefit Accounts of the church or parish annually to confirm the following

1. The NCB entitlement has been made available to the minister
2. The content of the published statement of the NCB account agrees with the bank statement.
- 3 The expenses paid from the NCB Account are all non-cash benefit related. That is that no cash withdrawals have been made from this account or money used for direct investment purposes.

It is considered sufficient if the auditors inspect the NCB statements and/or Cheque butts for this purpose. Any items that require further attention should be followed through with the minister concerned.

There is no requirement for the auditor to give attention to the details of payments from the NCB account beyond those mentioned above.

### **10. What payments Can Non-cash Benefits be used for?**

The NCB Account may be used for almost any expense related to a minister's duties or for his private use from which the minister or his dependents receive a benefit. The only exception is that cash is not to be drawn from the NCB Account.

The FBT legislation and the Australian Taxation Office Ruling *TR92117* deal extensively with this question.

### **11. For What Payments Can Non-cash Benefits NOT be Used?**

Cash shall not be paid to the minister from the NCB account under any circumstances.

As the name implies, non-cash benefits may not be converted into cash, nor should a credit card or EFTPOS card be used to draw cash.

Payments by the Minister to a Superannuation Fund must not be paid from the NCB account as the member's contribution must be paid out of the his taxable income. If paid from the NCB account, it would be deemed an "employer contribution" and accordingly, would attract the tax applicable to employers' contributions.

NCB accounts should not be used for the repayment of the principal on any lease or loan where that lease of loan has been used to purchase an item on which depreciation or deductibility is to be claimed for income tax purposes.

The payment of interest on any loan may be made from the NCB account, provided that it is not to be claimed as a deduction for income tax purposes. Repayment of a loan such as a home mortgage is not considered to be the making of a direct investment. Superannuation, by contrast, is recognized as a direct investment.

### **12. What Happens if the Non-cash Benefit Account is Not Fully Expended?**

There is no requirement for the NCB account to have been fully expended within the financial year, and funds may be allowed to accumulate to enable the minister to plan for some future large expenditure such as a new car. However, as mentioned earlier, Boards of Management should remember that any balance in the NCB account remains an entitlement of the minister. There is no reason why the minister should have to take the benefit at any particular time.

At the conclusion of the ministry in the Parish, the balance in the account is transferred into a similar NCB account in the new Parish, such money remaining an entitlement of the minister. In the event of the minister leaving Pastoral ministry, any balance in the NCB account must be expended by payment for benefits and not drawn in cash or transferred to his personal account. If leaving the ministry were anticipated, it would be wise for the minister to plan ahead regarding the expenditure of any funds in the NCB account.

The Fringe Benefits Tax Assessment Act refers to the benefits being for the "employee," his spouse or child. Should the minister die while still in pastoral ministry, and there is a balance remaining in the NCB account, such balance remains the entitlement of the spouse or child as defined in the Act, and must be made available in a mutually acceptable form in the payment for benefits for the spouse or children.

It is important to note that, when a Parish transfers funds to a minister's NCB account, they become designated funds for conversion to fringe benefits at the minister's discretion within these guidelines. The Board of Management should be aware that the funds held in the NCB account are not to be reclaimed for transfer back into Parish funds.

### **13. Non-cash Benefits and Income Tax Returns.**

When Parishes prepare the annual Group Certificate for its Minister Non-Cash Benefit amounts do not need to be disclosed on that form.

When lodging their Annual Tax Return Ministers do not need to include the Non-cash

Benefit component of their remuneration. They only need to declare their taxable income.

Because of the growing complexity of the Tax Laws the Committee recommends that all Ministers use a Tax Agent or Accountant for advice and assistance in the self-assessment process and lodgment of their Income Tax Returns. It may be preferable to take advice from someone experienced in Church affairs, as this could save money rather than cost.

The Committee also recommends that Ministers engage the services of a qualified and competent financial adviser (who may also be their tax adviser) regarding the overall planning of their financial affairs.

The Committee may from time to time make available to Ministers and Parishes general information regarding financial matters, dealings with government bodies and the like but this should never be treated as a substitute for qualified advice which takes into account the very specific circumstances of each case.

#### **14. Non-cash Benefits and other Government Benefits**

In relation to Non-cash Benefits and whether or not these amounts should be declared when applying for Government Benefits such as Family Payments it is recommended that if there is any uncertainty on the part of the Minister that he should contact a member of the Committee or better still engage the services of a financial adviser qualified to answer such questions.

#### **15. Who should be signatories to the Non-cash Benefit Account**

Because the Non-cash Benefit account is in the name of the church or parish it is recommended that apart from the minister (and his wife) being signatories to the account one of the members of the Board of Management also be included. We suggest that this be either Treasurer or Secretary. Whilst they are not to have any control over the way the account is used, it does allow the church or parish to close the account should the minister move on and the account be no longer required.