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## **CLERGY AND LAY MINISTRY WORKERS - REMUNERATION PACKAGING**

Approved by Diocesan Council  
Review Due

23 November 2016  
23 November 2019

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### **1 OBJECTIVE**

1.1 The objectives in establishing this policy for clergy and Lay Ministry Workers remuneration packaging are to:

- clearly state guidelines in relation to fringe benefits provided to clergy within the Dioceses in the Province of Western Australia; and
- achieve a higher cash disposable income for clergy at no additional cost to the Dioceses by:
  - taking advantage of taxation concessions made available to religious institutions that enable fringe benefits to be provided to practicing clergy;
  - while ensuring that there are no practices which constitute an abuse of such concessions; and
  - minimising associated administration costs

### **2 SCOPE**

2.1 This policy applies to clergy who predominantly perform pastoral duties and are in:

- full time ministry; or
- part time ministry on a permanent basis
- locums who are licenced for a ministry in excess of 6 months.

### **3 POLICY**

3.1 Whereas:

- The Federal Parliament has specifically exempted from fringe benefits tax the benefits to clergy employed by religious institutions in relation to predominantly pastoral duties.
- The Dioceses in the Province accept that it is responsible and appropriate to administer clergy remuneration in accordance with Parliament's policy, while being careful not to exploit the system.
- The National Anglican Resources Unit in consultation with the Australian Tax Office has prepared Guidelines for clergy remuneration and the Province's policy should be within those parameters.

3.2 Therefore, the following principles apply to the provision of fringe benefits to clergy:

- The benefits provided under this policy are restricted to Eligible Benefits as set out in section 4 of this document.
- Responsibility for definition of Eligible Benefits will remain with the Diocesan Councils of the Province, acting generally on the recommendation of the Provincial Stipends Committee.
- The administration of remuneration packaging will be at Diocesan level in order to facilitate common interpretations and decisions across the Dioceses, link in with centralised Diocesan payroll systems, facilitate portability of benefits of clergy moving



between parishes, and ensure benefit accounts are unaffected by delays in stipend payments by parishes. Diocesan Councils and/or the Trustees may, if they see fit, outsource the maintenance of Benefit Accounts and payment of benefits.

- A Benefit Account will be maintained for each member of the clergy who wishes to package (salary sacrifice) a part of his or her remuneration. This account will be credited on a monthly basis with the packaged amount and debited with benefits paid. The remuneration otherwise payable will be reduced by the amount credited to the Benefit Account of each participating clergy member. The Benefit Accounts will be operated as set out in section 6 of this document.
- Clergy may package (salary sacrifice) amounts equivalent to
  - up to 30% of their gross stipend from time to time; and also
  - their vehicle or travel allowance (if applicable);
  - their housing allowance (if applicable), and
  - the amount of personal superannuation contribution.

3.3 The nature and amount of this maximum level of sacrifice may be changed from time to time by the relevant Diocesan Council on the recommendation(s) of the Provincial Stipends Committee.

3.4 The amount to be packaged shall be notified in writing by each participating member of the clergy in accordance with this policy and the administrative scheme established by the relevant Diocese.

- Benefit Accounts may not be overdrawn.
- Where the Benefit Account is not fully utilised in a 12-month period, the balance will be carried forward to the following year unless the clergy member otherwise requests in writing before the end of the 12-month period. For this purpose, the 12-month period will be the Diocesan financial year or other period specifically established for a particular Account.
- On a clergy member leaving a Diocese, any balance in the member's Benefit Account will be paid to the member through the payroll as stipend.
- The structure of packages should at all times strictly comply with legislative requirements.
- The relevant Diocesan Council may authorise charges by the Diocesan Office or, where the maintenance of Benefit Accounts is outsourced, by the outsourcing agency for the administration of Benefit Accounts, such charges to be debited to each Benefit Account.

#### **4 ELIGIBLE BENEFITS**

4.1 Housing Expenses - relating to one home owned or leased at least jointly by the clergy member:

- Fees and incidental expenses relating to acquisition of a home
- Home loan repayments to a financial institution
- House and contents insurance
- Rates, taxes and local authority charges
- Rents payable to lessors

**Note: There are tax consequences of packaging expenses relating to investment properties. Clergy should seek tax advice in these circumstances.**

4.2 Motor vehicle Expenses relating to one motor vehicle owned, at least jointly, by the clergy member and used for his or her duties, and being:

- Insurance



- Car loan repayments to a financial institution or the Diocese or payments to a leasing agency
- Vehicle registration and transfer fees
- Petrol/gas and oil
- R.A.C. fees
- Repairs and maintenance
- Hire of substitute motor vehicle (where own vehicle is temporarily unavailable for duties)

4.3 The cost of purchasing and maintaining a bicycle; and costs of public transport by way of Smart rider top-ups, used by a clergy person in the conduct of their ministry.

4.4 Education of Children of the clergy member and/or his/her spouse, and being:

- Fees
- Boarding fees
- Uniforms, books etc
- Fares from and to home for children boarding away from home
- Child care fees paid to a registered child care centre
- Fees for extra-curricular activities

**Note: Excludes tertiary HECS liability**

4.5 Private Health Fund Contributions relating to the clergy person and his/her family.

4.6 Personal Insurance of the clergy including where applicable life insurance, stipend continuance insurance, professional indemnity and public risk insurance.

4.7 Professional Development, Education, Ministry and Office Expenses including:

- Clerical Clothing
- Conference, seminar and course fees
- Travel expenses, accommodation and meal expenses relating to attendance at courses
- Office furniture and equipment including computers
- Subscriptions to professional bodies
- Books, journals, magazines and other resources for ministry

## **5 TAXATION**

5.1 Expenses that are paid or reimbursed from a Benefit Account cannot normally be claimed as an income tax deduction.

5.2 Certain FBT exempt benefits are considered for the purposes of determining eligibility for some Centrelink benefits.

**It would be advisable for clergy considering participating in this remuneration packaging scheme to consult their tax adviser and/or financial planner.**

## **6 OPERATION OF THE BENEFIT ACCOUNTS**

6.1 On an annual basis, before commencement of the tax year, clergy are to advise the Diocese in writing, on the relevant form, of the elements of their annual remuneration they require to be packaged and the estimated make-up of the benefits to be paid. On a monthly basis, one twelfth of the annual amount will be deducted from the clergy member's stipend and/or allowances and credited to a Benefit Account in the name of the clergy member.

## **DIOCESAN COUNCIL POLICY 10.2**



6.2 Clergy members may arrange for regular payments such as loan repayments, rentals, leasing charges and private health fund contributions to be made directly from the Benefit Account.

6.3 Where practicable this system will be extended to education fees.

6.4 Other expenses are to be paid by the clergy member and submitted monthly to the Diocesan Office or the outsourcing agency for reimbursement, together with supporting tax invoices/receipts etc (see Method of Reimbursement – section 7). Reimbursements will be debited to the Benefit Account.

6.5 Current legislation allows any GST included in payments made through this system to be claimed by the Diocese as an input credit, provided a valid tax invoice is submitted. In these circumstances the clergy member's Benefit Account would be debited only with the ex GST cost.

6.6 The Benefit Account balance must always remain in credit. This may require some careful planning so that large annual payments do not overdraw the Account. The Account may need to accumulate some funds before payments are made. Claims that exceed the available balance cannot be processed and will be returned to the clergy member.

6.7 For reconciliation purposes, statements showing the transactions that have gone through the Benefit Account will be provided at least every 6 months.

6.8 If clergy resign or transfer, the balance in their Benefit Account will be paid through the payroll as stipend, such payments being subject to PAYG income tax deductions and liability.

6.9 In case of death, the balance in the Benefit Account will be paid to the estate of the clergy member and will be liable to income tax.

### **7 METHOD OF REIMBURSEMENT**

7.1 Reimbursement of expenses may only be made by the following process:

- The clergy member pays the expense directly, obtaining a tax invoice or other satisfactory evidence of the expense.
- The clergy member submits a duly signed standard claim form to the Diocesan Office or the outsourcing agency for reimbursement on a monthly basis.
  - Claims must have original valid tax invoices / receipts attached.
  - Claims cannot be submitted for ineligible items or for expenses that have not yet been incurred.
  - Claims for amounts in excess of the account balance will not be processed.
- Eligible expense claims will usually be reimbursed directly to the bank account nominated by the clergy member.



## **CLERGY AND LAY MINISTRY WORKERS - REMUNERATION PACKAGING (STIPEND SACRIFICE)**

Approved by: Diocesan Council  
Review due

23 November 2016  
23 November 2019

### **1 INTRODUCTION**

One of the more common issues that has been encountered in the Diocesan Office is that of stipend sacrifice. This system is misunderstood and perceived to be overly bureaucratic. The way this system works is set out below. Please feel free to contact the Chief Financial Officer, the Anglican Community Fund or the Accounts Department.

This document is intended to be a user-friendly guide, but, as it involves Australian taxation law it might not be all that easy to comprehend. Also the document cannot deal with your individual situation and so is intended as a general guide only. Staff at the Diocesan Office and ACF are not authorised taxation consultants and so you are strongly advised to speak with your accountant or financial adviser regarding your individual circumstances. Especially, if you are new to Australia, you will need to seek advice as the taxation system is complex.

### **2 OVERVIEW**

Stipend sacrifice is the Diocesan way of implementing a tax concession, allowed under the Australian Taxation Act, for clergy involved in the mission and ministry in the life of the Church. As it is a tax concession there are strict rules and limits and these need to be respected at all times so there is no threat the concession will be withdrawn.

This concession is also available to Lay Ministers in the diocese as long as they are licenced by the Archbishop and are paid through the Diocesan payroll

Stipend sacrifice can only be accessed by those in active stipended ministry.

### **3 POLICY**

The appropriate Diocesan Policy is Policy 10.2 *Clergy and Lay Ministry Workers - Remuneration Packaging* which has been carefully drafted to respect the agreement between various churches and other religious bodies of Australia, the Federal Government and the Australian Taxation Office. Working outside the policy would expose the Diocese to heavy risk, from the Australian Taxation Office, and this would apply to the individual members of clergy or laity also. The Australian Taxation Office may also withdraw this privilege.

## DIOCESAN COUNCIL POLICY 10.2



You are encouraged to read the Policy, in the first instance, for any questions about stipend sacrifice especially section 4, which covers allowable expenses

Everything from here on must be read in light of the policy and, for the reasons already outlined, the policy will be closely followed. In making any decisions under the policy the Diocesan staff will be careful to interpret the policy in such a way to conform to all legal requirements.

### 4 PROCEDURES

The procedures in place are needed to ensure not only that everything is legitimate but that everything is documented as being legitimate

There are two main ways to use a stipend sacrifice account. Both will need to be signed-off by Diocesan staff as being within the policy prior to any claim being paid out.

#### a Method One – Reimbursement

When an expense is incurred that is an eligible benefit under section 4 of the policy, then the participant in the scheme pays the account and received a tax receipt with the amount paid in GST clearly displayed.

The claimant then bundles all tax receipts together and a completed claim form and sends them to ACF. This may be done personally, by mail or electronically. ACF will then seek approval from the authorised Diocesan Staff. Once approval has been granted the claim will be paid from the stipend sacrifice account.

Claims must be lodged at ACF no later than Thursday morning to enable claims to be settled by close of business on Friday

Monthly, at the time of payment of stipends, the GST amounts associated with each claim will be repaid. For an explanation of GST repayments please see below in the section headed Frequently Asked Questions.

#### b Method Two – Direct Debit

The method is for the more regular expenses such as motor vehicle repayments, insurance, school fees and other regular allowable payments which use either direct debit or direct credit electronic payments.

Once approved, ACF can make these regular payments from your stipend sacrifice account. It will be your responsibility to ensure that ACF has the correct details to make the payments on your behalf. Any changes to the amounts to be paid must be notified to ACF as soon as practically possible.

Again, you will need to ensure the GST amounts are clearly shown so the appropriate repayment can be made to you.



**5 FREQUENTLY ASKED QUESTIONS**

**a How much can I pay into my stipend sacrifice account?**

The maximum amount that can be paid into your stipend sacrifice account is 30% of your regular stipend plus the full value of any allowances you may receive.

The 30% amount is as a result of negotiations with the Australian Taxation Office and the Churches.

Allowances may be paid into the account in full to allow expenses to be met on a tax free basis, as agreed with the ATO

There will be no exceptions to this pay-in limit.

To determine the amount that should be paid into your stipend sacrifice account, it is simply a matter of totalling up your annual allowable expenses and make regular monthly payments to the account to cover the expected expenses.

The amount to be paid into your account is to suit your individual circumstances and not based on what others may do. The Diocesan staff are available to give general advice surrounding the amount to be paid into your account.

**b Are there any other limits to my stipend sacrifice account?**

The stipend sacrifice account cannot be overdrawn. If claims or payments from your stipend sacrifice account are made and there are insufficient funds in the account, the claim or payment will be rejected.

It is preferred that your stipend sacrifice account is kept at a reasonable level. The preferred level is below \$10,000. Should your account exceed this level it is recommended that payments into the account be at a reduced rate, or even stopped temporarily to the account to return to a reasonable level. If the amount in the account is not used for approved stipend sacrifice purposes it will need to be paid back to you through the payroll system. This will attract the necessary taxation to be deducted from the payment and under existing taxation law this will create a substantial problem.

**c What can I claim?**

Claims under stipend sacrifice will usually fit into one of three categories:

- Expenses that are allowed under the policy
- Personal expenses that are not allowed under the policy
- Expenses that should be met by the Diocese, parish or agency

The first category is self-explanatory and if there are any doubts please contact a member of the Diocesan staff as listed below.

Items of expense not covered by the Policy are regarded as personal and are not allowable as stipend sacrifice claims. If you have a claim rejected, you will receive a note explaining the rejection. If you wish to question the decision, please contact a member of the Diocesan staff, whose contact details are listed below.

## DIOCESAN COUNCIL POLICY 10.2



Under the third category, items such as repairs to the Church, rectory or other parish property are not allowable. Such expenses should be directed to either the parish or Diocese as appropriate.

**d Can I claim the expenses paid under stipend sacrifice as a tax deduction?**

No, this is not allowable. Stipend sacrifice is a tax-free benefit. Therefore, to claim it as a tax deduction would be *double-dipping* which is illegal, and penalties will apply.

**e If I have a car or a house supplies as part of my stipend package, can I claim a second car and house as part of stipend sacrifice?**

For cars the policy is specific. The vehicle must be used for your usual duties of mission and ministry. So, the answer is no, a second vehicle may not be claimed under salary sacrifice. If you gave two vehicles that you use for mission and ministry you must choose which is the primary vehicle and stipend sacrifice claims can be made against that vehicle only.

For housing, the Policy allows for one house only to be the subject of stipend sacrifice claims. It should be noted there are taxation implication for investment properties. Professional taxation advice should be sought in these circumstances (See section 4.1 of Policy 10.2) Questions of eligibility for claiming housing other than the primary place of residence should be directed to the Diocesan Director of Finance.

**f Why is GST refunded?**

Under Australian Taxation law, the Church is exempted from paying GST. Provided the expense claimed is allowable under the policy the Diocese can then claim a rebate for the GST attributed to the claims either paid or reimbursed by the Diocese. The amount of the GST is then refunded to the claimants. This arrangement is in accordance with Australian Taxation law

**g How long does it take to settle the stipend sacrifice claim?**

If there are no questions relating to the claim and if it is submitted by Thursday morning with will be paid into your designated account by the close of business the following day (Friday).

If there are questions with the claim it may be held up to the following week. The earlier in the week the claims are submitted the more time is available to resolve the issues prior to payment being made at the end of the week.

**h What happens to my stipend sacrifice account upon resignation or retirement from the Diocese?**

Prior to resignation or retirement from the Diocese your stipend sacrifice account should be run down as low as possible. Any money left in the account will be paid to you through the Diocesan payroll. Tax will be payable on the residual amount of the account and deducted from the amount due to you.



## DIOCESAN COUNCIL POLICY 10.2



### i Where can I get further information and help?

- **Diocesan payroll**

The Diocesan payroll officer can be contacted by:

Phone: 9325 7455

Email: [payroll@perth.anglican.org](mailto:payroll@perth.anglican.org)

Help can be given about changing the amount you wish to pay into your stipend sacrifice account and other general payroll enquires.

- **Accounts**

Diocesan accounts staff can be contacted by:

Phone: 9425 7200

Email: [accounts@perth.anglican.org](mailto:accounts@perth.anglican.org)

After reading the Policy if you are still unsure if your proposed claim is allowable please contact the Diocesan accounts staff. If the query is relatively straight forward you may get an immediate answer. If the query is more complex it may take a day or so to get an answer for you.

- **Anglican Community Fund**

For questions relating to account processing please contact the staff at ACF:

Phone: 9325 4182

Email: [info@anglicanmf.com.au](mailto:info@anglicanmf.com.au)

The staff at ACF can help you with the required documentation for stipend sacrifice claims, direct debits or other banking arrangements. All other questions should be directed to the appropriate contacts as shown above.