

About your Remuneration and related benefits

A Guide for Parish Clergy
in the Diocese of Sydney

▶ January 2006

SDS CLERGY
SERVICES



The remuneration of a minister, senior assistant minister or assistant minister who serves in a full-time capacity in a parish consists of:

- a stipend
- a motor vehicle, travel benefit or travel allowance
- housing or a housing benefit
- expenses such as utilities (telephone, electricity and gas), hospitality, computers, books and conferences
- contributions to a superannuation fund
- annual leave, long service leave and income protection cover

This brochure explains these elements and indicates where further information can be obtained. It also explains the taxation rules applicable to your remuneration.

This brochure applies only to clergy who serve in a parish on a full-time basis. The principles set out in this brochure (in particular, the taxation rules) might not apply to part-time clergy, clergy serving in other ways in the Diocese, or lay people in ministry service.

If you need further information regarding your stipend, allowances or benefits, please contact SDS ClergyServices.

► **How much is the stipend and how is it paid?**

You and the churchwardens of your parish need to agree on the amount of your stipend. You should refer to the minimum recommended stipends for parish clergy that are determined by the Standing Committee of the Synod each year.

The stipend paid to you should be greater than the minimum recommended stipend where possible, especially if:

- (a) you have more than 2 children, and/or
- (b) conducting weddings and funerals puts abnormal demands on your time.

The amount by which the stipend should be increased should be negotiated by you and the churchwardens of your parish.

Stipends are usually paid monthly by the parish and should be paid no later than the 15th day of the month.

Tax treatment of stipends

Your stipend is assessable income. The parish will make “Pay As You Go” (PAYG) tax deductions from your stipend at the required rate, and forward them to the Tax Office. Your parish will issue you with a PAYG payment summary soon after the end of each tax year (that is, soon after 30 June) which specifies the total of the deductions forwarded.

What are stipend sacrifice arrangements?

A stipend sacrifice arrangement is an agreement between you and your parish in which you forego a portion of your cash stipend and, in return, the parish makes payments to third parties on your behalf, or provides other non-cash benefits.

Stipend sacrifice arrangements are beneficial because the tax rules for the payment of a stipend are different to those for the provision of non-cash benefits. While your stipend is taxable, the value of non-cash benefits provided is not. Therefore if non-cash benefits are provided in lieu of a portion of your stipend, the effective value of your remuneration is increased, without cost to your parish.

Note: While non-cash benefits are tax-free, the value of many of those benefits is taken into account when assessing your eligibility for various social security payments. You should seek independent advice about this.

Limits on stipend sacrifice arrangements

Current tax legislation does not limit the amount of the stipend that can be sacrificed under stipend sacrifice arrangements. However, reasonable limits need to be observed.

The portion of the stipend sacrificed should not exceed 30% of the recommended minimum stipend. You need to determine the actual amount to be sacrificed (up to the recommended maximum 30%) in consultation with the churchwardens.

Current tax legislation does not limit the types of expenses which can be paid to third parties on your behalf. However, reasonable limits need to be observed. Guidelines are set out in the 'How do ministry expense accounts work?' section in this booklet.

► What are the rules for motor vehicles and travel?

You should be provided with either the use of a motor vehicle owned and maintained by the parish to perform your duties, or a travel benefit or travel allowance.

Motor vehicle owned by the parish

If the parish provides a fully maintained motor vehicle, the terms under which you may use the vehicle (including such factors as mileage and use during leave) should be documented.

The provision of a motor vehicle owned and maintained by the parish is tax-free.

Your own motor vehicle

If you are not provided with a motor vehicle, you should receive a travel benefit or travel allowance calculated according to the scale determined each year by the Standing Committee.

The parish may provide travel benefits (which may be paid into a Ministry Expense Account (MEA)) either by making payments direct to a third party or reimbursing you for agreed travel expenses. Travel benefits are tax-free.

Any other amounts paid to you in cash are considered to be allowances. An allowance is taxable and PAYG deductions usually need to be made. However, you may be able to claim deductions for travelling expenses in accordance with tax legislation.

Generally, you cannot claim personal tax deductions for expenses paid by a parish. However you may be able to claim personal tax deductions for the depreciation of any of your own assets used to perform your ministry duties.

▶ What are the rules for housing and accommodation?

A parish must own and maintain a residence approved by the Archbishop for the use of its minister unless it is a recognised church. Alternatively, the Archbishop may approve an arrangement for a minister to live in another residence.

If you are not provided with the use of a residence, your parish should provide an accommodation benefit or pay a housing allowance of an amount agreed by you and the churchwardens.

A parish may provide an accommodation benefit by:

- making rent payments directly to a landlord for the property in which you reside, or
- making loan payments directly to the lending authority from which you took out the loan to acquire the property, or
- reimbursing you through an MEA for any payments you make to a lending authority for a loan taken out to acquire the property.

The provision of a residence or accommodation benefit is tax-free.

A housing allowance is taxable and PAYG deductions must be made. Generally, you cannot claim personal tax deductions for the expenses paid using a housing allowance.

► **Who pays for utilities, hospitality, computers, books and conferences?**

You and your parish should agree on the extent to which it will pay for these expenses. The following guidelines are recommended:

- the parish pays for a portion of your electricity and gas expenses if your residence is used for parish business
- the parish pays your telephone expenses for line rental and parish calls
- the parish pays your hospitality expenses where a clear ministry of hospitality is exercised
- the parish pays an agreed amount for your books and conferences where these costs clearly relate to your ministry
- the parish provides the computer and office equipment required for your duties

Guidelines for making these payments

The parish can pay the agreed expenses directly and then be reimbursed by you for any personal expenses. Alternatively you can pay the agreed expenses and then be reimbursed by the parish into an MEA.

The direct payment or reimbursement of expenses is tax-free.

The parish may determine to pay you an agreed allowance for these expenses. This allowance is taxable, and PAYG deductions usually need to be made. However, you may be able to claim deductions for any expenses you incur.

▶ How do Ministry Expense Accounts work?

Ministry Expense Accounts keep track of ministry related expenses.

The following are the only expenses that will be paid by a parish on your behalf from an MEA:

- the purchase, financing and operation of a motor vehicle used for ministry purposes
- local, domestic or international travel related to your pastoral duties and professional development
- local, domestic or international travel for your spouse and/or children when they accompany you or your spouse on ministry related matters
- costs incurred by your spouse while representing you on ministry related matters
- the upkeep of the residence in which you live (e.g. electricity, water, gas, building insurance and maintenance)

- education, professional development, supervision, mentoring and professional debriefing costs, including, but not limited to books, tapes, conference fees, and camps
- ministry related expenses including, but not limited to telephone, fax, subscriptions, periodicals, newspapers, computer software and hardware, home office furniture, equipment and supplies, clerical shirts, hospitality and cleaning costs and gifts made for ministry purposes
- additional payments to your superannuation fund
- education expenses (excluding tertiary education) for your children.

Administrative arrangements

The MEA need not be a separate bank account: it can be a separate ledger account in the churchwardens' accounts. If a separate bank account is used, you may be a co-signatory (with, for example, one or more of the churchwardens) but not the sole signatory.

Any balance in the MEA is the property of the parish. However, the parish will record in its accounts a liability "owing to the member of the ministry staff" for the balance in the MEA. If a separate bank account is not used, the churchwardens will record the same liability and ensure that the balance in the parish's bank account is sufficient to cover the liability.

The parish will keep all receipts for ministry related expenses for at least 5 years so the parish can prove their payments to you were for reimbursement, should you or the parish become the subject of a tax audit.

The accumulated balance in an MEA is to be carried forward from year to year. Over a number of years this balance may grow to a sizeable sum, and be used to pay for major ministry related expenses such as a new motor vehicle.

If ministry related expenses are paid or reimbursed to you from an MEA, the benefit is tax-free. The value of the benefit does not need to be reported on the PAYG payment summary provided to you at the end of each tax year.

If you move to another parish, any balance of the MEA that has not been paid into the MEA operated by your new parish is to be paid to you and will be subject to tax.

If you resign or retire, any balance of the MEA that has not been used to meet expenses is to be paid to you. This payment will be subject to tax, although concessional treatment for retirees may be available in some circumstances.

If you die, any balance of the MEA is to be paid to your estate. This payment will be subject to tax, although concessional treatment may be available in some circumstances.

▶ **Which superannuation contributions are payable to me?**

Contributions are made to a superannuation fund on your behalf at the rate determined by the Standing Committee. Currently, the rate is 17% of the recommended minimum stipend for ministers (in the case of ministers, and assistant ministers with 7 or more years of service) and 3rd/4th year assistant ministers (in the case of other assistant ministers).

More information regarding superannuation, including choice of superannuation fund, is set out in the “About your Superannuation” brochure.

▶ **What is my entitlement to annual leave?**

Under the Annual Leave Ordinance 1983, you are entitled to 4 weeks of annual leave for each year that you are licensed to your parish. The Ordinance sets out a number of other rules regarding annual leave.

More information regarding annual leave is set out in the “About your Annual Leave” brochure.

▶ **What is my entitlement to long service leave?**

Under the Long Service Leave Canon 1992, you are entitled to 10 weeks of long service leave for every 10 years of service. The Canon sets out a number of other rules regarding long service leave.

More information regarding long service leave is set out in the “About your Long Service Leave” brochure.

▶ **Is income protection cover available?**

You are not a “worker” for the purposes of the Workers’ Compensation Act and, accordingly, are not entitled to benefits under that Act. If you are unable to perform your duties due to sickness or accident, your parish must continue to pay or provide your remuneration until you recover or another course of action, such as early retirement or a superannuation payout, can be mutually agreed on.

Should you become totally and permanently disabled, income protection benefits are provided through the Stipend Continuance Plan. More information regarding the Plan is set out in the “About your Income Protection” brochure. You should read this information and consider the Plan’s adequacy for your specific circumstances and needs. If it is not adequate you should consider contacting a financial or insurance adviser to arrange other cover.

The Plan does not cover your medical expenses, so you should ensure that you have adequate medical and hospital cover from another provider at all times.

Limited claims for medical expenses incurred following an accident occurring in the course of your normal ministry duties can be made with the Diocesan Sickness and Accident Fund. For more information contact SDS ClergyServices.

▶ **Part-time clergy**

The rules applying to clergy who are serving in a parish on a part-time basis are different in some respects. For more information, please contact SDS ClergyServices.

▶ **Who can I contact for more information?**

If you have any questions, please contact your bishop or archdeacon or SDS ClergyServices on 9265 1555.



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