

Streamline Minister's Stipend & Discretionary Benefit Payments For Anglican churches within the Sydney Diocese

The processing of minister's pay has changed over the years, new law's & processes. Make sure you are using the current and most streamline Minister's Stipend & Minister's Discretionary Benefit Account payments methods.

The Law

The Fringe Benefits Tax Assessment Act 1986 taxes the provision of fringe benefits provided to employees by their employers.

Fringe benefits are the provision of such things as - motor vehicles, housing, hospitality, subscriptions, and other non-cash employment benefits.

The Fringe Benefits Tax Assessment Act 1986 makes special provision for 'religious institutions'. This exempts the employer from the obligation to pay this tax where:

- the employer of the employee is a religious institution, and
- the employee is a religious practitioner, and
- the benefit is provided principally in respect of duties of the employee
- engaged in
 - any pastoral duties; or
 - any duties or activities that are related directly to the practice, study, teaching or propagation of religious beliefs.

Whilst the church is exempt from payment of FBT on benefits provided to a "religious practitioner" where the conditions described above are met, it is still not exempt from an ATO audit to ensure compliance with the Act. The financial records, including paid invoices for expenses, need to be readily available.

The Guidelines for the Remuneration of Parish Ministry Staff for 2022 the Standing Committee, Diocese of Sydney states:

5. Elements of remuneration

5.1. The remuneration paid or provided by a parish to a member of the ministry staff for their pastoral or related duties normally includes the following elements –

- (a) the payment of a stipend (up to 40% of which may be sacrificed to a MDBA);
- (b) contributions to a superannuation fund;
- (c) the provision of housing or a housing benefit, or the payment of a housing allowance;
- (d) the provision of a fully maintained motor vehicle or a travel benefit, or the payment of a travelling allowance;
- (e) the payment of ministry related expenses such as utilities (gas, electricity and water), telephone (including mobiles) and internet charges, hospitality expenses, professional development costs, computer and office equipment, and other expenses pursuant to section 10;
- (f) the provision of annual leave, long service leave and other forms of leave, in certain circumstances.

Limits on stipend sacrifice arrangements

6.15. This arrangement only applies to rectors, assistant ministers, and lay ministers as defined in [section 3](#) of these Guidelines. The definition of “religious practitioner” in the *Fringe Benefits Tax Assessment Act* and the characteristics required of a “minister of religion” under the relevant Taxation Ruling may make it difficult for some other ministers to qualify, particularly if their work is not predominantly ministry related. It is recommended that in cases of doubt, the wardens refer to [Taxation Ruling – TR 2019/3](#) and seek professional advice.

Tax exempt benefits

While it is technically possible to pay 100% of a pastor's remuneration as tax-exempt benefits the Sydney Diocese has recommended 40% of a minister's stipend should be the maximum that is reasonable to separate for fringe benefit payments.

A Minister's Discretionary Benefit Account

11.1 In the case of a member of the ministry staff a Minister's Discretionary Benefit Account (MDBA) is a convenient way of accounting for the aggregate amount of each of the following benefits provided by the parish

- (a) Housing and accommodation benefits. Refer [section 8](#).
- (b) Motor vehicle and travel benefits. Refer [section 9](#).
- (c) Ministry Related Expense Benefits: Utilities, Hospitality, Computers, Books & Conference Costs. Refer [section 10](#).
- (d) Stipend sacrifice arrangements (up to 40% of the agreed stipend). Refer [section 6](#).

Use of Minister's Discretionary Benefit

11.2. All amounts transferred to a MDBA, for whatever reason (e.g., housing benefits, travel benefits, ministry related expenses and stipend sacrifice amounts), form one single pool of funds and may be used to provide a benefit to the member of the ministry staff by the direct payment or precise reimbursement of expenses, or by making a donation (e.g., parish offertory, CMS, etc). The nature of the expense paid is at the full discretion of the member of the ministry staff and does not need to be related to ministry activities or be approved by the Parish Council.

“The benefit can include any benefit provided to the religious practitioner or his or her spouse and children. The benefits may be related to a religious practitioner's pastoral duties, such as a car used for pastoral duties, or may be private benefits in nature, such as the payment of a holiday or children's school fees.”

Australian Taxation Office's Ruling Compendium (Issue No. 10) relating to TR 2019/3



Debit/Credit Cards

Some parishes make use of a dedicated credit/debit card for those expenses which may be paid from the Minister's Discretionary Benefit Account and have found that this simplifies the administration of the Minister's Discretionary Benefit Account. The member of the ministry staff holding that card should supply the original tax invoices supporting charges on the card to the parish to support the latter's claim for both reimbursement and input tax credits.

We recommend the Community Banking Sector Not For Profit Debit MasterCard:

<https://www.bendigobank.com.au/globalassets/documents/business/notforprofit/b-packaged-fact-sheet.pdf>

Documentation

43D.an employer does not need to hold a tax invoice to claim an input tax credit in relation to the provision of 'meal entertainment' and 'entertainment facility leasing expenditure' to the employee from the use of a card provided such benefits are a GST-creditable benefit with a GST-inclusive value of \$82.50 or less. However, the employer must have records to explain its entitlement to an input tax credit for a creditable acquisition for the purposes of section 382-5 of Schedule 1 to the *Taxation Administration Act 1953*.

Martin Thearle, Manager, Diocesan Finance says:

"Yes. Bendigo's Community Sector Banking b-packaged with debit Mastercard looks like a good product to manage MDBA payments. I agree the debit card statement itself can probably suffice for the GST refund claim on purchases less than \$82.50, although tax invoices will still be needed for anything over this amount and the parish may prefer to ask for all invoices in order to just have a single system and to be sure they have correctly identified GST (particularly on food-related purchases). Of course the parish will still need to decide whether it wishes the minister to restrict their use of the amount in their MDBA to the list of things in para 11.2 of the Remuneration Guidelines. If they do wish to apply those restrictions they may need to undertake a review of the items purchased after the event and be prepared counsel the minister if they find things have been purchased outside that range."

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