



Motor Vehicle Purchasing Guidelines for Parishes and Parish Ministry Staff

September 2009

Introduction

Before proceeding, please read the Diocesan guidelines about the payment or provision of travel allowances and benefits as detailed in the latest [Guidelines for the Remuneration of Parish Ministry Staff](#) which can be accessed by clicking [HERE](#).

HINT

Keep the method of financing as simple as possible and make sure that there are clear lines of communication between ministry staff and the wardens/parish council throughout the process.

Common motor vehicle financing methods

Car Loan (or Secured Personal Loan)

A car loan is one of the simplest ways to finance a new (or used) car.

A car loan differs from a general personal loan in that it is secured against the car. This means that when the vehicle is disposed of (sold, traded in, or written off by the insurance company) the car loan must be paid out.

The advantage is that interest rates are generally less for car loans than that for a personal loan. This is because the finance company or bank views it as less of a risk than a personal loan due to the fact that if the parish ministry staff member defaults on the car loan, the finance company or bank, as a last resort, may attempt to repossess the car (to recover the balance owed).

Car loans are generally taken out by individuals as opposed to the parish and can be used to finance the full cost of the purchase including the on-road costs, insurance, warranties and even loan protection for the car loan itself.

A car loan is paid off by regular repayments which depend on the amount borrowed, the term (generally between 4 to 7 years), the interest rate and, if applicable, the residual (remaining amount on the car loan at the end of the term). Often financiers or banks offer different types of car loans and can lend for new cars and used cars.

Recommended payment method:

The Parish should pay the finance company or bank directly from the travel benefit or allowance in the MEA of the parish ministry staff member.

Novated Lease

A Novated lease is a three-way agreement between the employer, employee and finance company which requires the employer to meet the terms of the lease arrangement for the duration of the lease or until the conclusion of the appointment or employment within the parish, should this occur during the term of the lease.

As with other leasing structures, repayments with a novated lease are flexible and amounts depend on the term, interest rate, amount borrowed and the residual payment.

With a novated lease agreement, the parish ministry staff member owns the vehicle and has the right to take it at the end of the appointment (for ordained ministry staff) or employment (for other staff) with the parish.

In addition, the time and costs associated with the management and disposal of the motor vehicle are not the parish's responsibility. Conversely, on termination of the employee's employment (or appointment), the responsibility of the vehicle is passed on to the parish ministry staff member.

Recommended payment method:

The Parish should pay the finance company directly from the travel benefit or allowance in the MEA of the parish ministry staff member.

Commercial Hire Purchase Agreement

A Commercial Hire Purchase ('CHP') Agreement is simply a contract where the financier (the 'owner') allows the parish ministry staff member (the 'hirer') the right to possess and use a motor vehicle in return for regular payments.

A balloon payment (a final payment made at the end of the term - ideally this payment should be no more than the estimated value of the car at that time) is optional with a commercial hire purchase agreement.

When the final payment of the commercial hire purchase is made, the title to the goods is transferred to the parish ministry staff member.

Recommended payment method:

The Parish should pay the finance company directly from the travel benefit or allowance in the MEA of the parish ministry staff member.

Accumulated Funds in an MEA

A parish ministry staff member can elect to use all (e.g., outright purchase) or part (e.g., for a deposit or payment of a residual under a novated lease arrangement) of the funds accumulated in an MEA to purchase a car.

Recommended payment method:

The Parish should pay the car dealer, seller, finance company directly from the travel benefit or allowance in the MEA of the parish ministry staff member.

IMPORTANT

The Wardens and/or the ministry staff member are responsible for ensuring that they take any necessary legal or taxation advice before entering into any of the above arrangements.

Stamp Duty

In the past there has been advice that motor vehicles should be registered in the parish ministry staff member's name for and on behalf of the parish. This enables the vehicle to be registered without payment of stamp duty on the basis of the parish's exemption from stamp duty. In some cases it also enables dealers to offer government pricing on the vehicle due to manufacturer rebates that may be made available to them.

In 2008, the RTA changed its policy so that it is no longer possible to register a vehicle in this way. Vehicles now need to be registered in the parish ministry staff member's own name with the name of the entity holding the stamp duty exemption (usually a parish but sometimes a church) entered in the "Courtesy Name Field" in the RTA's registration system.

The RTA has advised that they will still honour the stamp duty exemption given to parishes if the parish name is entered in the "Courtesy Name Field".

The RTA has advised that they are sending an internal circular to Registries on the matter. Nonetheless, individual RTA officers may not be familiar with the procedure as they would see very few applications for registration from unincorporated entities (such as parishes). If you do encounter difficulty in registering a vehicle the parish or ministry staff member may wish to suggest to the RTA officer that they call the RTA's Registration Policy Division to confirm the new arrangements.

The stamp duty exemption form (ODA 006 – 08/01) can be downloaded from the Office of State Revenue web site by clicking [HERE](#).

If you have any particular questions on stamp duty issues only please contact Steve Lucas, Manager, Legal Service on 9265 1647 or email szl@sydney.anglican.asn.au.

NOTE: The cost/benefit of seeking stamp duty exemption should be considered, as from experience it is not always a simple process!

Goods and services tax ('GST')

A parish is entitled to claim input tax credits in respect of payments made from the Minister's Expense Account (MEA) operated for the benefit of ministers and assistant ministers where the payments are for 'ministry related' expenses as explained in section 10 of the annual Guidelines for the Remuneration of Parish Ministry Staff. In this section the terms minister, assistant minister and lay minister rely on the definitions contained in that document, and it is assumed that the MEA is operated in accordance with the recommendations in those Guidelines.

For the purposes of the GST Act an activity of a religious practitioner done in the pursuit of his or her vocation as a member of a religious institution will be treated as though it were an activity of the religious institution (section 50-5).

Furthermore, it may be argued that providing a benefit to the minister is part of the 'enterprise' of the parish. If this is the case, therefore, where a payment from an MEA (either reimbursing a minister, assistant minister or lay minister, or paying a third party direct) is supported by a tax invoice or is for a price less than \$55 the parish may be entitled to an input tax credit in respect of that payment, regardless of the nature of that payment.

It is recommended that wardens and parish treasurers also refer to the [GST – A Guide for Parish Treasurers](#) in relation to the GST impact when selling a parish owned motor vehicle.

GST treatment under certain car financing arrangements:

Novated Lease

GST is charged on the monthly lease rental and as long as the parish is registered for GST, they can claim this back as an input tax credit. GST is also charged on the residual value on the lease, and as the novation reverts back to the ministry staff member at the end of the lease, they are responsible for paying the GST.

Commercial Hire Purchase Agreement

Where the parish is registered for GST, they can apply input tax credits to claim some or all of the GST contained in the purchase price of the vehicle. Parishes can generally claim the GST as a lump sum on their next Business Activity Statement (BAS). GST is not charged on the monthly repayment or on the balloon (final instalment) amount paid.

NOTE: If your parish claims GST on a 'cash basis' (identified on your BAS form under 'GST Accounting Method') then the GST is claimed in equal amounts over the period of the agreement and included each time you lodge a BAS form.

Car Loan (or Secured Personal Loan) and Accumulated Funds in an MEA

Where the parish is registered for GST, they can claim some or all of the GST contained in the vehicle price as soon as they lodge their next BAS, rather than over the term of the loan.

Further information

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