



# ABOUT YOUR REMUNERATION AND RELATED BENEFITS

## A guide for parish clergy in the Diocese of Sydney

The remuneration of a minister, senior assistant or assistant minister who serves in a parish consists of –

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

This brochure explains each of these elements and indicates where further information can be obtained. It also indicates the taxation implications of the various elements of your remuneration.

This brochure applies primarily 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 some part-time clergy, clergy serving in other ways in the Diocese, or lay people in ministry.

If you need further information regarding your stipend, allowances or benefits, please contact the Parish Support Manager.

### How much is the stipend and how is it paid?

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

Parishes are encouraged to pay more than the recommended minimum stipend if you have more than 2 dependent children. The amount by which the stipend should be increased should be negotiated by you and the wardens (in consultation with parish council).

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 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 from 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 additional 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 your stipend sacrificed (usually to a Minister's Expense Account (MEA)) should not exceed 40% of your minimum stipend. You need to determine the actual amount to be sacrificed (up to the recommended maximum 40%).

Current tax legislation does not limit the types of expenses that can be paid to third parties on your behalf. However, reasonable limits need to be observed. Guidelines are set out in the 'How do Minister's Expense Accounts work?' section below. An additional amount of your stipend beyond the 40% recommended maximum can be sacrificed as voluntary superannuation contributions.

## 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 an MEA), either by making payments direct to a third party or reimbursing you for approved travel expenses. Travel benefits provided this way may be 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 travel expenses in accordance with tax legislation.

You cannot claim personal tax deductions for expenses paid by a parish included in expenses paid from an MEA. 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 rector, unless it is a recognised church. Alternatively, the Archbishop may approve an arrangement for a rector to live in another residence.

If any other full time member of the ministry staff is not provided with the use of a residence, the parish should provide an accommodation benefit or pay a housing allowance of an amount agreed between the ministry staff member and the parish council.

A parish may provide an accommodation benefit to a member of the ministry staff 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. Any other amounts paid to you in cash are considered to be an allowance.

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 council 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 activities
- the parish pays your telephone expenses (including mobile phones) for line rental and parish calls and any parish related internet services
- 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 software and hardware 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 expense directly and then be reimbursed for any parish expenses.

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

The parish council 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 Minister's Expense Accounts work?**

Minister's Expense Accounts (MEA) keep account of ministry related expenses, allowances, benefits and other stipend sacrifice amounts.

The Standing Committee recommends that only the following expenses are to be paid by a parish on your behalf from an MEA –

- Expenses in relation to the purchase, financing and operating costs of a motor vehicle (including a bicycle) used for ministry purposes; expenses for local, domestic or international travel related to the pursuit of the member of the ministry staff's pastoral duties and professional development; expenses of the member of the ministry staff's spouse and/or children in directly accompanying the staff member or spouse on ministry related matters; and expenses of the member of the ministry staff's spouse in representing the staff member on ministry related matters.
- Costs associated with the provision and upkeep of the residence in which the member of the ministry staff lives; e.g., rent, loan repayments, electricity, water, gas, council rates, insurances, security monitoring and building maintenance. Where a loan has a redraw facility any amount redrawn should not exceed the amounts previously repaid from sources other than the MEA.
- Education, professional development, supervision, mentoring and professional debriefing costs for the member of the ministry staff, including but not limited to books, DVDs, etc., conference fees.
- Ministry related expenses including but not limited to telephone, mobile, fax, internet connection, subscriptions, periodicals, newspapers, computer software and hardware, provision of home office furniture, equipment and supplies, clerical shirts and liturgical attire, hospitality and cleaning costs, gifts made in relation to ministry (e.g., parish offertory, CMS, etc.) and other expenses incurred in respect of a member of the ministry staff's duties.
- Education expenses of the ministry staff member's dependent children.
- Private health insurance premiums for the ministry staff member and family.
- Personal contributions to superannuation.



- Other expenses of the ministry staff member that are approved by the parish council.

*The provision of a MEA for part time ministry staff will need to be determined with the agreement of the parish council.*

## **Administrative arrangements**

The MEA need not be a separate bank account – but should be a separate ledger account in the wardens' accounts. If a separate bank account is used, the member of the ministry staff must not be able to operate the account solely on the basis of his or her own signature. The member of the ministry staff may be a co-signatory (with, for example, one or more of the wardens) but never the sole signatory. Where a separate bank account is maintained, amounts should be transferred to the MEA on a regular basis (i.e., when the stipend is paid).

Any balance in the MEA is the property of the parish. Similarly, any interest earned on the MEA (if a separate bank account) is church property and must be accounted for by the wardens, although in practice such interest may be added to the balance of the MEA for the benefit of the member of the ministry staff.

The parish must record a liability “owing to the member of the ministry staff” for the balance remaining in the MEA, or if a separate bank account is not used, the wardens must record the same liability and ensure that the balance in the parish's general bank account is sufficient to cover the liability.

It is important that ministry staff supply to the wardens or treasurer documents to support expenses claimed from the MEA. If such documents are not supplied the payment to the member of ministry staff should be treated as a taxable allowance. Such documents must be kept for audit purposes for at least five years so that if the member of the ministry staff or the parish is the subject of a tax audit, proof exists that payments to the member of the ministry staff were precise reimbursements for expenses incurred.

The accumulated balance in an MEA is to be carried forward from year to year. Over a number of years the MEA balance may build to a sizeable sum, and may be used to pay for major ministry related expenses, e.g., purchase of a new motor vehicle.

Ministry staff should be regularly updated on the available balance of their MEA.

If the member of the ministry staff moves to another parish, any balance of the MEA not paid into an MEA operated by the new parish must be paid direct to the member of the ministry staff after PAYG tax has been deducted

If the member of the ministry staff resigns, retires or dies any balance of the MEA not used to meet ministry related expenses is to be paid direct to the member of the ministry staff or their estate. This payment will attract income tax although concessional tax treatment may be available in some circumstances (professional advice should be obtained).

## **What superannuation contributions are payable on my behalf?**

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, senior assistant or assistant ministers having completed 6 or more years of service), or 17% of the recommended minimum stipend for 3rd/4th year assistant ministers (in the case of other senior assistant or assistant ministers).

You may wish to make additional contributions to your superannuation account. If these contributions are made as an additional stipend sacrifice they are not subject to PAYG income tax.

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?**

*Effective from 1 January 2018*, under the Long Service Leave Canon 2010, you are entitled to 10 weeks long service leave for the first 10 years’ service, then 5 weeks for each subsequent 5 years service. The Canon sets out a number of other rules regarding long service leave.

Entitlement accrued between 1 January 2015 and 31 December 2017 is at the rate of 1.3 weeks for each year of service.

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 provide your remuneration until you recover or another course of action, such as early retirement or a superannuation payout, can be mutually agreed on.

Limited claims for medical expenses related to an accident occurring in the course of your normal ministry duties can be made with the Diocesan Sickness and Accident Fund. Therefore, you should ensure that you have adequate medical and hospital cover at all times.

Should you become totally incapacitated, income protection benefits are provided through the Stipend Continuance Plan (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.

For more information contact the Parish Support Manager.

## **Part-time clergy**

The rules applying to clergy who are serving in a parish on a part-time basis are different in some respects. Part time service is recognised on a Full Time Equivalency (FTE) basis, with full time considered to be a 6 day working week.

For more information, please contact the Parish Support Manager.

## **What if I need more information?**

If you have any further questions, please contact: your bishop, or the Parish Support Manager by email at [clergyservices@sydney.anglican.asn.au](mailto:clergyservices@sydney.anglican.asn.au) or by telephone on 9265 1534.