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## CLERGY AND LAY MINISTRY WORKERS - REMUNERATION PACKAGING

Approved by Diocesan Council

dd mmm 2020

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### 1 OBJECTIVES

1.1 Diocesan Council seeks to:

- a. provide for remuneration packaging, 'salary' sacrifice or taxation concessions (benefits) within the bounds of what is proscribed by the Australian Tax Office (ATO), in taxation law, and what is morally right; to maximise the disposable income for clergy and lay ministry workers;
- b. ensure there is no abuse of the benefits allowed by Government; and,
- c. provide administrative processes and systems to make accessing the benefits as easy and cost effective as possible.

### 2 PRINCIPLES

2.1 The ATO and tax legislation has determined that benefits are available to registered religious institutions for religious practitioners.

2.2 The ATO and tax legislation defines religious practitioners as:

- a. a minister of religion,
- b. a student at an institution who is undertaking a course of instruction in the duties of a minister of religion,
- c. a full-time member of a religious order,
- d. a student at a college conducted solely for training persons to become members of religious orders, or
- e. lay persons commissioned to perform ministry.

2.3 Further to this, Diocesan Council limits benefits to lay and ordained people in:

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

2.4 The ATO and tax legislation require that benefits must be directly related to a religious practitioner, their spouse<sup>1</sup> or child<sup>2</sup> in respect of the practitioner's pastoral duties or any other duties relating to the practice, study, teaching or propagation of religious beliefs.

2.5 The ATO and tax legislation does not limit the amount of the stipend which can be packaged, but it is important that the Diocese exercises reasonable limits in order to maintain community standards and expectations. For this reason, the National Anglican Resources Unit (NARU) in consultation with the ATO has prepared guidelines for packaging and limited it to 30% of stipend and allowances plus personal superannuation contributions.

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<sup>1</sup> A spouse as someone who is either: legally married to you, or not legally married to you but lives with you on a genuine domestic basis in a relationship as a couple.

<sup>2</sup>A child is someone who: is less than 18 years old or is financially dependent on you and less than 25 years old, or has a disability. Furthermore, the child must be either your: biological child, adopted child, stepchild, or child of your de facto spouse.



### **3 POLICY**

- 3.1 Packaging will be centrally administered through Diocesan Office to ensure the principles in *Section 2* are applied.
- 3.2 Religious practitioners may package amounts equivalent to:
  - a. up to 30% of gross stipend, and
  - b. up to 100% of motor vehicle or travel allowance (if applicable), and
  - c. up to 100% of housing allowance (if applicable), and
  - d. personal superannuation contributions.
- 3.3 In considering the legislative requirement summarised at *Paragraph 2.4*, only those benefits outlined in *Section 4* are eligible to be packaged.
- 3.4 To participate in these arrangements Benefit Accounts must be established as outlined in *Section 5*.
- 3.5 Claims are to be submitted as summarised in *Section 6*.
- 3.6 Participants should seek independent advice concerning other tax implications as outlined in *Section 7*.
- 3.7 The Perth Diocesan Trustees are registered for the Goods and Service Tax (GST) and can recover GST paid where a valid tax invoice is provided by the supplier of a service or good that is packaged. When reimbursement of a benefit is claimed that includes an amount in respect of GST and is accompanied with a valid tax invoice, the religious practitioner will be reimbursed the full amount of the expense, the GST will be claimed back on their behalf by the Perth Diocesan Trustees and the religious practitioners Benefit Account will be debited the net GST exclusive amount.

### **4 PERMITTED EXPENSES**

- 4.1 The following are permitted expenses:
  - 4.1.1 **Housing** expenses relating to one home owned or leased by the religious practitioner (or jointly with spouse or child) including:
    - a. payments for the purchase of a house (which includes saving for a deposit);
    - b. fees and incidental expenses relating to acquisition of a home;
    - c. the costs associated with home improvements;
    - d. home loan repayments to a financial institution;
    - e. house and contents insurance;
    - f. rates, taxes and local authority charges, and,
    - g. rents payable to lessors.
  - 4.1.2 **Motor Vehicle** expenses relating to one motor vehicle owned or leased by the religious practitioner (or jointly with spouse or child) or other transport expenses including:
    - a. payments for the purchase of the motor vehicle;
    - b. car loan or lease payments to a financial institution;
    - c. vehicle insurance;
    - d. vehicle registration and transfer fees;
    - e. fuel;
    - f. repairs and maintenance;
    - g. hire of substitute motor vehicle (where own vehicle is temporarily unavailable);
    - h. the cost of purchasing and maintaining a motorbike, bicycle, e-bike or scooter; and,



- i. costs of public transport by way of Smart rider top-ups.
- 4.1.3 **Professional Development** and other education, ministry and office expenses including:
  - a. clerical clothing;
  - b. conference, seminar and course fees;
  - c. **packaging fees;**
  - d. travel expenses, accommodation and meal expenses relating to attendance at courses;
  - e. office furniture and equipment including computers;
  - f. subscriptions to professional bodies; and,
  - g. books, journals, magazines and other resources for ministry.
- 4.1.4 **Educating Children** of the religious practitioner and/or his/her spouse including:
  - a. fees include up front Uni fees, but excludes tertiary HECS liability;
  - b. boarding fees;
  - c. equipment required for schooling e.g. musical instruments, sporting equipment, uniforms, books etc;
  - d. fares from and to home for children boarding away from home;
  - e. childcare fees paid to a registered childcare centre; and,
  - f. fees for extra-curricular activities.
- 4.1.5 **Health and Wellbeing** expenses of the religious practitioner and his/her family including:
  - a. private health fund contributions;
  - b. personal life or income protection insurance;
  - c. **out of pocket medical expenses;**
  - d. **membership of cultural and sporting associations (including gym membership); and,**
  - e. **holiday travel and accommodation costs.**
- 4.1.6 **Hospitality (no alcohol) expenses.** To be clear, this does not relate to the hospitality of anyone other the religious practitioner and their spouse or child in accordance with *Paragraph 2.4*. Expenses related to the hospitality of friends or work or ministry associates are not permitted.

## **5 BENEFIT ACCOUNTS**

- 5.1 Participating religious practitioners who wish to package their stipends and allowances as permitted under this policy are to:
  - a. request the Diocesan Office to open up a Benefit Account held on behalf of the religious practitioner; and,
  - b. inform Payroll, upon taking up a new eligible position or appointment or subsequently when their needs change, of the monthly amount to be packaged by emailing a completed and signed Clergy and Lay Ministry Workers - Remuneration Packaging Form to [payrollenquiries@perth.anglican.org](mailto:payrollenquiries@perth.anglican.org).
- 5.2 The amount packaged will be credited to the religious practitioner's Benefit Account on a monthly basis at the same time as other stipends and allowances are paid. The remaining stipends and allowances payable to the religious practitioner will be processed by Payroll and subject to PAYGW income tax deduction as required by tax legislation.
- 5.3 Religious practitioners may arrange for regular payments such as loan repayments, rentals, leasing charges and private health fund contributions permitted under *Section 4* to be deducted directly from the Benefit Account with the prior approval of Diocesan Office.
- 5.4 The Benefit Account balance must always remain in credit. Claims that exceed the available balance cannot be processed and will be returned to the religious practitioner.

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- 5.5 Where the Benefit Account is not fully utilised in a 12-month period, the balance will be carried forward to the following year. **No more than \$80,000 is to be carried forward<sup>3</sup>.**
- 5.6 If a religious practitioner resigns, is otherwise terminated or in the event of death, the balance in their Benefit Account will be paid through the payroll as stipend, such payments being subject to PAYGW income tax deduction as required by tax legislation.

### 6 SUBMITTING CLAIMS

- 6.1 A guide to submitting claims using the online claims administration system is available on the [Diocesan website under Clergy Resources](#). All claims are to be accompanied with documents which:
- identifies the expenditure as a permitted expense in accordance with *Section 4*;
  - includes valid GST tax invoice that substantiates the amount of the expenditure incurred (if a GST tax invoice is not provided, the Benefit Account will be debited the gross invoice amount);
  - verifies the benefit is directly related to a religious practitioner, their spouse or child; and,**
  - includes a declaration - that the benefit being claimed complies with this policy and the claimant indemnifies the Perth Diocesan Trustees for any tax liabilities, penalties and costs arising from a breach of this policy.**

### 7 OTHER TAXATION CONSIDERATIONS

- 7.1 Clergy should seek independent tax advice as to the effect of packaging on superannuation and investment properties, or the like.
- 7.2 Expenses that are paid or reimbursed from a Benefit Account cannot normally be claimed as an income tax deduction.
- 7.3 Certain FBT exempt benefits are considered for the purposes of determining eligibility for some Centrelink benefits.
- 7.4 It would be advisable for clergy considering participating in this remuneration packaging scheme to consult their tax adviser and/or financial planner.

#### FORMS:

Clergy and Lay Ministry Workers - Remuneration Packaging Form

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<sup>3</sup> This approximately equates to two years' worth of packaging the maximum amount