



# Fringe Benefits:

## **An expression of the understanding of the Presbyterian Church in New South Wales concerning the tax treatment of fringe benefits and the Recovery of GST**

### ***An explanation for Ministers and Congregations***

This paper issued 14 February, 2009, supersedes all previous guidelines

#### **Contents:**

<b>A. Overview Summary .....</b>	<b>page 2</b>
<b>B. Explanatory Paper .....</b>	<b>page 4</b>
<b>C. Appendix 1 – Relevant Legislative Extracts .....</b>	<b>page 10</b>
<b>D. Appendix 2 – Recovery Spreadsheet and Instructions .....</b>	<b>page 12</b>

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## **A. Overview Summary**

(The references correspond to the related sections in the accompanying Explanatory Paper)

### **1.01 Purpose**

This paper is designed to help ministers and churches understand fringe benefits and their tax implications. It does not constitute taxation advice.

Formerly fringe benefits were also referred to as 'non-cash benefits'. For consistency, this paper will use the term 'fringe benefits'.

### **2.00 Fringe Benefits Tax**

#### **2.01 – 2.03 Historical Perspective**

#### **2.04 The church's response**

The Presbyterian Church has always provided fringe benefits to its ministers (eg rent-free accommodation, and payment of rental on the manse telephone). Historically, the church has not found a moral problem in providing such benefits. In 1989 the Assembly approved, that up to 30% of the applicable stipend or salary might be provided in the form of fringe benefits. Additionally, the travel and manse allowance can be taken as fringe benefits.

#### **2.05 What can be provided as a fringe benefit?**

Fringe benefits validly include any service or commodity which benefits the minister or his family. (These benefits do not exist to pay for work expenses). If a minister buys groceries from his fringe benefit entitlement, he is not violating either the spirit or the letter of the law. However personal contribution to the Presbyterian Ministers' Superannuation Plan (or any other superannuation scheme) must not be funded from the minister's fringe benefit entitlement. If any value of the fringe benefit entitlement is taken as cash, then the amount must be declared as income and the minister will be liable for income tax on those sums. However reimbursement for services or commodities already purchased is not deemed as cash.

#### **2.06 What sort of account could be used?**

A cheque account in the church's name (styled as the "Minister's Benefit Account"), a church maintained credit card, or a personal credit card may all be used to access fringe benefits. Where a credit card is used, a cheque will be drawn from the Minister's Benefit Account (to the limit of available funds) to cover purchases on the credit card. (Some banks will link a credit card and cheque account.) The minister may also make purchases with his own personal funds and then be validly reimbursed from the Minister's Benefit Account.

#### **2.07 Setting up a Minister's Benefit Account**

The account is owned by the church and should be named, for example, "Bullamakanka Presbyterian Church Minister's Benefit Account". The money in that account is held for the exclusive benefit of the minister or his family. It is money put aside for a designated purpose – as it were, impressed with a trust.

#### **2.08 Who should be signatories to the account?**

Committee of Management may authorise certain members to operate the Minister's Benefit Account. Those members may include the minister and/or his wife. However they should never be the sole signatories, nor should they be allowed to counter-sign cheques for one another. If the minister and his wife were the only signatories to the account, it would be hard to establish that the money had not been transferred to them as cash, in which case it would be assessable as income and be taxable.

#### **2.09 What happens when ministers move?**

- (i) Benefits may be provided to the minister to the value of the balance of the Minister's Benefit Account, or

- (ii) the minister may receive the balance of the account in cash and have its value declared on his payment summary, or
- (iii) the balance of the account could be transferred to the Minister's Benefit Account operated by the church to which he is moving.

#### **2.10 Who is accountable?**

Ministers are not accountable to the Committee of Management or the congregation for benefits provided from the Minister's Benefits Account.

To substantiate that they did not receive cash but received specific, identifiable benefits, ministers are to keep receipts for all disbursements from the Minister's Benefit Account and to be prepared to present them in the case of a tax audit.

The minister will also sign, periodically, a declaration that no cash has been withdrawn from the Minister's Benefit Account to indemnify the Committee of Management from liability for withholding tax.

If cash has been received from the account, the minister will be liable for income tax on such sums.

#### **2.11 Should the Minister's Benefit Account be audited?**

The auditor is to be satisfied that the right amount of money was credited to the account.

The auditor will not need to examine receipts or even to know what was purchased.

#### **2.12 To whom may a church provide benefits exempt of fringe benefits tax?**

Ministers undertaking activities that are "principally pastoral" or that are "directly related to the practice, study or propagation of religion" are proper recipients of exempt fringe benefits. Youth workers and METRO workers employed to fulfil particular duties are also proper recipients.

#### **3.01 Churches may recover GST incurred on expenses from the Minister's Benefit Account**

This can increase the spending power of the fringe benefit by up to 10%

#### **3.02 How does this work?**

The Minister provides to the Treasurer a summary statement of the GST to be recovered calculated from tax invoices of fringe benefit related purchases. The Treasurer will declare the amount of GST appropriately on the BAS, and so recover the GST.

A Microsoft Excel spreadsheet is available from [www.mm.pcns.org.au](http://www.mm.pcns.org.au) or the Ministry and Mission Committee to calculate GST recovery on fringe benefits.

#### **3.03 Who benefits from recovered GST?**

GST incurred on those benefits and then recovered will be credited to the Minister's Benefit Account. It does not belong to the church's general account.

#### **3.04 GST and manses**

Churches may not recover any GST incurred on expenses relating to the provision of a manse, as manses are now considered to be input-taxed.

#### **4.00 Any questions?**

Please read the accompanying Explanatory Paper in full – twice if necessary. If a matter needs further clarification, please contact the Associate Superintendent, Ministry and Mission, John Irvin on (02) 9690 9317 or [johnirvin@pcns.org.au](mailto:johnirvin@pcns.org.au), or contact the General Office Financial Controller, Steve Smith on (02) 9690 9302.

## B. Explanatory Paper

**1.00 Purpose:** This paper is designed to help ministers<sup>1</sup> and churches understand fringe benefits and their tax implications. (Formerly fringe benefits were also referred to as 'non-cash benefits'. For consistency, this paper will use the term 'fringe benefits'.) It does not constitute taxation advice. You are advised to speak to an accountant or other qualified tax adviser for information on which you might rely. The Ministry and Mission Committee provides this information in good faith, believing it to be true, but the Committee denies any liability for any reliance that might be placed on this information or any consequences of such reliance. Again, for reliable advice, readers are directed to qualified advisers.

If, after you have read this paper, you remain unclear about its contents, please read it again, carefully. If you still remain uncertain, please contact Karen Leegwater, General Offices Accountant (see page 14).

The information in this paper relates, firstly, to Fringe Benefits Tax and, secondly, to the Goods and Services Tax. Both impact on churches in the provision of fringe benefits.

### 2.00 Fringe Benefits Tax

To understand the law relating to Fringe Benefits Tax, we need to understand its origin and gain an historical perspective of its purpose.

**2.01 An historical overview:** We begin in 1986 when the Federal government enacted the Fringe Benefits Tax Assessment Act (FBTAA) and associated legislation. It did so because many people, particularly executives earning high salaries, were receiving benefits instead of wages and so avoiding income tax. In other words, they were depriving the government of income which it would otherwise have received had their whole

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<sup>1</sup> For this paper 'ministers' include all persons defined as 'religious practitioners' by Taxation Ruling 92/17. See Appendix A

salary package been received (and therefore taxed) as income.

As its name implies, the new tax was imposed on fringe benefits provided to employees in order to make remuneration packages more visible and therefore subject to a fairer taxation assessment.

Fringe benefits tax, however, differed in two major respects from income tax. Firstly, the new tax was payable by employers rather than employees. Secondly, the new tax was assessed at one rate only - the highest marginal rate for income taxation.

The purpose of these differences was to make the provision of fringe benefits unattractive to employers, thus encouraging them to remunerate their employees by way of income rather than benefits.

**2.02 Complications:** Things are rarely simple, though, and the situation was complicated by the government's desire to avoid over-burdening charities and other non-profit organisations. Typically, these organisations (including public benevolent institutions, hospitals, trades unions, employers' federations, animal racing societies, organisations formed for the purpose of scientific inquiry, and churches, among others) were able to provide benefits-in-kind more readily than higher salaries. They were therefore given concessional treatment.

Some become rebateable employers and were allowed to reclaim fringe benefits tax payments from the Australian Taxation Office. Others, churches among them, were given conditional exemption<sup>2</sup> from the new tax.

**2.03 Refinements:** By 1999 the time had come to refine fringe benefits tax legislation.

Because a person's taxable income forms the basis for determining other entitlements and

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<sup>2</sup> See below: "To whom may a church provide benefits exempt of fringe benefits tax?"

liabilities, employees who receive fringe benefits are better off than those who don't. Among other things, this affects entitlements to payments from the Family Assistance Office (Family Tax Benefit) and Centrelink Payments and Child Care Payments, etc.), together with liabilities to the Medicare Levy and child support obligations of non-custodial parents.

To remove this inequality, the law was amended so that the "grossed-up" value of all fringe benefits must be aggregated for each employee and, if the total exceeds \$1,000 for an individual, the full amount must be declared annually on that employee's payment summary<sup>3</sup>.

However, some organisations continued to be treated advantageously. The government, with the introduction of A New Tax System, allowed some employers to continue to provide fringe benefits to certain employees, but it imposed a ceiling limit of \$30,000 per employee. Again, churches were treated advantageously in relation to the employment of ministers. Churches were allowed to provide fringe benefits as before but were not subject to the new ceiling. That means that there is no defined limit on the value of the fringe benefits which might be provided by a religious institution to an employee who is a religious practitioner and whose duties are principally directed towards the propagation of religion or the provision of pastoral care. Nor is there any obligation to report the value of those fringe benefits on the payment summary of a "religious practitioner".

So how has the church responded to the introduction of the fringe benefits tax?

**2.04 The church's response:** The Presbyterian Church (like almost all other churches) has always provided fringe benefits to its ministers and home missionaries. There is nothing new in this. An obvious example of a fringe benefit is the rent-free accommodation traditionally provided to ministers in a manse, rectory, parsonage or similar. Admittedly, the value of this benefit to a minister's personal estate has been (and still is) debated, but it remains

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<sup>3</sup> Payment Summaries have replaced the Group Certificates of the old taxation system.

a benefit as far as the law is concerned. So does the payment of rental on the manse telephone and a variety of other benefits traditionally provided to religious practitioners.

Historically, the church has not found a moral problem in providing such benefits.

Therefore, in 1989, the Assembly accepted a proposal from the Ministry and Mission Committee that travelling allowances which had previously been provided as taxable income might now be provided as fringe benefits.<sup>4</sup>

Subsequently, after discussion with the Australian Taxation Office, the Committee recommended, and the Assembly approved, that up to 30% of the applicable stipend or salary might be provided in the form of fringe benefits.

Guidelines for the operation of Minister's Benefit Account were issued by the Ministry & Mission Committee or the Remuneration Committee on 22 May 1989, 26 October 1994, 8 April 1998, and 19 April 1999.

This paper updates that material in light of A New Tax System introduced on 1 July 2000.

**2.05 What can be provided as a fringe benefit?** Under the Act, fringe benefits are defined very broadly to include anything that is of value or advantage to the employee or an associate of the employee. (The term "associate" is also defined broadly to include any person to whom the employee assigns a benefit or with whom he shares a benefit – e.g. spouse, children, etc.) Thirteen categories of benefits are defined. They cover, among other things, cars, loans, debt waivers, expense payments, housing, living away from home allowances, board, entertainment, car parking, property and in-house provisions. But in case a person might try to find a loophole, the final category gathers up any "residual benefits". Now if "benefits" are defined so broadly, it follows that the range of benefits that a church might provide to its minister may be equally broad

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<sup>4</sup> The Deputy Commissioner of Taxation, Mr D.J. Cortese, had previously notified his approval of this proposal in a letter to the Ministry & Mission Committee dated 12 May, 1989.

and includes even groceries if the minister should so desire.<sup>5</sup>

The Minister's Benefit Account does not exist to pay for work expenses, which ought to be funded from the church's general account as part of its responsibility to pay for stationery and other professional expenses. Fringe benefits should be items that are of direct benefit to the minister or his associates. Thus, to return again to the example of groceries – should a minister desire to have groceries purchased from his fringe benefit entitlement, he is not violating either the spirit or the letter of the law. He may validly receive any service or commodity which benefits himself or his family.

It ought to be observed that it is not in the minister's interest to have items that would otherwise be tax-deductible provided from the Minister's Benefit Account. It is advantageous to have tax-deductible items purchased from income on which tax has been paid so that they might then be claimed against income with a consequent reduction in taxation liability. Likewise, items provided from the Minister's Benefit Account cannot be used to substantiate deductions against taxable income.

It ought also to be observed that it is not possible for a minister's personal contribution to the Presbyterian Ministers' Superannuation Plan (or any other superannuation scheme) to be funded from the Minister's Benefit Account. Payments made from a Minister's Benefit Account will be treated as additional employer contributions and will not entitle the minister to any co-contribution from the government. Personal superannuation contributions must be paid from taxable income.

#### 2.06 What sort of account could be used?

It is possible that different accounts might be operated to provide the minister with fringe benefits.

There should be, at least, a cheque account in the church's name (styled as the

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<sup>5</sup> This is no accident. Historically, ministers have often received groceries from parishioners. This is especially true in country areas where people might give fruit (home-grown or purchased), meat, bread, biscuits, etc.

"Minister's Benefit Account") into which deposits are made not less than monthly to provide benefits to the minister at the rate specified in the terms of settlement or in the home missionary's contract.

Additionally, the church might maintain a credit card to provide benefits to the minister. As an alternative to the church operating a credit card, the minister might maintain a credit card in his own name.

Where a credit card is used, the minister will make purchases on the credit card, and a cheque will be drawn from the Minister's Benefit Account (to the limit of available funds in that account) to cover the balance of the credit card account.

Some banks allow the establishment of a linked credit card and cheque account. Under this arrangement, the treasurer deposits in the cheque account the appropriate amount to provide for fringe benefits each month. The minister acquires benefits using the credit card. And on a set day each month, the bank debits the linked cheque account with the balance of the credit account.

The operation of the Minister's Benefit Account by cheque or credit card facilitates the minister's cash flow. However the minister may also acquire purchases using his own personal funds and then be validly reimbursed from the Minister's Benefit Account. This recovery of the cost of benefits already purchased is a reimbursement and is not deemed as receiving cash from the Minister's Benefit Account.

#### 2.07 Setting up a Minister's Benefit

**Account:** In setting up a Minister's Benefit Account, Committees of Management should understand that the money in that account is owned by the church and held for the exclusive benefit of the minister or his family. The Committee is not entitled to spend that money, or to consider it as an asset. It has more of the nature of a liability. It is money put aside for a designated purpose – as it were, impressed with a trust.

Therefore, the church must take care to ensure that this account, like any other, is in the name of the church. To clarify that point, it should be named, for example, "Bullamakanka Presbyterian Church Minister's Benefit Account".

## 2.08 Who should be signatories to the account?

A Committee of Management may authorise any members of the church to operate one or more of its accounts. For example, the accounts for the Sunday School and the Youth Group will, most probably, be operated by different people. In the same way a Committee of Management may authorise certain members to operate the Minister's Benefit Account. Those members may include the minister and/or his wife. However they should never be the sole signatories, nor should they be allowed to counter-sign cheques for one another. The church's established practice is that all disbursements from its accounts must be signed by at least two people to protect both the individuals involved and the church's funds.

But in the case of a Minister's Benefit Account, there's another reason for this requirement: if the minister and his wife were the only signatories to the account, it would be hard to establish that the money had not been transferred to them as cash, in which case it would be assessable as income and be taxable.

Therefore, even if the minister or his wife is a signatory to the Minister's Benefit Account, they should not be allowed to sign cheques as sole signatories nor even as the only two signatories.

**2.09 What happens when ministers move or die?** Periodically, ministers will leave their churches without having received all the benefits set out in the terms of settlement. In those situations, three things may happen:

- (i) benefits may be provided to the minister to the value of the balance of the Minister's Benefit Account, or
- (ii) the minister may receive the balance of the account in cash and have its value declared on his payment summary, or
- (iii) the balance of the account could be transferred to the Minister's Benefit Account operated by the church to which he is moving.

In the event that the minister might die, the balance of the account could be

- (i) credited to the minister's estate as assessable income, or
- (ii) used to pay expenses incurred prior to the minister's death or even for funeral

and testamentary expenses if so requested by the minister's family.

**2.10 Who is accountable?** It is not necessary for the church Treasurer (and, far less, the Committee of Management) to see an itemised list of benefits provided to the minister from his fringe benefit entitlement or to know the value of those benefits. Ministers are not accountable to the Committee of Management for the benefits they receive. Nor does the church have a need to know what benefits were provided.

In providing benefits to their ministers, churches are exempt from fringe benefits tax. They are not, however, exempt from the requirement imposed on all employers to withhold taxation under the PAYG scheme. Church Treasurers should satisfy themselves that no cash has been withdrawn from the Minister's Benefit Account – this is achieved by having the minister sign, periodically, a declaration to that effect and thus indemnify the Committee of Management from liability for withholding tax.

Ministers must understand that they are not exempt from income tax. Therefore, to avoid having the proceeds of the Minister's Benefit Account assessed as income, they must be able to show that they did not receive cash but received specific, identifiable benefits. Ministers, therefore, are responsible to keep receipts for all disbursements from the Minister's Benefit Account and to be prepared to present them for examination in the case of a tax audit. (Unless a tax adviser indicates otherwise it is recommended that receipts and other records be kept for six full years).

If cash has been received from the account, the minister will be liable for income tax on such sums and, should that income not have been declared at the time, the minister will face severe taxation penalties.

**2.11 Should the Minister's Benefit Account be audited?** Since the Minister's Benefit Account is an account belonging to the Committee of Management, it is appropriate that the auditor be satisfied that the right amount of money was credited to the account. However, since the church is not liable to fringe benefits tax in relation to the employment of ministers (as already stated),

the auditor will not need to examine receipts or even to know what was purchased.

### 2.12 To whom may a church provide benefits exempt of fringe benefits tax?

The exemption provided to churches by section 57 of the FBTA is a highly conditional exemption as the attached extract of the Act clearly shows. It only applies to churches in the employment of “a minister of religion” and even then, it only applies to ministers undertaking particular activities – namely those that are “principally pastoral” or that are “directly related to the practice, study or propagation of religion”.

The extent of this exemption was clarified by the Australian Tax Office (ATO) in TR 92/17 (see extract) where attention was given to the terms “religious institution” and “minister of religion” or “religious practitioner”.

In subsequent determinations, the ATO has allowed that qualified youth workers and METRO workers employed to fulfil the duties listed above may also receive exempt fringe benefits.

## 3.00 Goods and Services Tax

The introduction of A New Tax System in 2000 saw a new “value-added” tax imposed on the Australian economy to replace many other taxes. Essentially, when a commodity is sold by a GST-registered entity, that entity must charge 10% of the retail value as a sales tax and remit that amount to the Australian Taxation Office (ATO). Meanwhile, tax paid by that entity in acquiring or preparing the item for sale is subject to recovery by the registered entity. Working to a schedule established by the ATO, each registered entity must submit a Business Activity Statement (BAS). On the basis of that BAS, it will either be eligible to recover excess tax that it has paid or be liable to remit the required balance to the ATO.

Because churches are regarded, for the purpose of the law, as business entities, and because the Trustees have directed that all Presbyterian churches must be registered for GST, it is possible for churches to recover all of the money that would previously have been lost in sales tax. That recovery extends to GST incurred on items purchased as fringe benefits for the minister.

**3.01 Churches may recover GST incurred on ministers’ benefits:** All GST-registered entities are eligible to recover GST incurred on business-related expenditure. Where a business provides fringe benefits to its employees, the acquisition of those benefits is a business expense and it is therefore eligible to recover the GST incurred in relation to those benefits.<sup>6</sup> It follows that churches, as GST-registered entities, are entitled to recover the GST incurred on fringe-benefits provided to their “religious practitioners”.

**3.02 How does this work?** To recover the GST incurred on fringe benefits, the Minister provides to the Treasurer a summary statement of the GST to be recovered calculated from tax invoices of fringe benefit related purchases. Where no tax invoice is provided, no GST may be recovered (except in relation to receipted items costing \$50 or less which were purchased from a supplier that is (or should be) GST-registered. These receipts or tax invoices must be retained by the minister, and the minister must sign a substantiation statement, to certify the claim for the recovery of GST. The Treasurer will then declare the amount of GST appropriately on the BAS, and so recover the GST.<sup>7</sup>

**3.03 Who benefits from recovered GST?** Any GST recovered should be credited to the account from which the expense was paid. In relation to fringe benefits, then, GST incurred on those benefits and then recovered should be credited to the Minister’s Benefit Account. It does not belong to the church’s general account.

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<sup>6</sup> To that end there are two different FBT rates applied to fringe benefits. Those subject to GST recovery are liable to a higher rate of FBT than those where no GST is recovered.

<sup>7</sup> A Microsoft Excel spreadsheet to calculate GST recovery on fringe benefits (including a substantiation statement) is available at the Ministry & Mission website [www.mm.pcns.org.au](http://www.mm.pcns.org.au), or by phone request to John Irvin 9690.9317. An example, with instructions, is provided as Appendix 2.

3.04 **GST and manses** Political forces complicated the implementation of the Goods and Services Tax. Some items (food, education, pharmaceuticals, etc.) were exempted from the tax. No tax is paid on those purchases and therefore none is recoverable. Some items, however, were not so much exempted as declared to be “input-taxed”. (Residential rents and bank charges are examples.) In relation to such expenses, no GST is charged and none is recoverable. Because churches receive no rent for their manses, it was originally understood that GST incurred on manse maintenance would be recoverable. A later tax ruling declared that because the church receives a “valuable consideration” in relation to the use of its manse – namely the services of a minister – GST recovery would not be possible as manses are now considered to be input-taxed. ***Churches may not, therefore, recover any GST incurred in the provision of a manse.***

#### 4.00 **Any questions?**

If there is any matter in this paper that you would like clarified, please contact the Associate Superintendent, Ministry & Mission, John Irvin on (02) 9690 9317 or by email addressed to [johnirvin@pcnsw.org.au](mailto:johnirvin@pcnsw.org.au).

## C. Appendix 1 – Relevant Legislative Extracts

Section 57 of the Fringe Benefits Tax Assessment Act No. 39, 1986 provides as follows:

Where –

- (a) the employer of an employee is a religious institution.
- (b) the employee is –
  - (i) a minister of religion;
  - (ii) a full-time member of a religious order; or
  - (iii) a student at a college conducted solely for training persons to become members of religious orders;
- (c) a benefit is provided to, or to a spouse or a child of, the employee; and
- (d) the benefit is not provided principally in respect of duties of the employee other than –
  - (i) any pastoral duties; or
  - (ii) any other duties or activities that are directly related to the practice, study, teaching or propagation of religious beliefs,that benefit is an exempt benefit.

Section 136(1) of the same Act states (in part):

"religious practitioner" means:

- (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; or
- (d) a student at a college conducted solely for training persons to become members of religious orders;

Taxation Ruling 92/17 (10/12/92) establishes the following tests to determine if a person is a "religious practitioner" under the Act.

### Religious practitioner

11. A 'religious practitioner' is defined in subsection 136(1) of the FBTA to mean:

- (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; or
  - (d) a student at a college conducted solely for training persons to become members of religious orders.
12. While the expressions 'minister of religion' and 'member of a religious order' clearly include members of the clergy in the Christian denominations, they are also intended to include persons who hold equivalent positions in other religions.
13. In determining whether a person is a minister of religion, many, if not all, of the following characteristics should be present:
- (a) the person is a member of a religious institution;
  - (b) the person is recognised officially by ordination or other admission or commissioning, or, where the particular religion does not require a minister to be formally ordained, the person is authorised to carry out the duties of a minister based on a specified level of theological or other relevant training or experience;
  - (c) the person is recognised officially as having authority in matters of doctrine or religious practice;
  - (d) the person's position is distinct from that of the ordinary adherents of the religion;
  - (e) the person has acknowledged leadership in the spiritual affairs of the religious institution;
  - (f) the person is authorised to discharge the duties of a minister or spiritual leader, including the conduct of religious worship and other religious ceremonies.

The same ruling goes on to state:

15. Religious practitioners who receive a stipend or other form of remuneration (including non-cash benefits) are employees for the purposes of the FBTA (see the definitions of 'current employee' in subsection 136(1) of the FBTA and 'employee' in subsection 221A(1) of the ITAA). Consequently, if the requirements of section 57 of the FBTA are satisfied, any fringe benefits provided to a religious practitioner who is an employee of a religious institution are exempt benefits. (It should be noted that the consequence of a view that religious practitioners are not employees is that non-cash benefits provided to a religious practitioner generally would be assessable income on ordinary concepts in the hands of the religious practitioner.)

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17. Lay persons acting in the capacity of a minister of religion or equivalent position may be treated as a minister while acting in that capacity. For example, a lay person may be directed to work in a parish where there is no

*ordained minister. Provided that the lay person comes within the meaning of 'religious practitioner' and is an 'employee' for FBT purposes, fringe benefits provided to that person are exempt.*

18. *A person training to be a minister of religion or member of a religious order is a religious practitioner only if that person is attending a course, either full-time or part-time, conducted by a religious institution. If a person who has completed the prescribed course of training is required to serve a specified period of probation before being ordained or otherwise admitted, that person will be regarded as a religious practitioner during the probation period.*
19. *Missionaries who are not:*
  - (a) *ministers of religion; or*
  - (b) *members of a religious order; or*
  - (c) *students at a college conducted solely for training persons to become members of religious orders are not religious practitioners for the purposes of the FBTAA.*

**DISCLAIMER:**

**This document in no way purports to be a definitive interpretation of the law as it relates to Fringe Benefits Tax or the Goods and Services Tax. This document should not be relied on for that purpose. It is provided as a guide only. Persons seeking authoritative statements on Fringe Benefits Tax should engage the services of a professional tax consultant.**

**While providing this material in good faith, the Committee accepts no liability for any reliance that might be placed upon it or the consequence of any such reliance. We reiterate: readers are directed to the services of a professional tax adviser.**

## D. Appendix 2 – Recovery Spreadsheet and Instructions

This Microsoft Excel spreadsheet is formulated to calculate GST recovery on fringe benefits and is available from [www.mm.pcns.w.org.au](http://www.mm.pcns.w.org.au) or the Ministry and Mission Committee.

GST Cash Recovery [enter your name]							
Expense from NCB	Total on Tax Invoice or Receipt	GST on Tax Invoice or Receipt	Component of Expense from Taxable Income (includes rounding)	Nett Total	% of GST to Nett Total	Notional Nett Total	Rounding Adjustment
Feb 2006							
woolies	23.66	0.98	12.88	9.80	9.1	9.80	0.00
kmart	40.78	3.71	-0.03	37.10	9.1	37.10	0.00
vet	28.50	2.05	5.95	20.50	9.1	20.50	0.00
castle hill tyres	400.00	36.36	0.04	363.60	9.1	363.60	0.00
vast interior	50.96	4.63	0.03	46.30	9.1	46.30	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
			0.00	0.00	#DIV/0!	0.00	0.00
<b>Totals</b>	<b>543.90</b>	<b>47.73</b>	<b>18.87</b>	<b>477.30</b>	<b>0.00</b>	<b>477.30</b>	<b>0.00</b>

**CHECK TOTALS BOX**

Not.Nett +GST+Taxable Component+Rounding = 543.90

Check! Total on Tax Invoices = 543.90

**\*\* Sign Substantiation Statement on next page \*\***

Prepared 1/03/2006 Page 1

GST Cash Recovery [enter your name]							
<p>To the Treasurer:</p> <p>Please process the following amounts relating to the Ministers Benefit Account (NCB) for the period Feb 2006</p>							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;"><b>GST Recovery Claim</b></td> <td style="text-align: right; padding: 2px;"><b>47.73</b></td> <td style="padding: 2px;">enter this amount on BAS; and credit to Minister's Benefit Account</td> </tr> </table>	<b>GST Recovery Claim</b>	<b>47.73</b>	enter this amount on BAS; and credit to Minister's Benefit Account				
<b>GST Recovery Claim</b>	<b>47.73</b>	enter this amount on BAS; and credit to Minister's Benefit Account					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;"><b>Cash Recovery **</b></td> <td style="text-align: right; padding: 2px;"><b>477.30</b></td> <td style="padding: 2px;">transfer this amount from Minister's Benefit Account to nominated Minister's Personal Account</td> </tr> <tr> <td colspan="3" style="padding: 2px;"><i>** Delete section if not applicable</i></td> </tr> </table>	<b>Cash Recovery **</b>	<b>477.30</b>	transfer this amount from Minister's Benefit Account to nominated Minister's Personal Account	<i>** Delete section if not applicable</i>			
<b>Cash Recovery **</b>	<b>477.30</b>	transfer this amount from Minister's Benefit Account to nominated Minister's Personal Account					
<i>** Delete section if not applicable</i>							
<p>This is to certify:-</p> <p>i. I have, and will retain, the Tax Invoices/Receipts to substantiate the above GST &amp;/ Cash Recovery from the Minister's Benefit Account</p> <p>ii. I have not received cash from the Minister's Benefit Account</p> <p style="text-align: right; margin-top: 10px;">Signed .....</p> <p style="text-align: right; margin-top: 5px;">Date .....</p>							
Prepared 1/03/2006 <span style="float: right;">Page 2</span>							

## **Spreadsheet Guidelines for GST Recovery / Cash Recovery from Minister's Benefit Account**

### **Background:**

Under Taxation legislation the church can validly claim back the GST incurred on expenses provided from a Minister's Benefit Account (MBA).

### **Overview Process:**

- a. The Minister advises the Treasurer of the total amount of GST incurred on MBA related expenses.
- b. Treasurer recovers the GST via the quarterly BAS
- c. Treasurer credits the recovered GST to the Minister's Benefit Account

### **Spreadsheet:**

This spreadsheet deals with a. above, and is designed to provide the data for two events:

- i. *GST Recovery* which can only be made on expenses provided, or are being claimed, from the Minister's Benefit Account and which have incurred GST
- ii. *Cash Recovery* which can be made on expenses that have been paid personally and are to be reimbursed from the Minister's Benefit Account

You can use this spreadsheet for GST Recovery only, or for GST Recovery and Cash Recovery.

Tax Invoices (or receipts for expenses less than \$50) are the source documents for the data. These are not to be submitted to the Treasurer or the church Auditor; however, they must be retained to substantiate the Recovery claim in the event of an audit by the Taxation Office. If you do not have the Tax Invoice/receipt, do not claim against that particular expense!

### **About the Spreadsheet:**

- The 'Sample Recovery.xls' spreadsheet downloaded from the Ministry & Mission Website contains two worksheets identified by the tabs at the bottom left labeled 'MASTER' and '060217 Example'.
- Do not enter or delete data on the MASTER. It is your rescue file if you need to start from scratch.
- 'Factory-fitted' formulae are already embedded in the spreadsheet; once you enter data into the first 3 columns, everything is automated.  
The rest of the cells in the spreadsheet are locked so they are protected from being accidentally altered or deleted.
- Wherever "#DIV/0" appears it simply means no data has been entered for that row – it is not a mistake and will not cause errors – do not delete these cells!
- There are two internal checks in the spreadsheet
  - The automatically calculated '% of GST to Nett Total' is to equal '9.1' for every row entered. If it is other than '9.1' the resultant totals will be wrong for GST/Cash Recovery purposes. Seek advice if you do not know how to rectify the error in the formula.  
(For the mathematically puzzled, this % figure is not 10% as GST is 1/11<sup>th</sup> of the total after deducting items that do not incur GST, eg fresh fruit).
  - In the Check Totals Box (below and to the right of the entered data rows), the two amounts must always be equal.
- The spreadsheet will not operate for '0.00' GST entries.  
In order to maximising the spending power of fringe benefits, it is advantageous to only seek Cash Recovery of those items which incur GST; the spreadsheet has been designed for this purpose.  
(To seek a Cash Recovery from MBA of a GST-free expense – which is completely allowable-, you will need to submit a separate manual claim to the Treasurer.)

## Step by Step Instructions:

\*\*\* *If you are conversant with Spreadsheets, please forgive the basic nature of these instructions!* \*\*\*

1. 'Save' the 'Sample Recovery.xls' downloaded file as a 'Master Recovery' file to a suitable folder
2. Open this Master Recovery file and immediately "Save As", giving the file a name of your choice (eg "My GST and Cash Recovery")– this will be your working file
3. Open the working file
4. Under 'View'>Header and Footer'>'Custom Header...' insert your name in the header
5. Right click on tab '060217 Example" (-near bottom left); or after the first time, the most recent tab
6. Click "Move or Copy", tick 'make a copy', then OK
7. Rename this new sheet (right click and follow prompts. A useful hint is to use the date format YYMMDD; it keeps everything orderly
8. In Cell A3, insert a date indicator which reflects period since last GST/Cash Recovery
9. In the first 3 columns, highlight the cells with previously entered data (Cell A6 'Woolies' to C10 '4..63') (Hint – to highlight, click on cell A6 and hold down left button while dragging to cell C10)
10. Hit Delete – yes Delete!
11. If all the totals have turned to '0.00', then that is correct ... you are now ready to begin with your Tax Invoices/ receipts on a clean slate!
12. Pick a Tax Invoice/receipt
13. In cell A6,enter the description of the purchase, eg "Woolies"
14. In cell B6,enter the total cost recorded on the Tax Invoice/receipt
15. In cell C6,enter the total GST on the Tax Invoice/receipt
16. The remaining cells will be automatically calculated, including totals
17. Repeat steps 12.-15. for other Tax Invoices/receipts
18. Save the file
19. At the end of each month (or convenient period):
  1. open the working file
  2. confirm the two internal checks are valid (i.e. 9.1% and Check Totals Box)
  3. print the current worksheet, sign the substantiation statement
  4. submit to Treasurer
20. To create a new worksheet, open your working file, repeat steps 5.-11. and begin entering data for a new and exciting cycle of GST/Cash Recovery