

## **MINISTRY EXPENSE ACCOUNTS**

A Ministry Expense Account is an account held by a parochial district on behalf of a clergyperson or ministry team member (i.e. ministry workers) into which money may be credited by the parish free of income tax, and from which agreed expenses may be paid.

The items which may be paid into a ministry account are:

1. Allowances – travel (fixed and per kilometre), technology, book
2. Any housing allowance that may be paid to a minister
3. An agreed amount of stipend sacrifice (up to a maximum of 40%)

### ***Stipend Sacrifice Arrangements***

A stipend sacrifice arrangement is one where a ministry worker foregoes the payment of a portion of their cash stipend. In return, the Parish Council agrees to make certain payments to third parties on behalf of ministry workers. The value of the payments to be made shall not exceed the money held in the Ministry Expense Account at any given time.

It is important to note that while such benefits made to ministry workers are exempt from income tax, payment summary reporting and fringe benefit tax, social security and family assistance legislation may take the value of many of these benefits into account when assessing eligibility for income support payments and other benefits. The "Centrelink Benefits Assessment Guide" prepared by the Sydney Diocese is very helpful in this regard and can be found at <https://www.sds.asn.au/ministry-staff-remuneration-related-benefits>

### ***Expenses that may be paid from a Ministry Expense Account***

The type of expenses that may be paid from a ministry expense account include (but are not limited to):

- i) 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 clergy's or ministry staff's pastoral duties and professional development; expenses of the clergy's or ministry staff's spouse and/or children in accompanying the ministry worker on ministry-related matters; and, expenses of the clergy and ministry staff's spouse in representing the ministry worker on ministry-related matters;
- ii) the costs associated with the provision or upkeep of a home in which a ministry worker is living, a holiday home or a home for retirement (one only). For example, loan repayments, utility costs, local government rates, home and contents insurance and building maintenance;
- iii) education, professional development, supervision, mentoring and professional debriefing costs for ministry workers, including but not limited to books, DVDs and conference fees;

- iv) ministry-related expenses, including but not limited to telephone, mobile telephone, internet services, subscriptions, periodicals, newspapers, computer hardware and software, clerical shirts and attire, gifts made in relation to ministry (for example, offertories and gifts to mission organisations);
- v) the education expenses of dependent children;
- vi) private health insurance premiums for the ministry worker and their family;
- vii) personal contributions to superannuation; and
- viii) other expenses of ministry workers that are approved by a Parish Council or the equivalent body.

### ***Associated Administrative Arrangements***

The following administrative arrangements are to apply to ministry expense accounts:

- Each year the beneficiary of a Ministry Expense Account is to enter into an agreement with their parochial district which sets out what allowances and stipend sacrifice amounts are to be put in the Ministry Expense Account, and what items this money may be spent on at the request of the beneficiary. It is recommended that this agreement be renewed in July each year to coincide with the first pay period after the annual update of clergy stipends and allowances.
- All amounts transferred to a ministry expense account, for whatever reason (vehicle allowance, book and technology allowance and salary sacrifice amounts), are to form one single pool of funds and may be used for the direct payment of, or the precise reimbursement for, any agreed expenses.
- The ministry expense account need not be a separate bank account, but should be a separate line item in an agency's, parish's or special district's chart of accounts. If it is held as a separate bank account, clergy and ministry staff must not be able to operate the account on their own account but can be a co-signatory.
- When a ministry worker finishes their employment with their parochial district, the balance of their Ministry Expense Account may be transferred to their new ministry employer (if indeed they have moved to another paid ministry position). Otherwise the balance is to be paid to the ministry worker as taxable income.
- While ever a parochial district holds money in a Ministry Expense Account on behalf of a ministry worker, it must record the balance in its books as a liability owing to the ministry worker.
- Money can be paid by a parochial district from a Ministry Expense Account on behalf of a ministry worker by:
  - i) A payment direct to a third party on the production of an invoice.
  - ii) A payment to the ministry worker for expenses they have incurred from the agreed list of expenses. In this case, receipts need to be produced to verify these claims. It is recommended that such claims be submitted by the ministry worker once a month.

- iii) A ministry worker may be given a credit card in the name of the parish which they can use for proposed ministry expense purchases. However, a transfer from the Ministry Expense Account to pay off the monthly credit card bill should only be done upon the receipt of a return from the ministry worker giving a receipt from every item of expenditure and checking these items against the list of agreed expenditure items. If the return and receipts are not received, then the monthly credit card bill should be paid from general parish funds (if that is possible), and an invoice issued to the ministry worker for that amount. If there are insufficient funds in the Ministry Expense Account to pay off the monthly bill, then the balance should be paid from general parish funds (if that is possible), and an invoice issued to the ministry worker for that amount.
- iv) Payments to a financial institution or to a ministry worker for loan repayments relating to the purchase of an agreed item. In this case documentation should be supplied to the treasurer to establish the existence of the loan and the required repayment amounts. Repayments from a Ministry Expense Account towards a loan should not exceed the required repayment amounts.
- As described above, Clergy and ministry staff should supply their parish treasurer with documents to support expenses claimed from a Ministry Expense Account. If such documents are not supplied, the payment to clergy or ministry staff should be treated as a taxable allowance.
  - Documents should be kept for audit purposes for five years so that if the ministry worker is the subject of a tax audit, proof exists that payments to clergy and ministry staff were precise reimbursements for expenses incurred.
  - The accumulated balance in a ministry expense account can be carried forward from year to year and may, for example, be used to pay for major ministry-related expenses such as the purchase of a new motor vehicle.
  - Ministry expense accounts are not to be reimbursed for any input tax credits that accrue in relation to GST paid on ministry-related expenses. These are to accrue to the Diocese, agency or parochial district by whom the clergyperson or ministry staff person is engaged.