

Payments for Pulpit Supply

This paper has been prepared by the Ministry and Mission Committee to help churches understand and comply with determinations of the Australian Taxation Office as they impact on payments for pulpit supply or other occasional payments made to religious practitioners. It sets out:

- (i) the requirements of the ATO for the withholding of taxation,
- (ii) the requirements of the Church for the administration of fringe benefits, and
- (iii) a series of questions and a flow chart so that the tax withholding obligations of churches may be analysed and understood.

1. Coverage: All churches

The obligations set out in this paper apply to all Presbyterian churches in NSW and the ACT.

Central payroll function not available Persons engaged to provide pulpit or pastoral supply cannot be paid through the Church Offices. Some committees of management have arranged with the Church Offices to manage their ordinary salary or stipend payments to ministers. Because of its limited capacity, the Church Offices can only administer the payroll for churches where the amount to be paid to the staff member concerned is consistent from one pay-date to another. The central payroll function is therefore not available for the payment of personnel engaged to serve congregations on a casual or short-term basis. Their payment must be administered locally through the Committee of Management concerned.

Tax & superannuation payments Where a committee of management use the centralised payroll function to remunerate the church's regular personnel, tax and superannuation obligations are managed under the Church Offices ABN for the people on that payroll.

Where a committee of management is required to make payments for casual or short-term services, tax and superannuation obligations must be managed by that committee of management under its own ABN and be reported to the ATO when the next BAS statement is lodged.

BAS advice not included This paper does not give instructions on the completion of BAS statements. That advice is available from the ATO at this address:

http://www.ato.gov.au/download.asp?file=/content/downloads/BUS42132n7392n7392_07_2011.pdf.

2. PAYG Registration

It is almost inevitable that committees of management will, at some time, be required to withhold taxation from some payments associated with their normal duties. For that reason, committees of management should ensure that they are registered for PAYG withholding. This registration can be achieved by phoning 132866 between 8.00 a.m. and 6.00 p.m. Monday to Friday.



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3. Tax Withholding¹

The ATO may require tax to be withheld from payments to supply preachers. This requirement might proceed either from the basis that the supply preacher has not quoted an ABN, or from the general rules related to PAYG tax withholding.

No ABN withholding

Payments made by a GST-registered entity are subject to tax withholding if the recipient fails to disclose an ABN.

The ATO has prepared a form by which eligible supply preachers may avoid the withholding of taxation when they are unable to quote an ABN. Supply preachers who cannot or do not quote an ABN should complete a "Statement by a supplier", and church treasurers should have copies of this form available for use when the relevant service is provided. The form, with explanatory notes, is available here: www.ato.gov.au/content.aspx?doc=/content/38509.htm.

If the payment for service is not greater than \$75 (exclusive of GST – i.e. \$82.50 inclusive of GST), there is no need to obtain a "Statement by a supplier" or to withhold taxation. In all other cases the withholding rate is 47% (from 1 July 2017) where no ABN is provided unless one of the following exceptions is identified in the "Statement by a supplier":

- Payment for service is not greater than \$75 (exclusive of GST – i.e. \$82.50 inclusive of GST)
- The supply preacher is under 18 years of age and the payment does not exceed \$350 per week
- The service is provided by way of a hobby or private recreational pursuit (e.g. where the supply preacher is not normally employed as a religious practitioner)
- The service is provided by a person who is not entitled to an ABN because they are not conducting a business in Australia
- The service is rendered without a reasonable expectation of profit or gain

If an exception is identified, the church may provide payment in full to the supply preacher without any obligation to withhold tax or to provide a payment summary.

Where it is necessary to withhold tax, a Payment Summary must be prepared in duplicate.

One copy should be given to the supply preacher when the payment is made (or as soon as practicable afterwards). The other copy should be retained by the Treasurer for a period of at least five years. Forms for this purpose may be obtained from the ATO: [PAYG payment summary - withholding where ABN not quoted](#) (NAT 3283) form.

Instead of using the ATO-prepared forms, a committee of management, through its Treasurer, might choose to issue a remittance advice (RA). At a minimum, the document must be in English, be signed by the Treasurer, and contain the following information:

- The church's name
- The church's ABN or withholding payer number (WPN)
- The payee's name
- The payee's address (if known to you)
- The date on which the payment was made
- The amount of the total payment (being for supply, travel and any other consideration)
- The amount of tax withheld, and

¹ For fuller information, Church Treasurers are advised to visit the following page on the ATO website: <http://www.ato.gov.au/businesses/content.asp?doc=/content/24170.htm>

- The wording: 'To be retained by the payee for taxation purposes'.

It is not necessary to lodge a copy of the remittance advice with the ATO but all payments made and all amounts withheld (including nil payments) must be reported to the ATO when the annual declaration is prepared.

PAYG tax withholding

The rules relating to PAYG tax withholding differ in their application depending on whether the payee is, or is not, a religious practitioner.

Payments to supply preachers who are not religious practitioners

Payments to supply preachers who are **not** religious practitioners will normally be exempt from PAYG withholding on the basis that the service is provided “by way of a hobby or private recreational pursuit” (as indicated in the third exemption shown above). In relation to payments to persons who are not religious practitioners, where there is no requirement to withhold taxation, there is no requirement to provide a payment summary.

Payments to religious practitioners

Payments to supply preachers who **are** religious practitioners are governed by amended PAYG arrangements. The ATO has determined that payments made by a church for an activity, or a series of activities, will be subject to withholding where:

- ✓ the activity, or a series of activities, is done by a religious practitioner in pursuit of their vocation as a religious practitioner whether or not that practitioner may be actively employed or “retired”
- ✓ the activity, or series of activities, is done by the religious practitioner as a member of a religious institution, and
- ✓ the payment is made by the church in the course or furtherance of its mission.

The following table, developed by the ATO, demonstrates that payments for one-off or occasional supply services by religious practitioners will not be subject to withholding while payments for more frequent supply will be subject to withholding according to the PAYG tax tables.

IF	THEN
A religious practitioner is engaged to provide locum services and the period is:	The religious institution must withhold:
2 days or less in a quarter	The amount required to be withheld from the payment is nil
2 days initially and is then engaged for a further period in the same quarter	The amount required to be withheld from the payment for the initial 2 days is nil
	And
	Subsequent payments will be subject to withholding according to the PAYG withholding tax tables
Continuous for more than 2 days in the quarter	An amount from the whole payment according to the PAYG withholding tax tables

A quarter is defined as a period of three months ending 31 March, 30 June, 30 September or 31 December.

Example: The minister of a church in a small country town is on eight weeks annual leave. The church engages three different religious practitioners to provide locum services as follows:

- religious practitioner A is engaged for the first two Sundays
- religious practitioner B is engaged for the next two Sundays, and
- religious practitioner C is engaged for the remaining four Sundays.

The church will not be required to withhold any amounts from payments made to religious practitioners A & B, as the periods of engagement are not greater than two days in the quarter. Payment(s) made to religious practitioner C will be subject to withholding according to the relevant PAYG withholding tax table. The church will be required to issue payment summaries to all three religious practitioners, showing the amount of the payment and the amount withheld for PAYG (including a nil amount).

Some payments require NO tax withholding

In other words, where a supply preacher is a religious practitioner, the amount required to be withheld from a payment by a church to that religious practitioner is nil if service was rendered on no more than two days in a quarter.

Some payments do require tax withholding

For service provided by the same religious practitioner on more than two days in a quarter, PAYG taxation must be withheld according to the relevant tax table, subject to any variation that may be granted.

Note: it will greatly simplify administrative demands if the payee claims the tax-free threshold and does **not** lodge a Withholding Declaration.

Where allowances are paid²

Allowances are separately identified payments made to a religious practitioner for:

- qualifications or special duties
- expenses that cannot be claimed as a tax deduction (e.g. travel between home and work), or
- expenses that may be able to be claimed as a tax deduction, for example travel between work sites.

Of particular note is the determination that a payment made for travel from a person's home to the place of work is a taxable allowance and the amount thus paid should be included in the gross payment in order to calculate the appropriate amount of tax to be withheld.

Payment summaries

A Payment Summary must be issued at the end of the financial year to each supply preacher who has served the congregation during that year, for whom tax has been withheld, and who has been paid directly by the congregation receiving the supply ministry.

Each Payment Summary must include all amounts paid to the particular payee during the financial year. It must also include details of any amounts withheld or else report a nil withholding.

In some instances, the supply preacher should not be paid directly. Where the supply preacher is a religious practitioner who has been required to absent himself from his normal duties with another congregation, the payment for supply services should not be made to the supply preacher directly but to the church from which he has come. In that situation, no payment summary should be supplied to the religious practitioner.

4. Payment Mechanisms

Minimum amounts to be paid to ministers or home missionaries for supply ministry are set by the Assembly and shown on the Ministry and Mission Committee's website: www.mm.pcnsn.org.au.

Inducted ministers, appointed home missionaries and pastoral assistants

Where the service is rendered by an inducted minister, appointed home missionary or pastoral assistant, and that person has been required to be absent from their regular duties to provide the

² Treasurers should refer to [Taxing of allowances paid to religious practitioners](#) for the correct tax treatment of allowances.

supply services, payment for the supply ministry and associated travel should be made to the supply preacher's regular congregation through its Committee of Management.

Where the religious practitioner was required to be absent from their own congregation in order to serve the congregation now paying for supply or other service, payment for that supply (less travel) will become the property of the congregation which the religious practitioner regularly serves. The travel consideration included in the supply payment should be credited to the Minister's Benefit Account maintained by that congregation for that benefit of the religious practitioner.

Where the religious practitioner served the paying congregation without being absent from any regular activity in their own church, payment for that supply will be credited to the religious practitioner as an addition to the regular stipend or salary and the appropriate tax adjustment will need to be made by the church which he regularly serves.

Supply by non-inducted minister

Where the service is rendered by a minister who is not an inducted minister (e.g. a minister without charge or a minister emeritus), payment for the supply ministry and the travelling allowance together should be made directly to the person concerned.

PLEASE NOTE: It is not valid for a congregation to maintain a non-cash benefit account for a religious practitioner who is not the inducted minister, a home missionary or an employed assistant minister of that congregation. It is therefore not possible to split the payment for supply ministry between taxed remuneration and fringe benefits.

Cheque or direct deposit

Payments should be made either by cheque or by direct deposit to a bank account nominated by the religious practitioner. **Payments must not be made in cash** and should **never, ever**, be taken from the collection before it has been processed through the church's accounts. Payments should be made either on the date of service or on another date that is mutually agreed.

5. Summary

Where a religious practitioner provides supply ministry on:

- **not more than two days in a quarter**, no tax withholding is required.
- **two days by an initial agreement** then additional days later in the quarter, no tax withholding is required for the first two days but tax must be withheld for all subsequent days in the quarter.
- **three or more days in a quarter by an initial agreement**, tax must be withheld for all days.
- payments should be made by cheque or direct deposit.
- payments may be required to be made either to the religious practitioner or his congregation.
- fringe benefits concessions available to some religious practitioners in some circumstances are not available to all such practitioners in all circumstances. Religious practitioners providing services on a supply or casual basis may **not** receive untaxed fringe benefits.

6. Analysing payment obligations

The following questions have been prepared to help guide treasurers when identifying the tax treatment and payment method that should be adopted in relation to a period of supply ministry.

Q1. Is the church registered for PAYG withholding?

If **"No"** then phone 132866 between 8.00 a.m. and 6.00 p.m. Monday to Friday and effect that registration.

If **"Yes"** then proceed to Q2.

Q2. Has the supply preacher provided the church treasurer with either an ABN or a Statement by Supplier?

If **“No”** then tax must be withheld at the rate of 47% unless the total payment, for supply and travel, is no greater than \$75 (excluding GST). A Payment Summary or Remittance Advice must be issued to the supply preacher at the time when payment is made

If **“Yes”** then proceed to Q3.

Q3. Is the supply preacher a religious practitioner (i.e. a minister, home missionary or a person ordinarily engaged to provide pastoral assistance in a church)?

If **“No”** then no tax need be withheld but a Payment Summary or Remittance Advice must be issued. Payment should be made directly to the supply preacher.

If **“Yes”** then proceed to Q4.

Q4. Is the religious practitioner expected to serve for only 1 or 2 days in the quarter?

If **“Yes”** then either:

- If the religious practitioner is normally employed by another church, no Tax File Number Declaration need be received, no tax need be withheld and no Payment Summary should be issued. The full payment (for supply and travel) should be made, untaxed, directly to the church that the religious practitioner normally serves.
 - If the religious practitioner has been required to be absent from his regular duties, that part of the payment that relates to supply services will be credited to the receiving congregation for its general purposes to offset any supply costs that it might have incurred; and any other component will be credited to the Minister's Benefit Account for the provision of fringe benefits to the religious practitioner.
 - If the religious practitioner has not been required to be absent from his regular duties but provided supply services at a time that was otherwise uncommitted, that part of the payment that relates to supply services will be credited to the receiving congregation to be added to the minister's normal stipend payments; and any other component will be credited to the Minister's Benefit Account for the provision of fringe benefits.

OR

- If the religious practitioner is not normally employed by another church, the Treasurer of the church receiving supply ministry should receive a TFN Declaration from the religious practitioner, no tax need be withheld (for up to two days), payment should be made directly to the religious practitioner, and a Payment Summary must be issued at the end of the financial year.

If **“No”** then proceed to Q5.

Q5. Is the religious practitioner who will serve for more than 2 days in the quarter currently an inducted minister or an appointed home missionary or pastoral assistant?

If **“No”** then:

- a TFN Declaration must be received by the Treasurer before payment can be made;
- tax must be withheld (at the prescribed rate) from the total amount to be paid for supply and travel together beginning with the first day of service in the relevant quarter
- after-tax payment for supply and travel together should be made to the supply preacher personally
- a Payment Summary must be issued at the end of the financial year.

If **“Yes”** then no Tax File Number Declaration need be received, no tax need be withheld and no Payment Summary should be issued. The full payment should be made, untaxed, directly to the church that the religious practitioner normally serves.

- If the religious practitioner has been required to be absent from his regular duties, that part of the payment that relates to supply services will be credited to the receiving congregation for its general purposes to offset any supply costs that it might have incurred; and any other component will be credited to the Minister's Benefit Account for the provision of fringe benefits.

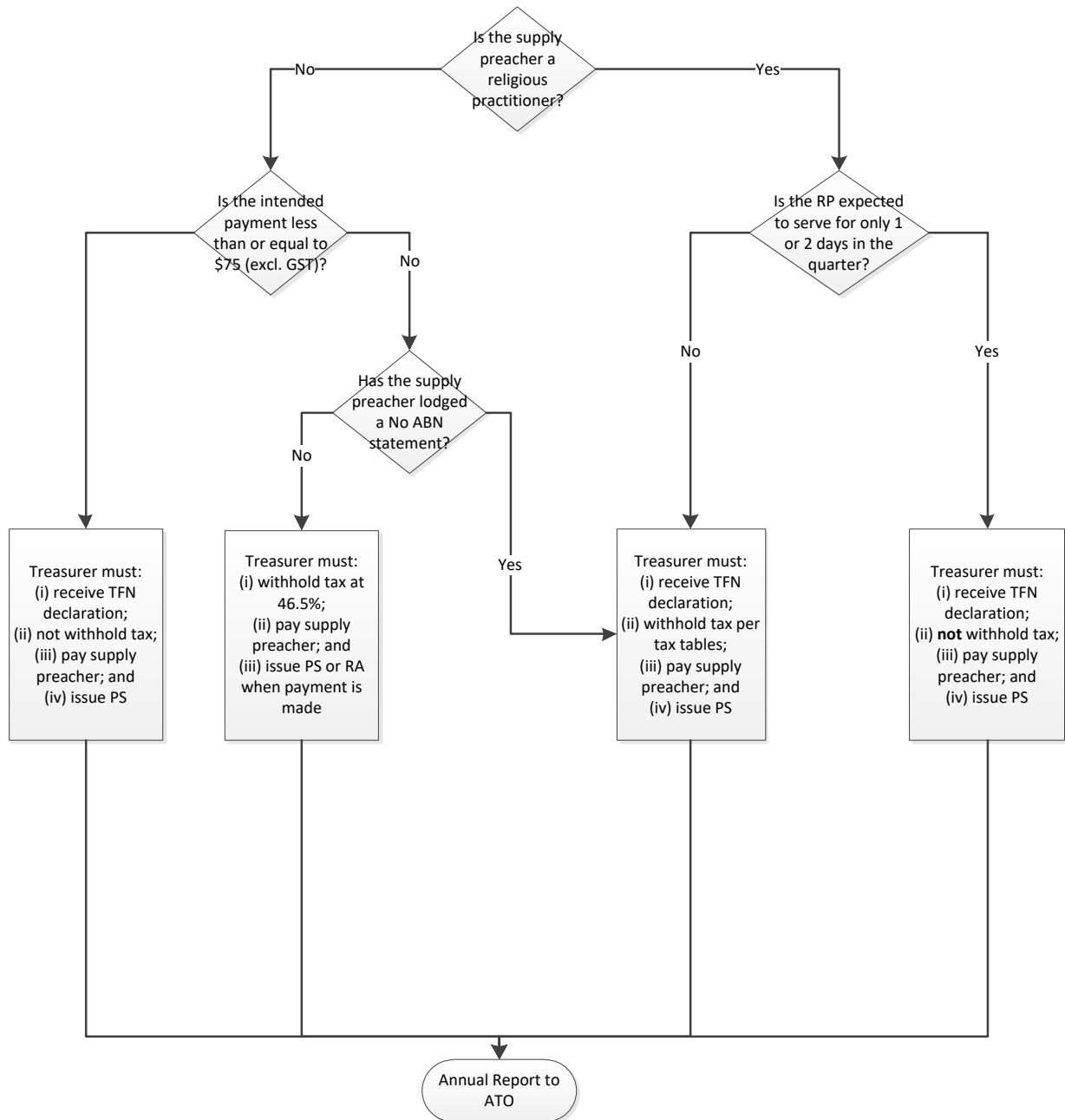
- If the religious practitioner has not been required to be absent from his regular duties but provided supply services at a time that was otherwise uncommitted, that part of the payment that relates to supply services will be credited to the receiving congregation to be added to the minister's normal stipend payments; and any other component will be credited to the Minister's Benefit Account for the provision of fringe benefits.

Q6. Has a supply preacher from Q4 returned for an additional visit not scheduled when the first two days were served?

If "No" then payment should be made as for Q4.

If "Yes" then proceed as for Q5 – with the exception that tax must be withheld only from the third and any subsequent days of service in the same quarter

Payments to supply preachers - a visual outline



On this sheet:

PS = Payment Summary
RA = Remittance Advice
RP = Religious Practitioner
SP = Supply Preacher
TFN = Tax File Number

Note

If the original engagement of an RP is for **more than two days** in a quarter, tax must be withheld from payment for all days.
If the original engagement is for **no more than two days in a quarter but** the RP is engaged for additional (formerly unplanned) days, tax must be withheld from payments made for 3rd and subsequent days.