

Memo

SYNOPSIS

Minister's Benefit Account: Fringe Benefits and GST Recovery

This statement complements an explanatory paper prepared by the Ministry and Mission Committee, available at <http://mmpcnsw.org.au/wp-content/uploads/2013/07/Fringe-Benefits-Tax-Explanation-v5.pdf>.

This statement should be read in conjunction with that paper.

Fringe Benefits have long been provided as part of an employee's remuneration. In most circumstances, employers electing to provide fringe benefits must then pay tax on these fringe benefits. In some circumstances, the employers may be exempt from the obligation to pay fringe benefits tax. Religious institutions (eg churches) enjoy this exemption when providing fringe benefits to their ministers in ordinary situations. This exemption is explicitly declared in Section 57 of the Fringe Benefit Tax Assessment Act 1986 (FBTAA).

Because fringe benefits provided to religious practitioners are 'non-reportable' and do not constitute taxable income in the hands of the recipient, the value of fringe benefits is not included in the Payment Summary provided to religious practitioners. Churches pay no fringe benefits tax and the religious practitioners pay no income tax in respect of fringe benefits associated with their remuneration.

The explanatory paper sets out guidelines for the operation of the Ministers Benefit Account (MBA) and the recovery of GST incurred in the provision of fringe benefits with a view to

- a. assisting congregations and ministry personnel to comply with the conditions defined by the FBTAA,
- b. providing reliable and accessible advice on complex matters for the benefit of Committees and Treasurers, and
- c. establishing consistent practices across the PCNSW.

The cash value of the fringe benefits are not paid directly to the ministry person concerned. The value is credited to a Minister's Benefit Account (MBA) which is in effect a trust account in the name of the congregation, held for the sole benefit of the ministry person and immediate family.

Since the MBA is an account in the name of the congregation and the congregation procures goods and services (as "fringe benefits") from the MBA, all GST incurred on expenses from the MBA can be properly recovered through the quarterly BAS in the normal manner. (In this regard there is no difference in recovering GST from MBA expenses or from other general congregational expenses, like photocopying supplies)

Maximum benefit is gained from the MBA when GST paid on fringe benefits is recovered promptly. It is a prerogative of the ministry person to determine whether or not to recover GST paid on fringe benefits. The recoverable GST belongs to the MBA and is not an asset belonging to the congregation for any other general purpose. It is vested with a trust. As such, when the ministry

person makes a claim against the MBA, (including the recovery of associated GST), the claim should be processed promptly. It is reasonable to expect that within 7 days of submitting the claim, the ministry person will receive payment of both the claim and the recoverable GST. Payment of the GST component should be made to the MBA. Payment for the (much larger) non-GST component should be made to the account nominated by the ministry person. Any prolonged delay in the payment of the claim or any delay in crediting the recoverable GST to the MBA is unacceptable as it effectively withholds from the ministry person portion of the contracted remuneration package.

When the Treasurer later prepares the BAS statement, any recoverable GST amounts will be included on the BAS, with any refund from the ATO being credited to general congregational funds.

I would be please to field general or specific questions relating to the provision of Fringe Benefits, the operation of MBA, and recovery of GST by either email (mcropper@pcnsw.org.au) or on the phone 02 9690.9348 or to attend a meeting of your Committee of Management as convenient.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Maurie Cropper', with a long horizontal flourish extending to the right.

Maurie Cropper,
Associate Superintendent
(Personnel and Cross-Cultural Ministry)