



The Uniting Church in Australia
Synod of South Australia

Ministers' Fringe Benefits Account (FBA) Handbook & Guidelines

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These guidelines are available to Ministers, Church Council Secretaries and Treasurers

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1. INTRODUCTION TO FRINGE BENEFITS

A fringe benefit is generally defined as a benefit provided to an individual that is not the receipt of salary or wages.

The *Fringe Benefits Tax Assessment Act 1986* (“the Act”) taxes the provision of all fringe benefits provided to employees by their employers. Section 57 of the Act provides a series of conditions that must be met for payments made to ‘Religious Practitioners’ be considered ‘exempt benefits’.

While from a theological perspective a minister is not ‘employed’ by the Church, for the purposes of the Act, the Church is deemed to be the employer of a minister.

2. SOUTH AUSTRALIAN SYNOD

In South Australia the Fringe Benefits Account (FBA) is operated by the Synod and by some Church Councils. The FBA contains funds of the *employing* body and should only be used as part of the remuneration package of a person to whom the employing body has an obligation to pay a stipend and/or other allowances.

FBA's must be specifically designated and remain the property of the paying body (*the Synod or congregation*). This is a Church owned account and **must be audited** like all other Church accounts. The value of this account should be reported on the balance sheet of the paying body.

The amount transferred into the FBA is not treated as income in the hands of the minister, but rather as a payment direct from the church funds to the supplier of goods and services. Consequently the amount is not subject to income tax but is considered to be a fringe benefit. As eligible ministers are exempt under Fringe Benefits Tax (FBT) legislation, neither the church nor the minister pays FBT.

It is strongly encouraged that Ministers and Congregations avail themselves of the payroll and Fringe Benefit Account services provided by the Synod Financial Services Team.

Financial Services staff members provide a professional and discrete service assuring all users of absolute privacy.

3. FRINGE BENEFITS ACCOUNTS HELD BY A CONGREGATION

Congregation-held accounts **must** be operated in accordance with the guidelines contained in this handbook. The accounts must be part of the Congregations’ financial reports, audited and **administered by the Treasurer with two signatories** required for all payments. There should be clear segregation between the holder of the funds (the Congregation) and the minister.

When a minister leaves a congregation (placement) and moves to another congregation (placement) the existing FBA must be cleared of funds and closed. A new account is to be opened by the new congregation if the minister is not to be a participant of the Synod Financial Services FBA facility.

4. ELIGIBILITY

Certain benefits provided by registered religious institutions to employed Religious Practitioners will be exempt from fringe benefits tax (FBT) under section 57 of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA).

The requirements for exemption are that:

- A benefit is provided by a **registered religious institution**
- to an **employee religious practitioner**, their spouse or child
- in respect of the practitioner's **pastoral or other directly related religious activities**.

i. What constitutes a registered religious institution?

The entity must be an institution that maintains *current* ACNC registration with a subtype of 'advancing religion'. (*The taxation ruling TR 2019/3 provides further detail as to the definition of institution in this situation*).

ii. Definition of an employee religious practitioner

Australian Taxation Ruling 2019/3 allows for the provision of tax exempt fringe benefits to an employee who is a 'Religious Practitioner'.

'Employment' and 'employee' are defined in subsection 136 (1) of the Fringe Benefits Tax Assessment Act (FBTAA) and hold a broader meaning than the ordinary meaning:

- A minister of religion
- A student at an institution who is undertaking a course of instruction in the duties of a minister of religion
- A full time member of a religious order, or
- A student at a college conducted solely for training persons to become members of religious orders

Except in rare cases a minister of religion would have all of the following characteristics:

- is a member of a religious institution
- is recognised by ordination or other admission or commissioning , or has authority from the religious institution to carry out the duties of a minister based on theological, training or other relevant experience
- is recognised officially as having authority on doctrine or religious practice
- is distinct from ordinary adherents of the religion
- is an acknowledged leader in the spiritual affairs of the institution
- is authorised to act as a minister or spiritual leader, including the conduct of religious worship and other religious ceremonies

iii. What are pastoral duties or directly related religious activities?

To be exempt the benefit must be provided 'principally' (mainly) in respect of

- pastoral duties, or
- other duties & activities that are directly related to the practice, study, teaching or propagation of religious beliefs (directly related religious activities).

The test is to determine the connection between the benefit and the religious practitioner's duties, and identify what the benefit is in respect of.



The test applies separately to each benefit – the connection between benefit and duties can change as circumstances change.

Pastoral duties

These are duties associated with the spiritual care of people e.g. communication of religious beliefs:

- teaching and counselling adherents and members of the community
- providing adherents and members of the community with spiritual guidance and support
- conducting an in-service seminar of a spiritual nature
- meeting with or visiting adherents, the sick, the poor, and others who need emotional and spiritual support, and
- providing pastoral supervision to those engaged in pastoral duties

Directly related religious activities

This is relevant when there is a close connection between the duties or activities of the religious practitioner and the practice, study, teaching and propagation of religious beliefs.

Directly related religious activities *may* include incidental secular activities if it can be shown that there is a direct link between those activities and the religious beliefs of the participants. The Taxation Ruling TR 2019/3 provides examples where this is allowed. Congregations should seek the assistance of the SA Synod office in determining any case where this may apply.

With regard to a full-time member of a religious order, whilst they may not be involved exclusively or predominantly in pastoral duties, they may be generally engaged in duties or activities that are directly related to the practice, study, teaching or propagation of their religious beliefs. Missionary work, to the extent that it is not pastoral in character, is, in any event, directly related to the teaching or propagation of religious beliefs and will be exempt.

What are not pastoral duties or directly related religious activities?

If the duties are not solely or predominantly pastoral or directly related religious activities then any benefit connected to these duties will fail the test.

The following are examples of duties or activities which are **not** pastoral duties **or** directly related religious activities:

- the administration of a church
- work undertaken by a director of a department of a Diocese or similar unit of ecclesiastical administration
- principal of a private school that is a registered religious institution where duties are related predominantly to the administration of the school

Whether the benefit has been provided principally in respect of pastoral duties or directly related religious activities depends on the facts of each particular case. A benefit provided to a minister of religion whose duties are exclusively or predominantly pastoral generally satisfies the 'principally' test.

A benefit generally is *not* an exempt benefit if the duties of the employee to whom it is provided are exclusively or predominantly **non-pastoral** duties.



If an employee who is a religious practitioner undertakes both pastoral **and** non-pastoral duties (even where the non-pastoral duties predominate), it is possible for a benefit to be provided to the employee solely or principally in respect of the employee's pastoral duties, and, therefore, be exempt under section 57 of the FBTAA.

Changes since TR 92/17 re GST and ABN.

Religious practitioners will not be subject to GST for activities done in the pursuit of a vocation as a religious practitioner. They are not required or entitled to register for GST for these activities. However, these activities will still be the activities of the religious institution for GST purposes and the institution may be subject to GST.

Activities done in the pursuit of a vocation as a religious practitioner and as a member of a religious institution will not entitle a religious practitioner to an ABN. Religious practitioners will not require an ABN for these activities. The activities will still be the activities of the religious institution.

Religious practitioners who receive a stipend or other form of remuneration (including non-cash benefits) are employees for the purposes of the FBTAA. Consequently, if the requirements of section 57 of the FBTAA are satisfied, any fringe benefits provided to a religious practitioner who is an employee of a religious institution are exempt benefits.

Withholding arrangements for failure to provide an ABN will not apply to religious practitioners for activities done in pursuit of a vocation.

Because 'ordinary' employers pay fringe benefits tax on the benefits provided to their employees, the cost of those benefits is a business expense and thus employers are entitled to claim GST input credits. This entitlement belongs to the employer and in the same way, the Church is entitled to claim input credits on benefits obtained via a fringe benefit account.



5. FRINGE BENEFITS ACCOUNT INFORMATION

- Funds in a FBA can be used for the normal expenses of a minister, their spouse and dependent children.
- The account is not a savings account, is not interest bearing and a regular drawdown is encouraged as per the 2008 National Guidelines.
- While it is envisaged that some saving for particular expenses may occur within a calendar year, a **maximum balance** of an amount equivalent to **one month full-time stipend and standard allowances** may be carried into the following year (*as at 31 December*).
- If a special need arises for an amount greater than this maximum balance to be carried into the following year, the account holder must seek prior approval from the General Manager Resources, SA Synod (*or their delegate*).
- If approval is not sought and excess funds remain in the FBA, then after notification from the General Manager Resources, the funds will be paid to the minister through the payroll system (*PAYG Withholding tax will be deducted from any payment*).
- A FBA cannot be overdrawn (*reimbursement claims are not to exceed funds available*). Payments will only be made up to the balance available in the FBA and it remains the claimant's responsibility to ensure any claim submitted can be met from available funds at the time.
- Claims **will not** be processed without the appropriate and correct **photocopied tax invoice**.
- Account statements are issued on a monthly basis to FBA holders.

6. NON-APPROVED EXPENSES AND DEPOSITS

All normal expenses may be paid from a FBA, **except** the following:

- Personal Beneficiary Fund contributions to the defined benefit account
- Fines or penalties imposed by Federal, State or Local government; such as Traffic Infringement Notices
- Taxation levies (*including payment for the preparation of annual returns*)
- Child support or other Centrelink payments
- All offerings, donations and gifts of a financial nature
- Tax deductible costs (*i.e. an expense which is reimbursed from Fringe Benefits accounts cannot also be claimed as tax deductions with the ATO*).
- Cash withdrawals (*including such things as travellers cheques, currency gift cards*)
- Medical Expenses (*does not apply to Health Insurance premiums*)

Non-approved deposits

A FBA is held-in-trust by the church and only deposits which make up the allowable allowances (car, house, and professional development) can be deposited into the FBA.

Income from wedding and funeral fees, book sales etc., which are subject to normal taxation processes, are not approved for deposit into a FBA.



7. PAYROLL OPTIONS

A minister may opt for the following treatment of stipend and allowances regardless of whether payroll processing takes place via Synod office Payroll Bureau Services or via a congregation's own pay function:

Option One

Up to 100% of stipend, plus up to 100% of allowances is paid directly into their nominated bank account.

Income tax is deducted according to the PAYG Withholding Tax instalment guides published by the Australian Taxation Office (ATO).

Option Two

Subject to eligibility, a Minister within the Synod of South Australia may request **up to 50% of the minimum stipend and 100% of allowable allowances** be transferred into a FBA.

The amount transferred into the FBA can then be used to reimburse or pay approved expenses.

The remaining portion of stipend is deposited as per option 1.

The Stipends Committee, endorsed by Standing Committee, has determined that where a minister cashes out some of their **long service leave entitlement**, 50% of the payment can be allocated to their FBA.

Retired ministers providing **short term supply ministry** may have up to 100% of their stipend paid into their FBA provided the total annual payment does not exceed 50% of the annual minimum stipend.

The extent to which a minister may benefit from the use of a FBA will depend on a range of factors, including;

- Choosing to have a FBA
- Living in their own home or a manse
- Owning, leasing, or provided with a car
- Having significant expenses which are usually claimed on their annual tax return

All these factors are governed by personal choices made by each minister. It is recommended that you consult your accountant or financial advisor if unsure which option works best for your financial situation.



8. FRINGE BENEFITS ACCOUNTS HELD BY SYNOD.

Advantages of a Fringe Benefits Account held with Synod include:

- Availability of a Westpac branded Corporate MasterCard as an additional method of accessing FBA funds.
- Scheduled payments can be established against the MasterCard.
- Ability of account holder to monitor the available balance of the MasterCard via the Westpac app
- The FBA does not have to be closed and a new one opened when a minister moves congregations.
- Ability to receive electronic FBA statements and to submit claims and tax invoices via email to SA Synod Financial Services Team.
- Weekly reimbursement/accounts payable cycle.

9. SETTING UP A FRINGE BENEFITS ACCOUNT

An eligible minister may apply by filling in an **Application for FBA form – FB002**.

This form is available on the UCSA website at: <https://sa.uca.org.au/finance/payroll-bureau-service>

10. ACCESSING FUNDS HELD IN A FRINGE BENEFITS ACCOUNT

Funds held in a FBA can be accessed by reimbursement of expenditure or through the use of a corporate MasterCard. Please note that from 1 January 2020 direct third party payments will no longer be provided from FBAs.

Reimbursements:

Reimbursements of eligible claims will be made to the minister on the provision of a photocopied tax invoice and a signed **FBA Reimbursement Claim Form - AP003**

This form is available on the UCSA website at : <https://sa.uca.org.au/finance/payroll-bureau-service>

To lodge a reimbursement claim simply:

- Complete **Fringe Benefits Account Reimbursement Claim Form – AP003** and be sure to type your name on the form as well as sign to authorise.
- List all expenses to be reimbursed and ensure each expense has a photocopied tax invoice(s) securely attached to the claim form.
- Send in the claim form and attached **photocopies** of tax invoices to SA Synod Financial Services Team either, scanned and emailed to finance@sa.uca.org.au or by post.
- Claims received by close of business (5pm) each Tuesday will be credited to the minister's nominated bank account via direct deposit (EFT) each Friday.
- When a claim has been made and the photocopied tax invoice is lodged with the Financial Services Team, ministers do not need to keep copies except for warranty and guarantee purposes.



Please note that:

- The **minimum transaction** that will be reimbursed is \$5.00 per item
- A time limit for claims applies. Tax invoices submitted should **not be more than three months old** unless by prior arrangement with Financial Services
- A **tax invoice** must be requested and obtained at the time of payment. An EFTPOS docket is not a tax invoice (*see below for information on what constitutes a tax invoice*).
- Any items within a claim, where supporting documentation is either missing or incomplete, will not be processed and will be deducted from the claim.

Using a MasterCard:

Applying for a MasterCard:

Ministers with a FBA held by the SA Synod office and who are in a long term permanent placement have the option to apply for a Corporate MasterCard as an additional method of accessing FBA funds.

- Credit limits are set to a maximum of the amount credited to the FBA each month (*rounded down to the nearest \$100*).
- A PIN (*Personal Identification Number*) is issued by Westpac Banking Corporation for each card. The Account holder can visit a Westpac branch with the card and photographic identification to change the PIN to one of their choosing.
- A MasterCard credit card policy must be signed by the cardholder to acknowledge the terms and conditions of use (*issued on completion of the application form*).

Using a MasterCard:

- The card can be used with most Merchants which display the MasterCard sign.
- Cash advances **are not** available with the Corporate MasterCard facility.
- When using the card, be sure to request a tax invoice (*Note: an EFTPOS docket issued from a card swipe machine is NOT a tax invoice*)
- The MasterCard statement period runs from the 28th of one month to the 27th of the next month.
- A monthly MasterCard Expense Report is issued shortly after this.
- Cardholders must print the Expense Report, check that all transactions are their own, then sign and return the report along with photocopy tax invoices relating to each transaction on the statement.
- The MasterCard Expense Report and photocopy tax invoices must be returned to Financial Services Team electronically or posted within 10 business days of receipt of the report.
- An administration charge may apply for the late return of the Expense Report (*Minimum charge: \$50*)
- The total expended on your card during that period is charged to your FBA during the three day processing window at the end of each month.

11. WHAT IS A TAX INVOICE?

A tax invoice is an important document for the operation of the GST system, and allows a congregation or the SA Synod office to claim GST credits (*if registered for GST concessions with the ATO*).



To be valid, the tax invoice must contain certain information:

- Must be issued by the supplier
- Contain enough information to enable the following to be clearly identified:
 - Supplier's identity and ABN
 - Brief description of what is sold including quantity (*if applicable*) and price
 - Whether each sale is a taxable sale – either shown separately, or if the GST is one eleventh of the total price, should state 'total price includes GST'.
 - Date of issue
 - That the document is intended to be a tax invoice (*not a quote or estimate or purchase order*).

On some accounts the terms tax invoice and GST inclusive are not on the front of the form. Please attach photocopies of all relevant pages to verify the claim.

12. CONTACT INFORMATION:

Financial Services Team

New Fringe Benefits Accounts and Applying for a MasterCard:

08 8236 4267

Reimbursements and Payments:

Accounts Payable: 08 8236 4211 finance@sa.uca.org.au

Payroll: 08 8236 4241 payroll@sa.uca.org.au

Website: www.sa.uca.org.au/finance/fringe-benefits-account

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