



FINANCE NEWSLETTER 158

TO: Parish Treasurers, Presbytery and Parish clerks
FROM: Brendan Sweeney, Manager, Financial Services
DATE: 20 November 2013

1.	Update: Tax on ministers housing
2.	Update: Church Management Support document

1. Update: Tax on Ministers Housing

Further to a communication sent from Martin Baker to ministers last week, we at last have a decision on tax on housing supplied by the church to ministers. The Minister of Revenue, Hon Todd McClay has announced that Cabinet has agreed to a law change that will allow continuation of a notional tax of 10% of stipend (less 15% of that amount if part of the house is used by the minister for the benefit of the church) rather than applying a market rental. This legislation will apply to all church-supplied housing, regardless of whether the house is owned by the church or rented from a third party.

The legislation still has to go through a committee stage in Parliament, to define terms such as minister, church-supplied and stipend. I am advised by the Inter Church Working Party on Taxation that a notional housing allowance can be applied now (if not already in place), and any corrections to overpaid tax (based on an application of market rental value of housing allowances) may be made now and backdated to that 1 July. This is the retrospective implementation date of the new law and unfortunately any overpaid tax prior to that date cannot now be recovered.

This news will obviously be a huge relief to many ministers and churches and it brings to an end months of uncertainty and conflicting messages from the Department. The Department will shortly issue a more detailed communication on the change and the process for introduction into legislation, and I will share that document when it is received.

The media release from the Minister is attached, as is a revision of the ministers stipend calculation.

2. Update: Church Management Support document

I am working on an update of the Church Management Support guide, incorporating changes since the last version was published in May. Specific updates are:

- Changes to church reporting requirements (page 12)
- Assembly assessment calculation and general assembly use of funds (page 28)
- Ministers stipend (Page 32)
- Tax on ministers housing allowance (page 34)

This is an interactive document that may be updated at any time. If you are aware of any sections of the document that are unclear, incorrect, or if there are any matters that should be included, please let me know for inclusion in the document.

Hon Todd McClay

Minister of Revenue

12 November 2013

Media Statement

Changes to Tax Treatment of Employee and Accommodation Allowances

The Government is to include changes to the tax treatment of employee allowances, reimbursements and employer-provided accommodation in a tax bill to be introduced to Parliament later this month that will bring clarity for many taxpayers.

Revenue Minister Todd McClay said today that a decision by Cabinet to include changes to the Income Tax Act as part of the Taxation (Annual Rates, Employee Allowances, and Remedial Matters) Bill will also minimise compliance and administration costs for many businesses and organisations.

“The current rules around allowances, other expenditure payments and employer-provided accommodation can leave businesses uncertain about the extent to which these payments and accommodation are taxable under different circumstances.

“Under the current legislation, when an employer makes a payment to meet an employee’s work expense, and there is no private benefit, then generally there will be no tax consequences. However there are occasions when the line between what is a private expense and what is solely a work expense is not straightforward. This has been a concern for employers.

“Our message is that the Government has listened to those concerns. A significant number of people spend time working away from their normal workplace, and are paid work-related allowances or have accommodation provided, especially those who are part of the Canterbury rebuild,” Mr McClay said.

The proposed changes include:

- When an employee is expected to work away from their normal workplace for up to two years, employer-provided accommodation will be tax-exempt. This exemption will extend to up to three years for employees working on capital projects and up to five years for Canterbury earthquake recovery projects.
- Accommodation or accommodation payments for those working at more than one workplace on an on-going basis will be tax exempt without an upper time limit.
- When an accommodation benefit is taxable, it will generally be valued at its market rental value. However, for reasons of fairness, a specific valuation rule is proposed for ministers of religion, to reflect longstanding past practice. In that case the taxable value will be capped at 10% of the minister's remuneration, subject to the accommodation being commensurate with the minister's position and ministry location.
- Likewise, a specific valuation rule is proposed for accommodation provided by the New Zealand Defence Forces to a number of its personnel, in recognition of the unique nature of the accommodation arrangement.
- Meal payments linked to work-related travel will be exempt for up to three months. Meal payments and light refreshments outside of work-related travel (such as conferences) will also be tax-exempt.
- A specific exemption for payments for distinctive work clothing (to match the outcome where clothing is provided directly by the employer). Plain clothes allowances will also be exempt if paid to employees who are provided with a uniform but because of the nature of their current duties are required not to wear that uniform.

"The proposed changes will potentially benefit a wide range of employees who are required to work away from their normal place of work for a period of time while providing greater certainty, consistency, and fairness for those businesses and organisations who are their employers.

"By providing legislative clarity around these tax rules, the Government is ensuring that it not only continues to support the Canterbury earthquake recovery, but also reduces the cost of doing business." Mr McClay said.

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Appendix 2: Revised ministers stipend calculation.

2013-14 Ministers Stipend and Allowance Calculation (Annualized)

Scenario 1: Minister living in manse (either owned by Parish or rented from a third party)

Year of Service	Basic Stipend (1.7% increase on prior year)	Seniority Allowance as % of Stipend	Seniority Allowance	Notional rent (Note 1)	Gross Taxable Income	P.A.Y.E. (Note 2)	NET Stipend Payable	Ministers Contribution to Beneficiary Fund (Note 4)	Reimbursing Allowance (non taxable)	Manse Rental	Net Stipend and Allowances
1st	44,960.00		-	3,821.60	48,781.60	(8,483.28)	40,298.32	(2,248.00)	2,622.96	(3,821.60)	36,851.68
2nd - 5th	44,960.00	6%	2,697.60	3,821.60	51,479.20	(9,338.68)	42,140.52	(2,248.00)	2,622.96	(3,821.60)	38,693.88
6th - 10th	44,960.00	12%	5,395.20	3,821.60	54,176.80	(10,194.08)	43,982.72	(2,248.00)	2,622.96	(3,821.60)	40,536.08
11th and over	44,960.00	18%	8,092.80	3,821.60	56,874.40	(11,048.96)	45,825.44	(2,248.00)	2,622.96	(3,821.60)	42,378.80

Scenario 2: Minister living in own home

Year of Service	Basic Stipend (1.7% increase on prior year)	Seniority Allowance as % of Stipend	Seniority Allowance	Estimated Housing Allowance (note 3)	Gross Taxable Income	P.A.Y.E. (Note 1)	NET Stipend payable	Ministers Contribution to Beneficiary Fund (Note 4)	ADD Reimbursing Allowance (non taxable)	Net Stipend and Allowances
1st	44,960.00		-	20,800.00	65,760.00	(13,865.80)	51,894.20	(2,248.00)	2,622.96	52,269.16
2nd - 5th	44,960.00	6%	2,697.60	20,800.00	68,457.60	(14,720.68)	53,736.92	(2,248.00)	2,622.96	54,111.88
6th - 10th	44,960.00	12%	5,395.20	20,800.00	71,155.20	(15,610.40)	55,544.80	(2,248.00)	2,622.96	55,919.76
11th and over	44,960.00	18%	8,092.80	20,800.00	73,852.80	(16,546.40)	57,306.40	(2,248.00)	2,622.96	57,681.36

Assumptions

- 1 Notional Tax of 10% of Stipend (less 15% for part use of manse for Church use) applies
- 2 Tax calculation presumes tax code "M". Includes ACC
- 3 Housing allowance calculated as \$400 per week (assumed market rental)
- 4 Beneficiary Fund personal contributions are 5% of basic stipend

