



INTER CHURCH WORKING PARTY ON TAXATION

P.O.Box 12287, Wellington, New Zealand. Anglican House, 32 Mulgrave Street, Wellington. Phone 0-4-4739369 Fax 0-4-4739991.

MEMORANDUM

TO: Anglican, Presbyterian, Methodist, Baptist and Salvation Army Churches

FROM: Gordon F Copeland

DATE: 2 December 2013

SUBJECT: TAXATION ON RENTED CLERGY HOUSING

Tax/Topics/Clergy Housing/Corres13

The Tax Bill which sets out the new law in relation to the taxation of free accommodation provided to ministers of religion was introduced to Parliament last week. This memorandum is directed to those parishes/local churches that are currently paying PAYE on behalf of their clergy, based on the actual rent paid when rented accommodation provided to some clergy.

The new law, when enacted, will be backdated to 1 July 2013. It will make no distinction between church owned and church rented accommodation provided free to ministers. Affected parishes therefore may now, in respect of rented properties, revert to the traditional *"10% of stipend less 15% of that amount where part of the house is used for work purposes"* position. PAYE tax will be payable on the same basis as that for clergy provided with church owned accommodation.

Once the Tax Bill has been enacted, affected parishes/local churches will also be able to seek a refund of any tax paid, over and above the new legal requirement, as from 1 July of this year, by submitting adjusted returns to the IRD.

However, please note that whilst essentially the same, the new law will be slightly different from the current "formula" and it will be necessary to use a new formula when seeking a refund. We will of course advise you, well before the new law is enacted, of the way in which the new formula will affect clergy tax payable.

Please note that tax refunded in these circumstances will be to the account of the parish/local church rather than to the minister her/himself since, as you know, the parish/local church funded the extra tax by grossing up the minister's taxable income. Put another way, the net take-home pay of the minister remained the same when the tax payable went up from about November of 2011.

We have explored with the IRD the possibility of also being able to claim back any tax overpaid between about November 2011 and 30 June 2013, by way of a reassessment. Sadly that will not be possible since the tax paid at the time, although different from the traditional treatment applied by the Churches, was in accordance with the tax law.

With all good wishes

Gordon F Copeland
Pp ICWPT

Disclaimer: This material is provided for information purposes by the Inter Church Working Party on Taxation It is not a substitute for commercial judgement or professional advice, which should be sought prior to acting in reliance on it. To the extent permitted by law the Working Party disclaim liability and responsibility to any person for any loss or damage that may result from any act or omission by any person in relation to this material.