

PCANZ FINANCE & ADMIN NEWS 003

TO: Church Treasurers

DATE: 8 May 2026

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1. Accounting for Your Manse When It's Rented Out (or Soon Will Be)

We've recently seen several cases where parishes have treated a rented-out manse as if it has become a commercial building and have therefore returned GST on rental income and claimed GST on related expenses. In one instance, a parish building a new manse and intending to rent it out in the short to medium term claimed GST on all construction costs. This resulted in an IRD liability in the tens of thousands of dollars for over-claimed GST.

To avoid similar issues, please note the following:

Residential use = no GST, regardless of who lives there

A manse is always a residential property unless it has **no** residential use at all. This means:

- GST cannot be claimed on any expenses relating to a manse used for residential accommodation, whether occupied by a minister or rented to tenants.
- This includes the costs of electricity, gas, water, rates, repairs and maintenance, insurance, and asset purchases (e.g., dishwasher, stove, heat pump).
- GST is **not** charged on rental income from a manse.
- GST is **not** claimable on property-management fees.

When a former manse can be treated as a church building

Some parishes now use a former manse solely as church operating space, for example, offices, meeting rooms, storage etc., with no residential use whatsoever.

In this situation, the building can be treated as part of the church complex, and GST may be claimed in the same way as for other church buildings.

One limited exception: internet costs

If the church pays for the manse's internet connection **and** the minister uses the manse for work communication, a portion of the cost may be considered business use.

IRD guidance suggests a 50% business-use allocation, with GST claimed only on that portion.

See item 2 below for further discussion on the implications of using part of the manse for parish business.

2. Notional Rent for Your Minister's Use of the Manse – What Is It and How Should You Treat It?

Where a church provides housing for your minister – whether in a church-owned manse or by renting a property on the minister's behalf – notional rent is included as part of the minister's stipend package for tax purposes.

What notional rent is

Notional rent is an imaginary figure used solely for calculating PAYE. It is not a real payment, expense, or income transaction and no money changes hands.

For Presbyterian ministers, notional rent is set at 10% of the minister's stipend plus seniority allowance. This amount is added to taxable income for calculating PAYE, then deducted from the net stipend payable.

For example:

Fortnightly Stipend plus 18% seniority allowance (Gross):	\$2,856.79
PLUS 10% Notional rent:	<u>\$285.68</u>
Gross taxable income:	<u>\$3,142.47</u>
Tax on taxable income:	<u>(\$700.16)</u>
Income after tax (before Beneficiary Fund and Allowances)	\$2,442.31
DEDUCT 10% Notional rent:	<u>(\$285.68)</u>
Net payable (before Beneficiary Fund and Allowances):	<u>\$2,156.63</u>

As shown above, the 10% (\$285.68) is purely a notional figure used for calculating PAYE.

Common error: recording notional rent in the accounts

We have seen some churches incorrectly recording notional rent as:

- an expense (e.g., housing allowance, or part of stipend costs), and
- an offsetting income item (e.g., “rent received”)

This treatment is incorrect. Notional rent is not a real transaction and should never appear in your accounting records.

Does – or should - the church receive rental income from the minister for use of the manse?

No. Under the Conditions of Service, a parish must provide suitable housing for the minister and their family, either by:

- supplying church-owned accommodation of an approved standard,
- paying a housing allowance where the minister owns their own home,
- leasing an appropriate house from an independent owner,
- pay a housing allowance where the minister owns their own home

There is no rental payment from the minister to the church.

When notional rent may be reduced

Tax law allows the 10% notional rent to be reduced where part of the manse is set aside exclusively for church use. Occasional or incidental use of a room or space does not qualify for this adjustment.

To calculate the reduction:

1. Determine the floor area used 100% for church purposes.
2. Divide this by the total floor area of the manse.
3. Apply that percentage to the 10% notional rent rate.

For example:

Area set aside exclusively for church use: one room 3m x 2m = 6m²

Total floor area of the manse: 110 m²

Percentage used for church purposes: 6 / 110 = 5.45%

This percentage is then applied to the 10% notional rent calculation:

10% * 5.45% = 0.5% reduction

Accordingly, the notional rent rate would reduce from 10% to 9.5%.

3. Ensuring You Receive Important Electronic Communications

From time to time, the Assembly Office needs to send important updates to parishes across Aotearoa New Zealand – this newsletter being one example. However, we are

aware that key people within some parishes are not always receiving these communications.

In most cases, this is due to two common issues:

- frequent changes in parish personnel and office holders, and
- the use of personal email addresses for church business.

With ongoing changes in areas such as GST requirements, employment legislation, and Presbyterian matters, it is important that we can reliably communicate with the appropriate people in each congregation.

As a minimum, we need current email contact details for:

- your minister
- your treasurer
- your administrator (if different from the treasurer)
- your session clerk

Consider using church-based email addresses

If your church does not already use role-based church email addresses (for example, minister@stdavids.pc.org.nz or treasurer@stdavidspc.org.nz), we strongly encourage you to consider setting these up.

A domain name typically costs around \$80-\$100 per year and allows you to create multiple email addresses under that domain. In many cases, your website host may also offer email hosting as part of its service package.

The benefits can be significant:

- continuity is maintained when personnel change, as the email address remains the same
- individuals can keep their personal email addresses for private use
- the church retains a complete communication history associated with each role, even after personnel changes.

Help us keep our records current

If you're receiving this newsletter and know of someone in your parish who should also be receiving it, please send their updated contact details to us so we can amend our records.

4. A Reminder to Use Your Own CC Number for Donations Receipts

A quick but important reminder for all treasurers/administrators: please ensure that your own church's CC (charity) number is used on every donation receipt you issue, **NOT** the CC number of the Presbyterian Church of Aotearoa New Zealand.

Using the correct CC number matters for several reasons:

- Accuracy for donors – donors rely on receipts for tax credit claims. An incorrect CC number may delay or affect their claim.
- Compliance requirements – the CC number links each receipt to the correct registered charity. Using another entity's CC number, even unintentionally, can create compliance issues with Inland Revenue.
- Protection for your parish – if any questions arise in future, having the correct CC number on receipts helps ensure they can be verified quickly and without complication.

You can confirm your parish's CC number on the Charities Services website: <https://register.charities.govt.nz/CharitiesRegister/Search>. Please get in touch if you're unsure which number to use or would like help checking it.

Upcoming changes and deadlines you need to be aware of

15 May 2026	Stipend letters for the 2026/27 financial year will be issued.
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The Assembly Office Finance Team offers practical support, including:

- **0800 567 957 Accounting and Payroll Helpline** – assistance with payroll setup, stipends, wages, and accounting queries
- treasurerhelp@presbyterian.org.nz
- help with filing annual returns and financial statements with Charities Services
- Xero support
- a 30% discount for churches using the PCANZ Xero Practice subscription
- access to Tier 3 and Tier 4 reporting templates (Xero and spreadsheet formats)
- training sessions arranged on an ad-hoc basis