



Presbyterian Church of Aotearoa New Zealand

FINANCE NEWSLETTER 145

TO: Parish and Presbytery Treasurers
FROM: Brendan Sweeney, Manager, Financial Services
DATE: July 2012

1.	Tax on Clergy Housing – Important Notice
2.	Ministers Loans
3.	Church Management Support (CMS) Project

1. Tax on Clergy Housing – Important Notice

Further to notifications in the January and February newsletters, I attended the meeting of the Inter Church Working Party on Taxation on 15 June. At that meeting, the IRD rule of applying the total rental amount as housing allowance in the case of a manse rented from a third party, was discussed. The ICWPT confirmed that the tax treatment as advised by the Inland Revenue Department should be adhered to.

The advice is: if a manse is rented from a third party, then that rental amount should be treated as taxable allowance by the parish, so that the entire amount is taxable and payable by the minister. This is not a change in IRD requirements but confirmation of an existing rule. In the past our advice from the ICWPT was that a notional housing allowance of 10% of the basic stipend, less 15% of that amount if part of the manse is being used for church purposes, could be applied.

The correct application on the rule will have a significant impact on the taxable income of the 10-15% of ministers who are in rented accommodation. For example, if the rental amount is \$400 per week, the change in taxable allowance is as follows:

- Notional Rent applied	3,757.68	(\$44,208pa * 10% - 15%)
- Actual Rent Applied (at \$400pw)	<u>17,680.00</u>	(\$400 * 52 - 15%)
- Increase in taxable income	13,922.32	

Please refer to the example in the January newsletter. Examples with the updated stipend applied to seniority allowance scenarios are summarised below:

Scenario 3: Minister living in a manse (rented from a third party)

Year of Service	New Stipend (1.9% increase)	Seniority Allowance as % of Stipend	Seniority Allowance	Estimated Housing Allowance (note 5)	Gross Taxable Income	P.A.Y.E. (Note 1)	NET Stipend payable	Ministers Contribution to Beneficiary Fund (Note 5)	ADD Reimbursing Allowance (non taxable)	Manse Rental	Net Take Home Pay
1st	44,208		-	17,680.00	61,887.82	(12,638.08)	49,249.74	(2,210)	2,623	(17,680)	31,982.31
2nd - 5th	44,208	6%	2,652.47	17,680.00	64,540.29	(13,478.92)	51,061.37	(2,210)	2,623	(17,680)	33,793.94
6th - 10th	44,208	12%	5,304.94	17,680.00	67,192.76	(14,319.76)	52,873.00	(2,210)	2,623	(17,680)	35,605.57
11th and over	44,208	18%	7,957.41	17,680.00	69,845.23	(15,160.60)	54,684.63	(2,210)	2,623	(17,680)	37,417.20

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

I understand that the additional tax liability faced by ministers could be several thousand dollars per year and appreciate pressure that adherence to the rule will place on them and their parishes. I'm sorry for the bad news, but this is the correct application of tax law. Martin Baker is writing a letter to the affected ministers, explaining the situation and advising they contact their treasurer or church council for advice or support in dealing with the increased expense. If this affects you, please offer ministers what support you can or contact me for further advice.

2. Ministers Loans

There are currently about 115 Ministers with loans from PCANZ which total some \$550,000. For many years the repayment of these loans has not been closely monitored and, while the majority are being repaid within the agreed terms, some are not. We are engaged in a project to advise ministers with non-performing loans of their obligations and will shortly be contacting this minority to implement repayment plans.

3. Church Management Support (CMS) Project Update

Further to earlier communications, we are making good progress with Phase One of the CMS project. Our current focus is on the creation of centralised documentation on staff and ministry management; health and safety; church finance and accountancy; and property management and insurance. As stated in previous communications, the CMS Project grew out of the parish needs survey conducted earlier this year. This guide is intended to provide an easy-to-read, accessible guide to administration for church treasurers, clerks and managers. It is hoped that it will supplement the advisory and consulting services offered by the Assembly Office.

The CMS Project Workgroup has finished detailing what will be included in these guidelines. We are now in the process of consolidating and updating existing documentation, e.g. updating existing material for changes in employment law and reporting requirements.

As we all have responsibilities associated with the upcoming General Assembly, we will have less time to devote over the next few months to this project, but we remain determined to keep it moving forward albeit at a slightly slower pace.

To give you an idea of the scope, the draft table of contents of the parish manual update is presented here in Appendix A.

When finalised, the guide will be available on the PCANZ website and hard copies will be issued to parishes. After this initial publication, it will be updated regularly on the web, and updated hard copies will be available from the Assembly Office upon request.

Appendix A: Parish Manual Update: Draft table of contents

1. HUMAN RESOURCES

1.1. Employment of ministry staff and lay workers

1.1.1. Recruitment

- 1.1.1.1. Position description
- 1.1.1.2. Selection criteria
- 1.1.1.3. Advertising
- 1.1.1.4. Reference and background checks
- 1.1.1.5. Short-listing
- 1.1.1.6. Interviewing

1.1.2. Employment agreements

- 1.1.2.1. Permanent
- 1.1.2.2. Fixed-term
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1.1.3. Employee entitlements

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- 1.1.3.2. Allowances
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- 1.1.3.4. Leave

1.1.4. Terms and conditions

- 1.1.4.1. Telephone and computer usage
- 1.1.4.2. Serious misconduct

1.1.5. Performance management

- 1.1.5.1. Induction
- 1.1.5.2. Training
- 1.1.5.3. Disciplinary Process

1.2. Volunteers

1.3. Ministers

1.3.1. Standard terms of call

- 1.3.1.1. Stipend and allowances
- 1.3.1.2. Annual leave and statutory holidays
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- 1.3.1.4. Beneficiary Fund
 - 1.3.1.4.1. Joining
 - 1.3.1.4.2. Special grants
 - 1.3.1.4.3. Retirement
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1.3.2. Ministry development

- 1.3.2.1. Supervision
- 1.3.2.2. Minister's review
- 1.3.2.3. Certificate of Good Standing

1.3.2.4. Training

1.3.3. Vacancy and ministry settlement

1.3.3.1. Ministry Settlement Board

1.3.3.2. Interim Moderator

1.3.3.3. Casual supply

1.3.3.4. Short-term ministry appointments

1.4. Health and safety

1.4.1. Introduction & summary of legislation

1.4.2. Risk management

1.4.2.1. Responsibilities

1.4.2.2. Health and safety plan

1.4.2.3. Resources

1.5. Disciplinary matters and complaint process

2. FINANCE

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2.1.2. Parish Treasurer

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2.2.1. Accounts payable and receivable

2.2.2. Stipend and wages

2.2.3. Cash management

2.3. Church financial reporting

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2.3.3. Statement of financial position (balance sheet)

2.3.4. Independent audit / review of accounts

2.3.5. Parish operating budget

2.4. Payroll

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2.4.1.2. Beneficiary Fund

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2.4.1.4. Allowances

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2.4.1.6. Annual leave, statutory holidays and days in lieu

2.4.1.7. Supply fees

2.4.2. Staff salary and wages

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2.5. Taxes

2.5.1. PAYE

2.5.2. Employer contribution withholding tax (ECWT)

2.5.3. Goods and services tax (GST)

2.5.4. Fringe benefit tax (FBT) exemption

2.5.5. Resident withholding tax exemption

2.6. Charities Commission

2.6.1. Parish donor tax certificate

2.7. Assembly Assessment

2.7.1. Calculation and payment

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3. PROPERTY MANAGEMENT

3.1. Compliance

- 3.1.1. Ownership
- 3.1.2. Sale, purchase, additions and leasing
- 3.1.3. Use of proceeds
- 3.1.4. Risk and responsibilities
 - 3.1.4.1. Earthquake-prone buildings

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- 3.2.3. Insurance claims
- 3.2.4. Contract works
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- 4.3. Borrowing
- 4.4. PSDS
- 4.5. Press Go & Presbyterian Foundation