



# Presbyterian Church of Aotearoa New Zealand

## FINANCE NEWSLETTER 139

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

<b>1.</b>	<b>Parish Insurance</b>
<b>2.</b>	<b>Ministers Housing Costs</b>

Happy New Year. I trust you had a relaxing break after what was a challenging 2011, and I look forward to working with you, and with Presbyteries over the coming year to assist you in your complex and important role. As always I want to inform and support you in your role and am always available to discuss issues and clarify requirements if I can.

### **1. Parish Insurance**

You will be aware of Martin Bakers communication prior to Christmas informing of the Council of Assembly ratification of the Presbyterian Insurance Group (PIG) recommendation to exclude earthquake cover from the insurance cover negotiated from 1 January. The PIG met again on January 17 to quantify credits due to parishes for the unused portion of ANSVAR cover for the 2011-12 year, the cost of new cover from 1 January – 31 October, and the requirements of parishes that wish to continue earthquake cover.

You will appreciate this office is responsible for the administration of the PIG, not policy making, but we are fortunate to have the services of Douglas Langford who sits on the PIG and who will issue a communication in the next couple of days advising on insurance cover, options and cost implications for parishes.

### **2. Ministers Housing Costs**

I have received advice from the Inter Church Working Party on Taxation on the Inland Revenue Department rules on tax treatment of housing allowances paid to ministers and other clergy, living in a Church supplied manse or house.

Ministers are entitled to subsidised housing payable by the parish. In the case of a manse owned by the church, that tax obligation is placed on the minister and is calculated at 10% of the ministers stipend, less 15% of that amount if part of the house is used for Church business (ie a room is used as an office).

The calculation is this:

Basic Stipend (current)		43,341.00	
Manse Allowance (10%)	4,334.10		
Less 15%	<u>(650.12)</u>		(assume part use for Church)
		3,683.99	
Seniority Allowance		<u>7,801.38</u>	(assume 11+ service years)
Gross Taxable income		54,826.37	
PAYE		<u>(10,586.16)</u>	
		44,240.21	
Less Manse Allowance		(3,683.99)	
Less Beneficiary Fund Contribution		(2,167.05)	
Plus non-taxable allowance		<u>2,622.96</u>	
		41,012.13	

Please note that the 10% concession allowed by the IRD is due to the fact that, as the manse is owned by the Church, the market value of rental is unknown, and 10% is used to simplify the complexities of ascertaining the market rental value across various locations, building quality and conditions etc.

If however the manse is rented from a third party and provided to the minister, the value of the rental is known (as that is the amount being paid). In this circumstance the rental value should be used as the manse allowance amount. The 15% reduction for church use still applies. Using an example of a manse rented at \$300 per week, the calculation is this:

Basic Stipend (current)		43,341.00	
Manse Allowance	15,600.00		(assume \$300per week * 52)
Less 15%	(2,340.00)		(assume part use for Church)
		13,260.00	
Seniority Allowance		<u>7,801.38</u>	(assume 11+ service years)
Gross Taxable income		64,402.38	
PAYE		<u>(13,571.00)</u>	
		50,831.38	
Less Manse Allowance		(13,260.00)	
Less Beneficiary Fund Contribution		(2,167.05)	
Plus non-taxable allowance		<u>2,622.96</u>	
		38,027.29	

This calculation is also to be applied where a manse is being rented from the minister by the Parish, for their use.

We are counselled by the Inter-Church Working Party to ensure that these provisions are carefully followed. The concessions allowed by the Inland Revenue Department are valuable and we would not want to lose them. Parishes must therefore be careful to ensure that there are no abuses. Any variance from IRD rules, however accidental, could lead to the concession being cancelled.

Please contact Margaret Fawcett or myself if you wish to discuss.

Brendan