



# **Guidelines for employment and the remuneration of ministers**

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## Purpose

The purpose of this document is to provide guidelines for employment and the remuneration of ministers for Baptist Churches in NSW and ACT. This document has been prepared to assist churches determining their own policy on remuneration issues.

## Definitions, acronyms and terminology

ABN	Australian Business Number
Accredited minister	A person accredited with the Baptist Association of NSW and ACT who performs pastoral or other duties or activities that directly relate to the practice, study, teaching or propagation of religious beliefs.
ATO	Australian Tax Office
BANSWACT	Baptist Association of NSW and ACT
Called minister	A person who is called by a church to carry out church pastoral or other duties or activities that directly relate to the practise, study, teaching or propagation of religious beliefs.
Exempt fringe benefits	Fringe benefits that are exempt from Fringe Benefits Tax.
FBT	Fringe Benefits Tax
Fringe benefits	<p>A fringe benefit is a 'payment' to an employee, but in a different form to salary or wages.</p> <p>According to the fringe benefits tax (FBT) legislation, a fringe benefit is a benefit provided in respect of employment. This effectively means a benefit is provided to somebody because they are an employee. The 'employee' may even be a former or future employee.</p> <p>The terms benefit and fringe benefit have broad meanings for FBT purposes. Benefits include rights, privileges or services. For example, a fringe benefit may be provided when an employer:</p> <ul style="list-style-type: none"><li>• allows an employee to use a work car for private purposes</li><li>• gives an employee a cheap loan</li><li>• pays an employee's gym membership</li><li>• provides entertainment by the way of free tickets to concerts</li><li>• reimburses an expense incurred by an employee, such as school fees</li><li>• gives benefits under a salary sacrifice arrangement with an employee<sup>1</sup></li></ul>

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<sup>1</sup> Definition of Fringe benefit from the Australian Tax Office Website available at [https://www.ato.gov.au/General/Fringe-benefits-tax-\(FBT\)/In-detail/Employers-guide/What-is-FBT-/](https://www.ato.gov.au/General/Fringe-benefits-tax-(FBT)/In-detail/Employers-guide/What-is-FBT-/)

GST	Goods and Services Tax
Non-cash benefits	See <i>fringe benefits</i> .
Pastoral duties	<p>Pastoral duties generally are duties associated with the spiritual care of the members of the congregation of a religious body. The following are examples of pastoral duties:</p> <ol style="list-style-type: none"> <li>communication of religious beliefs;</li> <li>teaching and counselling adherents and members of the surrounding community;</li> <li>providing adherents and members of the surrounding community with spiritual guidance and support;</li> <li>attendance at an in-service training seminar by a person or persons conducting the seminar, provided that the seminar is of a spiritual nature; and</li> <li>meeting with and visiting adherents, the sick, the poor, or persons otherwise in need of emotional and spiritual support.</li> </ol>
PAYG	Pay As You Go (Withholding tax)
Recognised minister	A person included on the Baptist Association of NSW and ACT list of recognized ministers who performs pastoral or other duties or activities that directly relate to the practice, study, teaching or propagation of religious beliefs.
Religious practitioner	An accredited minister, recognised minister, called minister of the Baptist Association of NSW and ACT or a student of an institution who is undertaking a course of instruction in the duties of an accredited minister or recognised minister.

## Employing staff

All employed staff should have a written contract in place between the church as an employer and the employee.

A helpful general guide on employing new staff is available from the Fair work Ombudsman website <sup>2</sup>.

Certain employees in churches are eligible to be paid in exempt fringe benefits.

## Eligibility for exempt fringe benefits

The following conditions must be met to be eligible to pay exempt fringe benefits:

- The benefit must be paid by a registered religious institution with the ACNC and

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<sup>2</sup> Available at <https://www.fairwork.gov.au/find-help-for/small-business/hiring-employees>

- The benefit must be paid to a religious practitioner and
- The benefit is provided principally in respect of pastoral or other directly related religious duties. This means that the consideration/value paid is 'earned' fulfilling a role of religious duties.

**Example**

ABC Baptist Church employs Rev Jane Doe as their Sole Pastor. Her main duties are pastoral. Jane is eligible to be paid fringe benefits that are exempt from fringe benefits tax (also known as exempt fringe benefits).

**Example**

ABC Baptist Church employs Rev Jane Doe as the Executive Pastor. Her main duties are answering the phone, managing the property and paying invoices. Jane is not eligible to be paid exempt fringe benefits even though she is paid by a religious institution, and she is not a religious practitioner as her duties are not of a pastoral or religious nature.

**Example**

ABC Baptist Church employs Sam Smith, a lay person as a called minister to lead their youth group. His main duties are those of a Youth Pastor. Sam is eligible to be paid exempt fringe benefits.

## Components of remuneration

Remuneration provided to religious practitioners for their pastoral duties consist of one or more of the following elements:

- a) Salary or stipend
- b) Superannuation
- c) Use of a fully maintained vehicle or the provision of a travelling allowance
- d) The provision of a manse or the provision of a housing allowance
- e) The payment of utilities and other allowances e.g. telephone, electricity and gas
- f) Other benefits (some which are a legal requirement) including the provision of annual leave, long service leave, parental leave, personal leave, workers compensation insurance, professional indemnity insurance.

Remuneration component	BANSWACT Recommendation	Non-cash component <sup>3</sup>	Income tax Treatment
Salary or stipend	In line with BANSWACT's recommended stipend which is updated annually	50%	50% is Assessable income i.e. subject to income tax by the religious practitioner
Housing allowance	Housing Allowance should be paid where the church does not provide housing accommodation for each pastor (i.e. access to a church owned manse, or leased property) and should be negotiated between the church and each minister with reference to the church budget and the local property market. <sup>4</sup> The church should consider if it is important to the church that the minister lives close to the church or if it is acceptable that they live further away and may need to travel further for work. Pastors may need to be flexible in relation to the location and type of housing provided by the church.	100%	Not assessable
Car allowance	In line with BANSWACT's recommended car allowance which is updated annually	100%	Not assessable
Superannuation <sup>5</sup>	12% including the superannuation <sup>6</sup>	n/a	n/a

<sup>3</sup> There are no available government guidelines for the portion that can be paid as a non-cash component. The percentages listed are a guideline set by BANSWACT.

<sup>4</sup> Refer to <https://www.facs.nsw.gov.au/download?file=815346> for data on Rent by Postcode and LGAs.

<sup>5</sup> The salary component for the superannuation contribution should include the following amounts:

- Stipend
- Housing allowance or notional value of housing if the minister is provided with a manse
- Other allowances that are not expense allowances. (Expense allowances are those allowances paid to an employee with a reasonable expectation that the employee will fully expend the

	guarantee .		
Payment of utilities	As agreed between the religious practitioner and church	100%	Not assessable
Annual leave	In line with national legislation. (being 4 weeks per annum)	n/a	In line with the split of remuneration component above
Long service leave <sup>7</sup>	In line with the Baptist Long Service Leave Scheme. Refer to section below on long service leave.	n/a	In line with the split of remuneration component above
Personal leave	In line with national legislation (being 10 days per annum for full time employees and on a pro rata basis for part time employees)	n/a	In line with the split of remuneration component above
Parental leave	In line with national legislation. Refer to the Fair Work Ombudsman Website. <sup>8</sup>	n/a	In line with the split of remuneration component above
Preaching fees	In line with BANSWACT's recommended preaching fees which is updated annually	n/a	Preaching fees may be assessable income and may be subject to PAYG withholding depending on personal circumstances of the preacher.

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money on expenses in the course of their work e.g. car allowance)

<sup>6</sup> Superannuation guarantee rates are as follows:

Year commencing	Superannuation rate
1 July 2014- 30 June 2021	9.5%
1 July 2021	10.0%
1 July 2022	10.5%
1 July 2023	11.0%
1 July 2024	11.5%
1 July 2025 and subsequent years	12.0%

<sup>7</sup> The salary component for the long service leave payments under NSW Legislation should include their ordinary pay rate which may include:

- Stipends
- Housing allowance (or notional value of housing if the long service leave payment is on termination and the minister is no longer living in the church manse)
- Other allowances that are not expense type allowances.

<sup>8</sup> Available at <https://www.fairwork.gov.au/leave/maternity-and-parental-leave>

### Example

ABC Baptist Church employs Rev Tom Jones as their Sole Pastor full time. His remuneration details are as follows:

Stipend	\$50,000 p.a.
Housing allowance	\$26,000 p.a.
Car allowance	\$7,000 p.a.
Superannuation	\$9,120 p.a. (being 12% of the stipend and housing allowance in line with Baptist Association guidelines. )
Long Service Leave	\$1,566 p.a.

- \$25,000 p.a. (being 50% of stipend) is paid into his personal account and is assessable income i.e. needs to be declared as income in his personal income tax return.
- \$58,000 p.a. (being 100% of housing allowance, 100% car allowance and 50% of stipend) is paid into a non-cash benefit account as an exempt fringe benefit. Refer below to section 4 for further details.
- \$9,120 p.a. is paid into his nominated superannuation fund.
- \$1,566 p.a. in long service leave contributions are paid quarterly into his Baptist Association Long Service Leave Fund account. Refer to section 7 for further details.

### Salary or stipend

It is recommended that a religious practitioner be paid an amount in line with BANSWACT's recommended stipend which is updated annually. This information is available on our website.<sup>9</sup>

### Housing allowance

Housing allowance should be paid where the church does not provide housing accommodation for each pastor (i.e. access to a church owned manse, or leased property) and should be negotiated between the church and the religious practitioner with reference to the local property market.

The purpose of the housing allowance is to provide the religious practitioner with the financial capacity to live close to their ministry context whilst taking into account their personal family situation. However, except for these factors, it is anticipated that there would be minimal disparity in the housing allowance between religious practitioners of the same church.

Housing allowance payments to religious practitioners should be on a pro-rata basis. For example, a part time pastoral employee who works 2 days per week would receive 40% of the amounts recommended.

### Provision of utilities and other allowances

The provision of utilities and other benefits is as negotiated and agreed between the religious practitioner and church.

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<sup>9</sup> Available at <https://nswactbaptists.org.au/ministry-support-development/leadership-support-development/administration-support-development/recommended-stipends/>

## Payment of salaries/stipends and non-cash benefits

The taxable portion of an employee's salary or stipend should be paid into their nominated personal bank account as requested by the employee.

The non-cash benefit portion can should be in the name of your church and can be treated in different ways including:

- Depositing it into an account or debit/ credit card in the name of your church to pay for expenses on behalf of the religious practitioner.
- Using a BFS Pay card.<sup>10</sup>

Records should be kept for all expenses from this account as the church would do for all other expenses e.g. invoices.

### Example

In the same example above for Rev Tom Jones:

- \$25,000 p.a. of his remuneration is paid into an account under his own name
- \$58,000 p.a. is paid into an account under the name of ABC Baptist Church for payment of expenses on behalf of Rev Tom Jones.

### GST and non-cash benefit accounts

Expenses incurred using non-cash benefit accounts may include GST. This may be claimed back in the churches BAS return provided that the church is registered for GST and there is appropriate supporting documentation. Refer to the ATO website for documentation required to claim back GST.<sup>11</sup>

### Non-cash benefit accounts – allowed and disallowed expenses

Tax legislation does not limit the types of expenses which can be paid on behalf of religious practitioners. The types of expenses which can be paid from non-cash benefit accounts should be decided by leadership or governance group at the church.

The following expenses should not be spent using non-cash benefits:

Recommended by the Baptist Association	As required by tax ruling or other legislation
<ul style="list-style-type: none"><li>• Cash withdrawals and advances and any other instrument that can be converted into cash e.g. travellers cheques</li><li>• Fines e.g. parking, speeding</li><li>• Offerings, donations and gifts of</li></ul>	<ul style="list-style-type: none"><li>• Mortgage payments into a loan offset account. (However, payment into a redraw facility is deemed to be fine as per Taxation Ruling TR 2000/2.)</li><li>• Taxation debts e.g. income tax</li></ul>

<sup>10</sup> Refer to [https://www.bfs.org.au/wp-content/uploads/BFS\\_Factsheet\\_BFS\\_VISA\\_Prepaid\\_PayCard\\_PERSONAL.pdf](https://www.bfs.org.au/wp-content/uploads/BFS_Factsheet_BFS_VISA_Prepaid_PayCard_PERSONAL.pdf) for further information on the BFS Paycard.

<sup>11</sup> Available at <https://www.ato.gov.au/Business/GST/Claiming-GST-credits/When-you-can-claim-a-GST-credit/>

<p>a financial nature</p> <ul style="list-style-type: none"> <li>• Tax deductible costs (i.e. payments from Fringe Benefits accounts cannot be used as tax deductions)</li> </ul>	<p>or withholding tax, HELP/ HECS debt.</p> <ul style="list-style-type: none"> <li>• Centrelink debts</li> <li>• Child support payments</li> </ul>
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## Single Touch Payroll (STP)

STP is mandatory payroll reporting to the ATO which would be reported through at each pay via STP-enabled software. Payroll information includes:

- salaries and wages
- pay as you go (PAYG) withholding
- superannuation.

Currently exempt fringe benefits are not reported to the ATO under Single Touch Payroll reporting.

STP Phase 2 is due to commence 1 January 2022 and will include increased level of reporting to the ATO. <sup>12</sup> Further guidelines for Baptist churches will be available at a later date on our website.

For any assistance with STP reporting, please contact Balance Ministry Services at [admin@balanceservices.org.au](mailto:admin@balanceservices.org.au).

## Reporting exempt fringe benefits as income

Reporting exempt fringe benefits to different government and other agencies will depend on their definition of income (which differs between agencies). Below are some common payment types:

### Family Assistance Payments (Family Tax A and B Payments)

The adjusted taxable income for the purposes of Family Tax Benefits does not include exempt fringe benefits (note that it does include reportable fringe benefits).

### Centrelink payments

Income for the purposes of Centrelink payments are based on valuable consideration under the Social Security Act 1991 and includes exempt fringe benefits.

### Financial institutions

When indicating total income to a bank for consideration of the financial position of the pastor, the amount of exempt fringe benefits should be disclosed. It may be appropriate to itemise this separately as “exempt fringe benefits”.

<sup>12</sup> Refer to ATO guidelines for reporting available at <https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/#Mandatoryreporting>

## **Long service leave**

An employee in Australia, including permanent, part time and casual employees, is entitled to long service leave after a long period of continuous employment with an employer. In NSW, this is 13 weeks for 15 years of service vesting at 10 years. In the ACT, the benefits are the same but the vesting period is 7 years.

However, in churches, it is common for ministers to move churches with less than 10 years of service. In order to provide Baptist Ministers with a benefit, a Long Service Leave Fund was set up whereby long service leave entitlement is transportable between Baptist churches and approved organisations if certain criteria are met. Refer to the Long Service Leave Fund Rules on the Baptist Association website for further details.

If the member does not meet legal entitlement i.e. leaves Baptist Churches or approved organisations before accumulating 10 years of service, the funds are returned to the Churches that made the contributions. Payments made where the member has not reached 10 years is at the discretion of the Church.

It is noted that there is no legal obligation to make payments prior to 10 years except in the case of redundancy or resignation due to illness, incapacity or domestic or other pressing necessity where by it is pro-rata-ed after 5 years. For example, if a minister works in one organisation and is made redundant or resigned due to above reasons after 5 years or more service, he will be entitled to a pro rata portion of long service leave in line with legislation in NSW i.e. 13 weeks for every 15 years of service or 0.87 weeks per year of service.

For further details, refer to the Baptist Association website.

## **Workers compensation**

All employers in NSW, unless you pay less than \$7,500 in annual wages, must have a workers compensation policy.

## **Need assistance?**

If you need assistance with the remuneration of Ministers, please email Balance Ministry Services at [admin@balanceservices.org.au](mailto:admin@balanceservices.org.au) .