FRINGE BENEFITS

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| FRINGE BENEFITS FOR MINISTERS OF RELIGION Where ministry expenses are paid through a fringe benefit account ***no*** tax deduction can be claimed in the taxpayer’s tax return. This includes all expenses paid through a church credit card account or by way of re-imbursement. Deductions can only be claimed where the expense is paid out of “after tax” income. Where possible Ministers should use the fringe benefits account for items that are not tax deductible. (e.g. mortgage payments, groceries, school fees) |

INCOME

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| **Salaries & Wages** |
| Pastoral and ministry salaries are assessable income, as are all receipts (including gifts) that relate directly or indirectly to services rendered by ministers in the course of their pastoral duties. Only the salary component should appear at the *Salaries and Wages* item in the ***Personal Income Tax Worksheet***. Do not include the amount paid as part of fringe benefits. |
| **Allowances / Gifts/ Honorariums Directors Fees / Casual Earnings** |
| Include at the *Allowances & Gifts* item in the ***Personal Income Tax Worksheet*** the following income:   1. Income on which no tax instalments have been deducted 2. Wedding and funeral income where paid direct to the minister 3. Gifts received in relation to pastoral or ministry activities |

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| **What is a Gift?**  A *“taxpayer”* can determine if a gift is taxable, by considering the ***reason*** for the gift. Would it have been received if you were not in the ministry? A gift received because of your work is taxable, no matter who the donor may be.  [An interpretation of the ATO’s tax ruling IT 2674] |

**DEDUCTIONS**

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| **Motor Vehicle Expenses** |
| Please use our *2017 Motor Vehicle Expense Worksheet* for making a motor vehicle claim. If your motor vehicle expenses are paid as fringe benefits, you are not entitled to claim a deduction for those amounts (except for depreciation – see note below). Otherwise, there are two methods available for claiming these expenses in relation to ministry activities:   1. The ‘set rate method’ – allows a claim of up to a maximum of 5,000 business kms without receipts having been kept. The number of kilometres (kms) is based on a “reasonable estimate”. However the ATO may request that you show how you calculated the number of kms. 2. The ‘log book’ method – allocates a business percentage to total vehicle costs including depreciation. You must have maintained a log book for at least 12 weeks every 5 years. Refer to our *2017 Motor Vehicle Expense Worksheet*.   The alternative methods of calculating your motor vehicle claims are set out in our *2017 Motor Vehicle Worksheet*. |

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| **Special Note:** *If you have purchased a vehicle using a motor vehicle replacement fund account you should contact us to discuss whether you are able to make a motor vehicle depreciation claim.* |

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| **TRAVEL EXPENSES** | |
| Include at the travel expenses item on our Work Related Expenses worksheet, expenses incurred when attending meetings such as church seminars, inter‑church meetings and other professional development courses. | |
| * Airfares * Taxis * Public transport * Accommodation | * Hire/loan cars * Meals (while on overnight stays) * Parking * Road tolls |

**Travel Note**

*Special rules apply to claiming travel expenses where you are away from home for 7 nights or more. When you are away for more than 6 nights a travel diary* ***must*** *be kept along with all receipts/documentation. For trips 6 nights or less no travel diary is required, but we still recommend you keep one*.

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| **UNIFORM & LAUNDRY** |
| Costs of purchasing or maintaining clerical clothing are deductible. Conventional clothing, such as suits and shirts, are not normally deductible. A taxpayer can claim up to $150 of deductible laundry expenses without providing written evidence. Your own laundry costs can be claimed under this item using $1.00 per load (where only work-related clothing is laundered) or 50c per load if other clothes are washed at the same time. |
| **OTHER WORK RELATED EXPENSES** |
| **Reference Books**  Commentaries, theological and devotional books are clearly work-related, but a taxpayer may have made some purchases where the connection is not immediately obvious. The test is whether you made the purchase to assist in your ministry. If you are claiming depreciation on a reference library, you should have documentary evidence of the purchase of every book for which a claim is made. It is often more appropriate to take advantage of the provision for an immediate 100% write-off for books (provided they cost under $300 each and are paid out of after tax income). Expenses reimbursed through a fringe benefits account should not be claimed as a tax deduction.  **Entertainment & Hospitality**  Under current tax legislation, no tax deduction claim is available for entertainment or hospitality expenses. However, such payments can be paid for out of the fringe benefits account, including payments to people who are sick, disabled, poor or otherwise disadvantaged. You should maintain your own records of expenditure for substantiation purposes (such as a diary).  **Professional Supervision**  Fees or expenses of professional supervision and counselling required as part of your ministry activities or related educational requirements are tax deductible. |

**Incidental Expenses**

Sometimes it is not possible or practical to obtain evidence for small expenses, such as parking and stationery. Expenses less than $10 each and amounting to less than $200 in total in any year can be deemed to be undocumentable and a deduction is still available for those expenses. In such cases you should still record the details in a document such as a Diary.

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| **RECORD KEEPING FOR MINISTERS OF RELIGION**  The Australian Taxation Office requires that taxpayers maintain their records clearly disclosing their income and allowable tax deductions. For employees, the claiming of *ministry related* expenses has become quite onerous, including log books, expense diaries and the like. Where ministry expenses are paid through a fringe benefits account or do not exceed $300 the ATO’s substantiation rules do not apply. However, if the total amount of out-of-pocket work related expenses is greater than $300, then the ATO’s substantiation rules do apply. |