

Exempt Fringe Benefits for Pastors

Processing Exempt Benefits

This benefit is a very specialised piece of legislation that only applies to pastors, making it quite unique.

Having covered off the nature of Exempt Fringe Benefits (EFB's) and what they can be used for in our fact sheet "Exempt Fringe Benefits for Pastors—Understanding Exempt Benefits", we now turn to the practicalities of how a church and pastor should handle EFB's. There are no ATO guidelines about this, so any procedure for handling EFB's need to be developed by the organisation providing them. To this end, the ASG Committee has proposed three recommended ways to do this, and they are published each year in the Remuneration Guidelines.

We do not intend to repeat the step by step instructions contained in the Remuneration Guidelines, but the options here match the options in that document if you want to see some more specific guidance.

Option 1: Pastor-Managed

The pastor self-manages the use of their EFB's and must keep records in case of an audit. This enables the pastor to use their benefit in their own way without the need for disclosure to any other party, and makes it as easy as possible for the church, but it does place an administrative burden on the pastor.

In this option, the church determines the dollar amount that will be allocated to the pastor for EFB's, generally on the 50% rule recommended in the Remuneration Guidelines. This amount is paid into a bank account that the Pastor (and usually a spouse) are signatories to. The account ought to include the name of the church as well to remind everyone it is actually still church money until it is spent. The Pastor then spends the money how they choose, self-assessing whether all purchases are compliant with the EFB rules. The Pastor keeps a record of everything that is spent which is sufficiently detailed that they can demonstrate that no cash has been taken from the account. The Pastor keeps these records themselves but must be willing to share them if the church was to be audited (even if they have left the church). Records must be kept for a minimum of 7 years.

In this option, no tax invoices are required, and no GST is claimed back by the church. The Pastor therefore does not get full value for their EFB's, but they do maintain their privacy. It is worth noting also that a suitable account for this can be arranged through Baplink, as commercial banks might not understand how the account is supposed to work.

Option 2: Church-Managed

The church maintains the EFB funds and only pays them upon provision of a tax invoice by the Pastor. The church must shoulder the administrative burden in this option, but Pastors can enjoy the GST benefits of this approach. Pastors must, however, provide full disclosure of all purchases they wish to claim.



In this option, the amount of EFB allocated to the Pastor is credited to a fund in the Church Accounts. The Pastor is told how much is available, and may submit a tax invoice for any purchase and have the full amount reimbursed. The Treasurer would need to ensure that the claims made were for eligible purposes. While reimbursing the full amount, the Treasurer would only debit the net amount (without GST) to the Exempt Benefit account, and claim the GST back on the next BAS statement. The Church would retain all the paperwork in case there was an audit at some point.

Option 3: Hybrid Model

The church holds the EFB funds, and pays them out on provision of a credit card statement listing claimable expenses. This ensures the church maintains the funds and has some control over ensuring they are used appropriately, but the Pastor has some privacy about how the payments have been used.

In this option as in Option 2, the amount of EFB allocated to the Pastor is credited to a fund in the Church Accounts. The Pastor is told how much is available, but in this case may submit a credit card statement indicating the amounts he wants reimbursed. Ideally this ought to be an independent credit card not used for other purposes, although it could be the Pastor's general credit card with the payments for reimbursement marked. The Treasurer can determine that payments were for goods and services and not cash advances, so ensure the rules are being complied with. But as no tax invoices are supplied, the Pastor does not have to disclose what they are purchasing, only the total amount with each provider. The full amount is reimbursed, and the full amount is debited to the exempt benefit account (including the GST). The church then has and can keep all the records required in the case of an audit, but no claim for GST can be raised as tax invoices have not been obtained.

The important things to remember is that someone must keep records in case of an audit, and you can only claim the GST if tax invoices are obtained and provided to the church.

Of course, if you have any questions or need further help, please do not hesitate to contact us in the office:

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