

Exempt Benefits for Pastors

What can they be used for?

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", as well as how to process them in our fact sheet "Exempt Benefits for Pastors—Processing Exempt Benefits" we now turn to what the EFB's can be used for.

Some key issues that need to be considered:

- (a) Exempt benefits can be used for the purchase of **any** goods and services but the money cannot be taken as cash.
- (b) Records to demonstrate the use of these accounts need to be retained for up to seven years. Tax invoices are not necessarily required, but credit card statements showing that no amounts were taken as cash must be retained.
- (c) However, some churches choose to claim the GST on purchases made using Exempt Benefits. As our Remuneration Guidelines indicate, if this is being done, then the pastor ought to receive the benefit of this. If this is being done, then full tax invoices do need to be submitted to the church records in addition to the records kept in point (b) above.
- (d) Exempt benefits ought not be used as "savings accounts" with the balance increasing over time. Earning interest on the account could be deemed to be taking a cash benefit. Ideally, the account balance ought to be reduced to \$0 at the end of each financial year, unless there is a specific significant expense about to fall due.

Does the Exempt Benefits need to be "ministry related?"

We frequently receive questions about what Exempt Benefits can be used for, and several have inferred that expenditure from a pastor's Exempt Benefit account needs to be in some way ministry related. The reality is that it does not. Income received by way of Exempt Benefits may be spend on any goods and services you wish – and to repeat: it cannot be taken as a cash benefit. This has been clarified in the Remuneration Guidelines document published by QB on an annual basis – the last one was released in June 2017. It states;

"Exempt Fringe Benefits may be used for any incurred personal expenses of the pastor, but not taken in cash. Historically lists of "eligible" uses have been published, but there is no legal restriction on the use of exempt benefits. However, in stressing that the benefit cannot be taken in cash, this includes payments to accounts where the pastor has the ability to draw down that benefit as cash – such as a line of credit on a home, or cash advances on a credit card."

On the same issue: it is worth noting also that to be strict, Exempt Benefits ought not be carried over from one financial year to the next. I have been presented with stories of pastors who



have been saving up money in their exempt benefit account to remarkable levels. A strict interpretation of this would be that the exempt benefits are being used as a cash investment earning interest, and that would contravene the tax rules. Please aim to spend your exempt benefits in the financial year they are earned, so this matter won't receive any undue attention. This is part of the reason why QB, and other major denominations do not recommend taking more than half of a pastor's remuneration as Exempt Benefits – so they have the freedom to save and for their future financially using the cash portion of their remuneration. If you receive Exempt Benefits and have a large sum in your account, please see if you can expend this money prior to 30th June in order to avoid any such concerns.

Baplink offer a facility through Westpac using a Purchasing Card (looks and feels like a credit card). The cards can be restricted to align with exempt benefit account rules and the statements will meet the documentation requirements as well.

Please contact Baplink on baplink@baplink.org.au or 07 3354 5611 if you would like any further information about this product.

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

Queensland Baptists

Administrative Services

dapa@qb.org.au

07 3354 5648

