



# Centrelink Benefits Assessment Guide

## November 2009

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### Introduction

This briefing paper has been developed to provide clarification about the way **Centrelink** assesses the income of ministers of religion to determine eligibility for certain income support payments. The treatment of income differs significantly between the Australian Tax Office ('ATO') and **Centrelink** as each use different criteria for determining income to be assessed for taxation and social security purposes.

Principally, amendments to the Social Security Act 1991 and the introduction of the A New Tax System Act 1999 led to the consolidation of income support payments into two types –

- Family Tax Benefits and certain other **Family Assistance** support payments administered by the Australian Taxation Office under the **A New Tax System (Family Assistance) Act 1999**; and
- The Parenting Payment and certain other **Income Support** payments administered by the Department of Social Security under the **Social Security Act 1991**.

The interpretation and application of these two Acts as they apply to '**ministers of religion**' (for these purposes Anglican ordained **or** lay ministry staff) has caused considerable confusion. The main difference is around the valuation of exempt benefits and allowances or benefits provided under salary sacrifice arrangements. In determining the total reportable income for ministers of religion the ATO only assess income that is included in personal income tax returns. Centrelink now administer both the Family Assistance and Income Support payments and determine the eligibility based on income disclosed in personal income tax returns, certain tax exempt personal benefits and other non-cash benefits received by ministers of religion.

In light of this, when dealing with Centrelink it is **essential** that ministry staff declare that they are a minister of religion (or spouse/dependent of a minister of religion) so you are assessed accordingly. It goes without saying that ministry staff should disclose all income, allowances and exempt benefits to Centrelink as required. Failure to declare this information can result in severe penalties and/or **repayment of benefits** and allowances.

### Minister's Remuneration

Generally, parish ministry staff can receive a remuneration package which is made up of some or all of the following elements –

- Stipend;
- Superannuation;
- Provision of housing or a housing allowance if housing not provided;
- Salary sacrifice into (exempt) fringe benefits;
- Use of a fully maintained motor vehicle or the provision of a travel benefit;
- Payment of utilities such as phone, internet, electricity and gas; and
- Other allowances.

Centrelink may use the following principles when assessing the remuneration of ministers –

- Allowances (cash payment) or benefits (precise reimbursement or payment) paid to (or on behalf of) ministers for activities directly related to ministry are not regarded as income (e.g., home office expenses, parish resources and job related travel).

- Allowances or benefits paid to ministers to meet expenses that are not directly related to ministry will be treated as income (e.g., school fees).
- If an allowance or benefit contains both private and ministry components ministers will need to determine and declare what proportion is for private purposes (e.g., a housing allowance or provision of a motor vehicle will include ministry and private components).
- The supply of “free housing” may or may not be treated as income, depending on the details of the “supply” process. Refer to Appendix B.

## Treatment of Fringe Benefits

**Fringe benefits (e.g., car and housing benefits) made to ‘religious practitioners’ (by a religious institution) in the performance of predominantly pastoral related duties are exempt from fringe benefits tax and are not included in the definition of income for ATO income assessment purposes. Therefore these benefits do not have to be reported on the individual’s annual Payment Summary. Refer to Income Tax Ruling TR 92/17\*.**

Generally, eligibility for Family Assistance payments is based on taxable income declared in personal income tax returns (refer to page 3 for more detail). As tax exempt benefits (including fringe benefits) are not reported on the annual Payment Summary for ministers of religion they will be excluded in calculating eligibility for these income support payments.

Eligibility for other government payments and allowances administered by Centrelink under the Social Security Act (e.g., the Parenting Payment) takes into account all sources of **income** (and some **asset testing**), including exempt fringe benefits or amounts deemed as ‘valuable consideration’ (refer to page 3 and Appendix B for more detail).

## Reportable Superannuation Contributions

From 1 July 2009, **reportable superannuation contributions** are to be declared when calculating assessable income for eligibility to certain income support payments.

Reportable employer superannuation contributions are contributions paid at the discretion of the ministry staff that could have been received as income. A common example is contributions made on the ministry staff’s behalf by a parish/employer under a salary sacrifice arrangement. Reportable superannuation contributions also include any personal contributions made to a superannuation fund for which an income tax deduction is claimed on an individual’s tax return.

**Note:** Mandated employer paid superannuation contributions are not included in the definition of ‘reportable employer superannuation contributions’, thus Superannuation Guarantee payments, at either 9% or at the rate determined by Standing Committee/Synod (detailed in the annual Remuneration Guidelines), and the payment made through Parish Cost Recoveries, are not ‘reportable employer superannuation contributions’.

## Affected payments

The income test for the following Centrelink income support payments (not exhaustive) will be amended to capture reportable employer superannuation contributions of an individual and their spouse (where appropriate) –

- ABSTUDY and Austudy
- Baby bonus
- Carer Payments (including Disability support payments)
- Child care benefit
- Family Tax Benefit payments
- Newstart allowance
- Parenting Payment
- Youth Allowance

## PLEASE NOTE:

It is our view that reportable superannuation contributions should not be included for ordained ministry staff serving in a parish. However, Centrelink have recently advised that salary sacrifice contributions are reportable for all ministers of religion (including parish clergy) for their purposes.

SDS Legal Services is currently seeking clarification from Centrelink as to why they have adopted this view and hopes to resolve the matter in the near future. Should the position on the treatment of reportable superannuation contributions change this document will be amended and clergy advised as necessary.

If you are clergy serving in a parish and need to provide an estimate of income to Centrelink AND you make salary sacrifice superannuation contributions please contact us to clarify the amount to be declared.

Lay ministry staff and clergy serving in organisations under employment arrangements/contracts will generally need to report salary sacrifice superannuation contributions made when claiming the above benefits.

### Common benefits claimed by Ministry Staff

- Family Tax Benefit Part A (*Family Assistance*)
- Family Tax Benefit Part B (*Family Assistance*)
- Baby bonus (*Family Assistance*)
- Maternity Immunisation Allowance (*Family Assistance*)
- Child Care Benefit and Rebate (*Family Assistance*)
- Parenting Payment (*Income Support*)
- Youth Allowance (*Income Support*)

### Family Tax Benefit administered under the Family Assistance Act

Entitlement to Family Tax Benefit Parts A and B (and the Supplements) is based on your **actual or adjusted annual family income** for the current financial year. Generally, the income you need to tell the Family Assistance Office about for each financial year for yourself and your spouse will include –

- taxable income = gross income less allowable deductions (as per your personal tax return)
- reportable superannuation contributions (refer to page 2)
- total net losses from rental property or investment income
- the value of any tax free pensions or benefits
- any foreign income that is not taxable in Australia
- tax exempt foreign income
- child support payments

Click [HERE](#) to access information from Centrelink on the Family Tax Benefit.

### The Parenting Payment and other payments administered under the Social Security Act

The Parenting Payment and other payments administered under the Social Security Act can be subject to both Income and Asset tests (refer to Appendix A and B).

Under **Section 1.1.M.150** of Centrelink's internal staff guide to Parenting Payment states: 'A Minister of religion under a contract for service is neither an employee nor self-employed, but is a 'holder of a religious office'. A number of allowances and reimbursements of ministry related expenses may be deducted from the minister's gross income, but fringe benefits which are for the minister's own private benefit are "valuable consideration" and MUST be included'.

The ***Social Security Act defines income*** as “an income amount, earned, derived or received by the person for the persons own use or benefits.” Income may consist of –

- Valuable consideration;
- Personal earnings;
- Money; or
- Profits

Valuable consideration is defined as; “*Receipts not in money form but capable of being valued in money terms. This occurs when a person receives goods, services or some other benefit in exchange for some item, action or promise.*”

Click ***HERE*** to access information from Centrelink on Payments for Families.

## **Conclusion**

Anecdotally, we understand that claiming benefits assessed under the Family Assistance Act is less complicated than claiming payments assessed under the Social Security Act, as it is based predominantly on readily available income tax return information and requires limited adjustment for other non-cash and exempt benefits received.

***SDS Clergy Services*** continues to work with Centrelink to develop procedural guidelines and forms specific to clergy and lay ministry staff serving in parishes and organisations in the Sydney Diocese.

In addition, SDS Clergy Services has organised with Centrelink to provide seminars from time to time for clergy and lay staff on the matters contained in this paper. Please contact us to find out when the next seminars are to be held.

### **PLEASE NOTE:**

**This document is to be used as a guide only. Ministry staff are solely responsible for confirming all reportable income and other cash and non-cash benefits received with Centrelink when claiming income support payments.**

# APPENDIX A

## CENTRELINK INCOME ASSESSMENT CRITERIA FOR VARIOUS GOVERNMENT BENEFITS

PAYMENT TYPE	INCOME ASSESSED	ADDITIONAL NOTES
<p><b>FAMILY TAX BENEFIT (FTB) (Family Assistance)</b> Including –</p> <ul style="list-style-type: none"> <li>• Family Tax Benefit Part A</li> <li>• Family Tax Benefit Part B</li> <li>• Baby Bonus</li> <li>• Child Care Benefit</li> <li>• Maternity Immunization allowance</li> </ul>	<p>Taxable income only, plus reportable superannuation contributions and net losses on investments, exempt foreign income, pensions and child support payments.</p> <p>All payments are made based on an estimate of income for the current financial year. At the end of the year the FAO (Family Assistance Office) compares your estimate with the actual taxable income for the year and will adjust payments made accordingly.</p>	<p>Family Tax Benefit Part B is a payment made to the secondary earner in the family if their income is below a certain figure. This figure varies depending on the age of the child, amount of income of both the primary and secondary earners, etc. Generally if the secondary earner has an estimated income less than \$10,000 there may be some entitlement.</p>
<p><b>YOUTH ALLOWANCE (Income Support)</b></p>	<p>There are several different <b>income and assets tests</b> that can be applied to youth allowance. If the youth allowance claimant is considered to be dependent on their parents there are three parts to a parental means test that will be applied.</p> <ol style="list-style-type: none"> <li>1. Parental Income Test – partially aligned to income test for Family Tax Benefit Part A</li> <li>2. Assets Test – parents</li> <li>3. Parental Actual Means Test – looks at the actual spending of a household and relates this to a level of income.</li> </ol> <p>On top of this the youth's own income can affect their payments and if they earn enough they can be found to be independent and not subject to the above parental test.</p>	<p>Valuable consideration is derived as receipts not only in money form but capable of being valued in money form. i.e. a person receives goods, services or some other benefit in exchange for some item, action or promise.</p> <p>Ministers of religion can have reimbursements for out of pocket expenses such as books, telephone calls and petrol disregarded in calculating their income (this is only a guide to the type of expenses allowed, not a definitive list).</p> <p><b>It is strongly recommended that you contact Centrelink to ensure all forms of income are reported as required.</b></p>
<p><b>ALLOWANCES and PENSIONS (income Support)</b> Including –</p> <ul style="list-style-type: none"> <li>• Parenting Payment</li> <li>• NewStart Allowance</li> <li>• Age Pension</li> <li>• Widows Allowance</li> <li>• Disability Support Pension</li> <li>• Bereavement Allowance</li> <li>• Carers</li> </ul>	<p>All sources of income and/or in kind payments or donations are considered, that is, taxable Income plus other benefits received as 'valuable consideration'.</p> <p>For couples, each individual's income may be identified and applied separately and can, if high enough, affect the partner's payment.</p>	<p>As above.</p>

# APPENDIX B

## CENTRELINK INCOME ASSESSMENT CRITERIA FOR VARIOUS BENEFITS / ALLOWANCES

BENEFIT / ALLOWANCE	ASSESSABLE		EXPLANATION
	Family Assistance	Income Support	
<i>Accommodation provided by the parish – the method may vary the way the “payment” is assessed.</i>			
Rectory provided	No	No	Centrelink consider free housing exempt.
Rental house leased in parish name	No	No	Centrelink consider free housing exempt.
Cash housing allowance to cover mortgage or rental property in minister’s name.	Yes	Yes	Payment should appear on payment summary and is assessable for Income Tax and Centrelink purposes. Portion of floor space used for ministry may be deductible.
Third party payment of mortgage	No	Yes	Payment considered to be contributing to asset accumulation of minister. Portion of floor space used for ministry may be deductible.
Third party payment of rent when lease is in minister’s name	No	Yes	Rental payment deductible only of the lease is in the parish name. Portion of floor space used for ministry may be deductible.
Travel allowance (cash)	Yes	Yes	Payment should appear on payment summary and is assessable for Income Tax and Centrelink purposes. Portion used for ministry is deductible.
Provision of fully maintained motor vehicle owned by parish of diocese	No	Yes	A log book should be kept to determine personal usage component. The operation cost method could be used to determine annual operating costs. Personal usage amount would then be calculated and treated as assessable.
Superannuation <ul style="list-style-type: none"> <li>• paid through Parish Cost Recoveries, or as parish contribution at the recommended rate</li> <li>• by Salary Sacrifice</li> </ul>	No	No	Not treated as income. <b>To be advised by Centrelink – Refer to Reportable Employer Superannuation Contributions definition.</b>
	Yes	Yes	Reportable Employer Superannuation Contribution - treated as income.
<i>The following relate to sacrifice to the Minister’s Expense Account (MEA), and the recovery of expenses from that account.</i>			
Stipend Sacrifice to an MEA	No	No	The amount sacrificed to the MEA is not assessable.
Expense recovery from MEA – Private Use	No	Yes	The recovery from the MEA for expenses incurred may be assessable subject to the nature of the expense. <b>Refer below for some examples.</b>
Expense recovery from MEA – Work Related Use	No	No	
<i>Payment of running costs for minister’s own vehicle e.g. fuel, insurance, registration</i>	No	Yes	<i>Personal component is assessable and work related component is deductible. For example: Minister determines ministry use is 90% of total usage. If total running costs are \$2,000 then \$1,800 is deductible and \$200 will be assessed.</i>
<i>Utilities</i>	No	Yes	<i>Personal usage component is assessable.</i>
<i>Telephone</i>	No	Yes	<i>Personal usage component is assessable.</i>
<i>Groceries</i>	No	Yes	<i>100% assessable.</i>
<i>Private Health Insurance</i>	No	Yes	<i>100% assessable.</i>
<i>Other Personal Insurances</i>	No	Yes	<i>100% assessable.</i>
<i>Children’s School Fees</i>	No	Yes	<i>100% assessable.</i>
<i>Holiday Payments</i>	No	Yes	<i>100% assessable.</i>
<i>Personal Loan Repayments</i>	No	Yes	<i>100% assessable.</i>

**For further information please contact:**

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### **Acknowledgment**

Portions of the information contained in this document have been taken from the paper entitled “*Centrelink Assessment of Clergy*” produced by the former National Anglican Resources Unit (‘NARU’) and prepared by Tracey Matthews with the assistance of Damien Arnold in May 2005.

### **Disclaimer**

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