

Motor Vehicle Purchasing Guidelines

For Parishes and
Parish Ministry Staff



Scope of Guidelines

These Guidelines deal with motor vehicles acquired by parishes and parish ministry staff in the Anglican Diocese of Sydney for ministry purposes. They should be read with the Diocesan guidelines about the payment or provision of travel allowances and benefits as detailed in the latest Guidelines for the Remuneration of Parish Ministry Staff.

These Guidelines take a deliberately conservative approach in framing recommendations for the purchase of motor vehicles. Arrangements which diverge from these Guidelines may therefore be permissible. However it is important that parishes obtain their own professional advice if contemplating arrangements which fall outside these Guidelines.

Who is acquiring the motor vehicle?

A distinction is made in these Guidelines between a motor vehicle which is acquired by the parish itself and a motor vehicle which is acquired by an individual ministry staff member. In short, a motor vehicle is acquired by the parish if the parish (or the wardens acting on behalf of the parish) is shown as the purchaser on the dealer's tax invoice. If the ministry staff member is shown on the tax invoice as the purchaser, then the ministry staff member has acquired the motor vehicle.

A further distinction is made between a motor vehicle which is acquired by an ordained ministry staff member (ie, clergy) and a lay ministry staff member (ie, an employee).

These distinctions are relevant for GST purposes (see below).

When is a motor vehicle acquired for ministry purposes?

The nature of the work undertaken by parish ministry staff means that any distinction between the use of a motor vehicle for ministry and non-ministry purposes is difficult and somewhat artificial. While each situation will need to be considered specifically, generally where the ministry staff member is the sole operator of a motor vehicle set aside for use in that person's ministry, the motor vehicle can be regarded as being used for the ministry purposes of the parish. This would not preclude incidental use of the motor vehicle by other people, but does mean, for example, that a motor vehicle which is regularly used by another person or which is otherwise acquired as a "second car" for the ministry staff member or his family would not be regarded as being used for the ministry purposes of the parish.

Determining whether a motor vehicle is acquired for ministry purposes is relevant for stamp duty and GST purposes (see below).

Common financing alternatives

Accumulated Funds in an MDBA

A parish ministry staff member can elect to use funds accumulated in a Minister's Discretionary Benefits Account (MDBA) as all or part of the consideration for the acquisition of a motor vehicle.

Car Loan (or Secured Personal Loan)

A car loan is one of the simplest ways to finance a new (or used) car.

A car loan differs from a general personal loan in that it is secured against the car. This means that when the vehicle is disposed of (sold, traded in, or written off by the insurance company) the car loan must be paid out.

The advantage is that interest rates are generally less for car loans than that for a personal loan. This is because the finance company or bank views it as less of a risk than a personal loan due to the fact that if the borrower defaults on the car loan, the finance company or bank, as a last resort, may attempt to repossess the car (to recover the balance owed).

Car loans are generally taken out by a ministry staff member, as opposed to the parish, and can be used to finance the full cost of the purchase including the on-road costs, insurance, warranties and even loan protection for the car loan itself.

A car loan is paid off by regular repayments which depend on the amount borrowed, the term (generally between 4 to 7 years), the interest rate and, if applicable, the residual (remaining amount on the car loan at the end of the term). Often financiers or banks offer different types of car loans and can lend for new cars and used cars.

Novated Lease

A Novated lease is a three-way agreement between the employer, employee and finance company which requires the employer to meet the terms of the lease arrangement for the duration of the lease or until the conclusion of the appointment or employment within the parish, should this occur during the term of the lease.

As with other leasing structures, repayments with a novated lease are flexible and amounts depend on the term, interest rate, amount borrowed and the residual payment.

With a novated lease agreement, the parish ministry staff member owns the vehicle and has the right to take it at the end of their appointment (for ordained ministry staff) or employment (for other staff) with the parish.

In addition, the time and costs associated with the management and disposal of the motor vehicle are not the parish's responsibility. Conversely, on termination of the employee's employment (or appointment), the responsibility of the vehicle is passed on to the parish ministry staff member.

Commercial Hire Purchase Agreement

A Commercial Hire Purchase Agreement is simply a contract where the financier (the 'owner') allows the parish ministry staff member (the 'hirer') the right to possess and use a motor vehicle in return for regular payments.

A balloon payment (a final payment made at the end of the term – ideally this payment should be no more than the estimated value of the car at that time) is optional with a commercial hire purchase agreement.

When the final payment of the commercial hire purchase is made, the title to the goods is transferred to the parish ministry staff member.

Chattel Mortgage

Under a Chattel Mortgage the financier advances funds to the parish or ministry staff member to purchase a vehicle, and the parish or ministry staff member takes ownership of the vehicle (chattel) at the time of purchase. Normally, the financier then takes a 'mortgage' over the vehicle as security for the loan, by registering a Fixed and Floating Charge with ASIC. Once the contract is completed, the charge is removed giving the owner clear title to the vehicle.

However, where the parish is the owner of the vehicle, it is not possible for the financier to register a charge with ASIC as a parish is an unincorporated body. In this instance the financier will normally require an individual such as a warden or the ministry staff member to be 'guarantor' which means they will be held personally liable for the repayment of the amount borrowed to finance the motor vehicle purchase.

IMPORTANT

The Wardens and the ministry staff member should discuss any proposed arrangement for the acquisition of a motor vehicle as most transactions will impose a legal liability upon the parish and the wardens may want to seek legal or taxation advice before any arrangements are finalised.

Wherever the parish acquires the vehicle, it is recommended that the arrangement be accompanied by an agreement between the parish and the ministry staff member about the use of the vehicle and other relevant matters. A sample agreement is available on the parish Portal.

Stamp Duty

Under the Duties Act, stamp duty is not payable on an application to register a motor vehicle if the applicant is a non-profit organisation having a charitable purpose. Applications for registration of a motor vehicle by a parish therefore qualify for exemption from stamp duty. In practice it is necessary to apply to the Office of State Revenue for a certificate of exemption before the exemption will be recognised by RMS.

However, it is not possible for a motor vehicle to be registered in the name of a parish. RMS policy in the case of unincorporated entities such as parishes is that vehicles need to be registered in an individual's name with the name of the parish (or sometimes a church) entitled to the stamp duty exemption entered in the "Courtesy Name Field" in the RMS's registration system.

It is appropriate to treat the parish as the applicant for registration (and include its name in the Courtesy Name Field) if the motor vehicle is to be used for the ministry purposes of the parish, whether it is acquired by the parish or the ministry staff member.

To register a motor vehicle exempt from stamp duty, you will need to present to RMS –

1. The exemption from Revenue NSW.
2. A letter from the Wardens on your church or parish letterhead which states as follows:
We are the Wardens and authorised officers of [insert Church or Parish name appearing on the duty exemption]. We authorise [name of minister] to register a motor vehicle in their personal name as representative of the Church/Parish and agree to the Church/Parish's name being entered into the 'Courtesy Name Field' in the RMS registration system.

Individual RMS officers may not be familiar with this procedure as they would see very few applications for registration from unincorporated entities (such as parishes). If you encounter difficulty in registering a vehicle the parish or ministry staff member may wish to suggest to the RMS officer that they call the RMS's Registration Policy Division to confirm these arrangements.

The stamp duty exemption form (ODA 006) can be downloaded from the Office of State Revenue web site.

If you have any particular questions on stamp duty issues only please contact Steve Lucas, Legal Counsel on 9265 1647 or email szl@sydney.anglican.asn.au

Goods and services tax (GST)

Acquisition by parish

Where the parish acquires a motor vehicle (ie, the parish (or the wardens acting on behalf of the parish) is shown as the purchaser on the dealer's tax invoice) and makes it available to a staff member for the ministry purposes of the parish, the parish can generally claim the full input tax credits in relation to the acquisition in its next BAS. It can do so on the basis that such an acquisition is part of the enterprise of the parish.

However, if the parish acquires the vehicle under a hire-purchase agreement and the parish accounts for GST on a "cash basis" (identified on the BAS form), the GST must be claimed in equal amounts corresponding to the periodic payments made under the hire-purchase agreement.

If the parish acquires the vehicle under a hire-purchase agreement and the parish accounts for GST on an "accruals (non-cash) basis", the acquisition of the vehicle under a hire-purchase agreement is treated as not being an acquisition made on a periodic or progressive basis. In this case the parish should claim the GST payable in full as an input tax credit on the acquisition of the vehicle, rather than over the period of the hire-purchase agreement.

Acquisition by ordained ministry staff member

Where an ordained ministry staff member (ie, clergy) acquires a motor vehicle (ie, the member of clergy is shown as the purchaser on the dealer's tax invoice), the parish may claim input tax credits in relation this acquisition in its next BAS provided –

- the ordained ministry staff member is acquiring the vehicle for the purposes of undertaking his or her ministry in the parish, and
- the parish holds the tax invoice for the acquisition.

Input tax credits on the acquisition cannot be claimed to the extent that the above conditions are not met.

However, if the ordained ministry staff member acquires the vehicle under a hire-purchase agreement and the parish accounts for GST on a “cash basis” (identified on the BAS form), the GST must be claimed in equal amounts corresponding to the periodic payments made under the hire-purchase agreement.

Acquisition by lay ministry staff member

Where a lay ministry staff member (ie, an employee) acquires a motor vehicle (ie, the employee is shown as the purchaser on the dealer's tax invoice), the parish may claim input tax credits in relation this acquisition provided –

- the lay ministry staff member is acquiring the vehicle for the purposes of undertaking his or her ministry in the parish, and
- the purchase price of the motor vehicle is either paid from the accumulated funds of the ministry staff member's MDBA or, if paid by the ministry staff member (either through private funds or by way of finance), reimbursed to the ministry staff member from the accumulated funds of his or her MDBA, and
- the parish holds the tax invoice for the acquisition.

Input tax credits on the acquisition cannot be claimed to the extent that the above conditions are not met.

Where the MDBA is used to reimburse the lay minister for instalments paid to a third party lender for the acquisition of the motor vehicle, input tax credits on the acquisition should not be claimed in full by the parish at the time of the acquisition. Specifically, on the basis that the reimbursements from the MDBA to the lay minister are treated as consideration for an acquisition, each reimbursement should constitute consideration for a separate acquisition from the lay minister. Therefore, the input tax credits on each acquisition from the MDBA should be periodically claimed over the term of the finance agreement, as and when each instalment is paid. For example, if the GST on an acquisition of a motor vehicle is \$3,600 and the finance agreement has a term of 36 months, then input tax credits of \$300 may be claimed by the parish in each quarterly BAS.

Further information

It is recommended that wardens and parish treasurers also refer to the [GST – A Guide for Parish Treasurers](#) which is available on the SDS parish Portal for information in relation to the GST impact when selling a motor vehicle.

For further information please contact:

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Sydney Diocesan Services is aware that some ministry staff and parishes (including other denominations) use Southgate Fleet Management to purchase motor vehicles. Southgate Fleet Management is a motor vehicle, fleet and financial services company based in Victoria that services many non profit and church based organisations. For information purposes only, the contact details for Southgate Fleet Management are –
Phone: 1300 132 900 Email:support@southgatefleet.com.au Web:<http://www.southgatefleet.com.au>

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