

Parish Accounting and Financial Administration Guide

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Introduction

This document has been prepared by Sydney Diocesan Services (“SDS”) to assist wardens and other relevant parish officers in their responsibility for the good financial management of their parish. It outlines a number of important accounting and reporting requirements and gives guidance on appropriate procedures for meeting these requirements.

SDS has also prepared a helpful [Checklist](#) which, if reviewed regularly, will also assist wardens to ensure their parish remains compliant with various tax and other regulatory obligations.

Financial Functions

The main financial responsibilities of wardens are detailed in Chapter 3 Part 3 Division 1 of the Schedule to the [Parish Administration Ordinance 2008](#) (Schedule 1 for parishes administered on the basis of their church or churches, Schedule 2 for parishes administered as a whole).

Wardens should be aware of these responsibilities and advise the Diocesan Secretary if, at any time, they become aware of any significant irregularity or non-compliance in the financial administration of the church or parish.

Delegation of Powers

Whilst wardens are ultimately responsible for the financial management of the church or parish, they are not required (and may not be properly qualified) to actually carry out each of the relevant functions. As such, wardens may choose to appoint someone else to act in various roles such as treasurer, assistant treasurer, accountant or bookkeeper.

In exercising this right, the wardens should satisfy themselves as to the person’s:

- **Ability** – evidence for which should include references from independent persons; and
- **Practical experience** – relevant to parish administration

Auditor/Independent Assurance Practitioner

At each Annual General Meeting of parishioners, the wardens should put forward the name of a suitable person to function as the parish's auditor.¹ In considering a suitable candidate, the wardens should, in particular, satisfy themselves as to the person's:

Independence — which requires no connection with the wardens which might inhibit the impartial conduct of their examinations, though the person may be a parishioner not involved in the day to day administration of the parish.

Ability and practical experience — to enable them to carry out a competent examination of the warden's accounts.

Accounting Procedures

The wardens have responsibility for proper cash, accounting and administration procedures to ensure –

- a) Security of cash
- b) Appropriate authorisation of payments
- c) Proper accounting records are maintained
- d) Timely reporting
- e) Compliance with tax obligations

The Finance Committee of Standing Committee recommends that for the purposes of discharging their responsibilities, wardens should adopt the following cash, accounting and administration procedures.

Offertories

All money received must be recorded.

Two unrelated persons should take charge of the offertory immediately after each service and count it and record and sign the details on a [form of this kind](#) which is then retained and made available to the auditor.

The total offertory and attendance numbers for each service should be entered in the Service Register and one of the persons completing the count should sign the Register.

1. The auditor must be at least 21 years of age and may not be a warden of that church—either currently or during the period to which the relevant financial statements and accounts relate.

The offertories should be held in a safe place until they are banked without deductions for expenses.

All offertories should be banked promptly by a person who was not involved in the counting of the offertories.

Other Receipts

All other money received should be banked promptly without deduction.

A report should be prepared showing –

- the actual offertory by service,
- other receipts banked,
- direct credit donations for the month,
- actuals year to date, and
- budget for the month and year to date.

This report should then be analysed by the wardens and any material variation explained in a report to the parish council.

Payments

Bank accounts must only be opened and signatories added or changed with the authority of the parish council. Arrangements with banks and other financial institutions should require two signatories for all transactions.

The people appointed as signatories for payments should be unrelated persons. (Typically the wardens and treasurer are given this responsibility.)

All payments, whether by cheque, direct debit authority, periodic payment or other electronic form should be effected by two signatories. [Note: if cheques are used, they should be stored securely and not pre-signed.]

Parishes should independently verify (e.g., by direct phone confirmation with the supplier) the bank account details (particularly the BSB and Account Number) before making payment –

- to a new supplier,
- when advised of a change to an existing supplier's bank details, and
- for any unusually large payments.

There should be a supporting document such as a supplier's tax invoice for every payment and the invoice or other voucher should be authorised by an appropriate person to indicate that –

a) any goods or services supplied

- are as ordered/required,
- were received, and
- the amount shown is the correct amount to be paid, or

b) any payroll payments –

- are based on approved pay rates,
- are supported by records of hours worked, leave taken etc., where appropriate, and
- have resulted in appropriate PAYG payments.

Before making a payment both signatories should review and initial the supporting voucher(s) and ensure there is evidence of –

(a) prior authorisation, including evidence of approval by parish council for any significant payments of an unusual nature,

(b) independent confirmation of bank account details, where required.

A reference number should appear on every voucher and supporting invoice and all vouchers should be retained and made available for the auditor.

Petty cash payments should only be made from an appropriately maintained imprest cash float. A signed voucher is required for every payment and the total of the vouchers and cash on hand must always equal the imprest amount.

General Administration

Bank accounts should be reconciled monthly to the cash book or accounting system, any variation investigated, and where appropriate an adjustment recorded after comparing with the source document.

Copies of the monthly bank reconciliation and bank statements should be provided to the wardens.

Activity Statements (known as BAS) summarising the parish's PAYG withholding instalments and GST reporting requirements need to be completed and lodged with the Australian Taxation Office at least quarterly, in conjunction with the calculated payment due.

Offertory count worksheets, receipt books, vouchers, cheque books, bank statements and other original accounting records should be retained for five years.

The Service Register, and the registers of baptisms, confirmations, weddings and funerals required to be maintained by the [Parish Administration Ordinance 2008](#) should be kept in a safe place and retained indefinitely. Copies of the audited financial statements should also be retained indefinitely.

Wardens are advised to ask their treasurer to complete this [Checklist](#) each year, in order to assist them in self assessing their parish's compliance with their tax and other regulatory obligations.

Monthly and Annual Reporting

Monthly reports should be prepared for the wardens and parish council (with appropriate detail according to the categories specified in the annual prescribed financial statements) covering –

- a) receipts/income (actual v. budget, month and year to date),
- b) payments/expenditure (actual v. budget, month and year to date),
- c) balance sheet (or cash balance and outstanding commitments).

Careful planning and preparation for the financial year end is recommended to ensure that draft financial statements in the prescribed form are completed in time for the auditor to undertake their work and report. Copies of the audited financial statements must be made available to parishioners at least one Sunday before the annual vestry or parish meeting.

This [Timetable](#) is provided as a useful guide.

Each year, wardens must prepare an annual financial statement for their church/parish. Under the [Parish Administration Ordinance 2008](#), the Standing Committee of Synod prescribes the form that these financial statements must take. The [prescribed form](#) is available on the SDS website and is usually circulated to wardens in the last few months of each year.

The wardens must present these financial statements, together with the auditor's report, to the Annual General Meeting of parishioners, which must be held between 1 February and 31 March following the year end.

The [Cost Recoveries Framework Ordinance 2008](#) prescribes the elements to be included in the calculation of a parish's Net Operating Receipts.

The wardens must also submit a copy of the audited financial statements to the Diocesan Secretary within 7 days of the Annual General Meeting of parishioners each year.

The wardens are also required to complete a Property Income Worksheet, which is to be reviewed by the auditor and a copy forwarded the Diocesan Secretary together with the parish's annual financial statements.

Taxes, Duties and Rates

Taxes

Application for Exemptions and Concessions

When a parish applies for an ABN it should seek endorsement for: exemption from income tax; GST concessions; and Fringe Benefits Tax concessions.

The current status of a parish's endorsements can be checked on the Government's [ABN lookup site](#) and if these exemptions and concessions have not already been obtained, [application for endorsement](#) can be made at any time.

Income Tax

Under Section 50.5 of the [Income Tax Assessment Act 1997](#) the income of a religious institution is exempt from income tax if –

- a) it has a physical presence in Australia and, to that extent, incurs its expenditure and pursues its objectives principally in Australia, and
- b) it is endorsed as exempt from income tax by the Australian Taxation Office.

Generally speaking, the income of a parish in the Anglican Diocese of Sydney will be exempt from income tax provided that the parish is endorsed as exempt from income tax by the Australian Taxation Office. Without this endorsement the parish will need to lodge annual income tax returns.

Fringe Benefits Tax (FBT)

Fringe benefits tax is a tax on non-cash benefits provided to an employee (or an associate) by an employer (or an associate) in respect of the employment of the employee.

The [Fringe Benefits Tax Assessment Act 1986](#) contains specific exemptions. In particular, a benefit is an exempt benefit (and hence not liable to fringe benefits tax) if –

- a) the employer of an employee is a religious institution, and
- b) the employee is a religious practitioner, and

- c) the benefit is provided to, or to a spouse or a child of, the employee, and
- d) the benefit is not provided principally in respect of duties of the employee other than –
 - i. pastoral duties, or
 - ii. other duties that are directly related to the practice, study, teaching or propagation of religious beliefs.

Based on a ruling by the Australian Taxation Office, the Stipends and Allowances Committee considers that non-cash benefits provided to ministers, assistant ministers, full time lay ministers and student ministers licensed to or employed by a parochial unit are exempt benefits.

Non-cash benefits provided to other parish employees are generally liable to fringe benefits tax, although the parish may be eligible for a concession that reduces the effective rate of fringe benefits tax if it is endorsed for FBT concessions by the Australian Taxation Office.

A diocesan organisation should not assume that non-cash benefits provided to clergy employed by that organisation are exempt from fringe benefits tax under s.57 of the [Fringe Benefits Tax Assessment Act 1986](#). In particular, the Australian Taxation Office's [Tax Ruling 2019/3](#) should be considered.

Other exemptions may also apply to a diocesan organisation (for example, s.57A which applies to benefits provided by public benevolent institutions).

Goods and Services Tax (GST)

Please refer to the [GST Guide for Parish Treasurers](#)

Land Tax

Land tax is a state tax generally imposed on the value of land held in New South Wales. Land which is held for the purposes of a religious institution is exempt from land tax.

The purposes of a religious institution would generally include land held by the Anglican Church Property Trust Diocese of Sydney, including land used by a parish as a church building, hall, rectory, etc.

Stamp Duty

Stamp duty is a state tax on many types of documents such as agreements to purchase land, motor vehicles and insurance policies as well as leases and transactions which result in a change in the beneficial ownership of land. The duty payable on mortgages was abolished from 1 July 2016.

There is no general exemption from stamp duty for documents executed or transactions entered into for or on behalf of a parish or diocesan organisation. Accordingly, parishes and diocesan organisations need to obtain specific advice in relation to stamp duty liability. In some cases stamp duty, if payable, can run into many thousands of dollars.

While there is no general exemption, there are a number of specific exemptions which could apply in particular situations, such as those outlined below.

Insurance

An insurance policy taken out by or on behalf of a parish is exempt from stamp duty. A certificate of exemption can be obtained by application to the Office of State Revenue.

Motor Vehicles

An exemption is available if the applicant is a church and an [application form](#) is available from the Office of State Revenue. When completing the application, instead of attaching a copy of the organisation's Memo & Articles of association, the parish should include a simple statement along the following lines –

'The parish of is a non-profit organisation that qualifies for exemption from duty on the purchase of motor vehicles as a religious institution. The parish is an unincorporated entity controlled by the Synod of the Anglican Church Diocese of Sydney. Authority to make rules governing such entities has been given to the Synod under the NSW Government's Anglican Church of Australia Constitution Act 1961.'

The Commissioner of State Revenue will then issue a letter confirming the parish or church's exemption, based on it being "a non-profit organisation having as one of its objects a charitable purpose".

See also the SDS Motor Vehicle Purchasing Guidelines for Parishes and Parish Ministry Staff under Confidential Circulars on the [SDS Parish Portal](#).

Other

Under the [Duties Act 1997 \(NSW\)](#) (see s. 275), duty is not chargeable on (amongst other things) the following –

- a) a transfer, or an agreement for the sale or transfer, of dutiable property to an exempt charitable or benevolent body,
- b) a declaration of trust over dutiable property held or to be held on trust for an exempt charitable or benevolent body,
- c) a surrender of an interest in land in New South Wales to an exempt charitable or benevolent body,
- d) a vesting of dutiable property in an exempt charitable or benevolent body,
- e) a lease of dutiable property to an exempt charitable or benevolent body,
- f) a mortgage given by or on behalf of an exempt charitable or benevolent body.

There are two kinds of bodies which may meet the definition of an “exempt charitable or benevolent body” –

1. Those engaged in the relief of poverty in Australia or the promotion of education in Australia, if approved by the Chief Commissioner. (Exemptions are granted to these organisations for a three year period.)
2. Those which are of a charitable or benevolent nature, (or whose primary object is the promotion of interests of Aborigines), that are approved by the Commissioner on a transaction by transaction basis.

The NSW Treasurer has released guidelines on the charitable or benevolent purposes which may be approved for the purposes of 2 above. They are as follows –

- the relief of poverty
- the relief and prevention of sickness and disability
- the relief of suffering and distress caused by old age
- the promotion of education
- the establishment of organisations to assist sections of the community with special needs
- the relief of distress caused by natural disasters or sudden catastrophes.

Eligibility is available for the body, and also for any “person” acting as “trustee” for the body.

Rates

Local Government Rates

All land in New South Wales is rateable unless expressly exempted from rating. Under the [Local Government Act 1993](#)—see s.555(1)(e)—the following land is exempt from all rates –

“land that belongs to a religious body and is occupied and used in connection with –

- i. a church or other building used or occupied for public worship; or
- ii. a building used or occupied solely as the residence of a minister of religion in connection with any such church or building; or
- iii. a building used or occupied for the purpose of religious teaching or training; or
- iv. a building used or occupied solely as the residence of the official head or the assistant official head (or both) of any religious body in the State or in any diocese within the State.”

Land on which churches and halls are erected will generally be exempt under paragraphs (i) or (iii) above. Land on which a rectory or other ministry residence is erected will generally be exempt under paragraph (ii).

Care must be taken to ensure that the use by non-church groups of church buildings and halls does not cause the land on which those buildings are erected to become liable to rates. Where buildings are leased, the land will generally cease to be exempt from rates. Where land is used on an occasional basis by a non-church group, the land should remain exempt from rates provided that the main or dominant use of the building continues to be a use described in s.555(1)(e).

The rate exemption does not extend to charges. Hence, local councils can levy charges (such as for waste management services) on land which is exempt from rates.

Water, Sewerage and Drainage Charges

Land which is exempt from local government rates, as outlined above, is also exempt from most water, sewerage and drainage service charges. Water usage and water closet charges may still be levied.

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