



Catholic Archdiocese of Melbourne

Guidelines relating to taxation and other matters concerning a sabbatical

16 June 2006

Purpose

To promulgate guidelines relating to taxation and other matters concerning a sabbatical.

Application

These guidelines apply to diocesan priests in the diocese of Melbourne. They are to be read in conjunction with the policy and procedures relating to the granting of sabbaticals to priests titles 'Sabbaticals for priests'.

Guidelines

1. All expenditure incurred by a parish on behalf of a priest while undertaking a sabbatical that has been consented to by the Archbishop will be treated by the Australian Taxation Office (ATO) as an exempt fringe benefit, as sabbatical-related expenses are incurred by a priest principally in respect of pastoral duties or directly related religious activities (Section 57 *Fringe Benefits Tax Assessment Act 1986*).
2. In order for a sabbatical subsidy to qualify as a benefit for fringe benefit taxation purposes, the priest should not receive a cash subsidy. If the expenses incurred by the priest, while on sabbatical are paid by the parish via the presbytery account, these payments will constitute a benefit.
3. It is for this reason that the sabbatical subsidy provided by the Archbishop should be deposited in the parish presbytery account and allocated by the parish against the reimbursement of expenses actually incurred in relation to a sabbatical, for example, purchase of travel, accommodation, course fees, books etc. A convenient way of managing this arrangement is for the Parish Priest to provide himself with a credit card account opened in the name of the parish (which will show both the name of the parish and the priest's name) linked to the presbytery account.
4. Priests need to retain all records of expenditure incurred on a sabbatical for the usual taxation period of 5 years. This is necessary for evidentiary purposes in the event that the parish is subjected to an ATO audit and the expenditure is queried. Therefore, the retention of travel tickets, accommodation, course fees and other invoices, credit card vouchers and statements together with details of the sabbatical will suffice to explain the nature of the expenditure.
5. The position relating to social security consequences of a pensioner priest who has taken a sabbatical is not completely clear. However, if records are retained that reflect that the priest was reimbursed for expenses actually incurred while undertaking ministry work, the Guide to Social Security Law (published by the Department of Family and Community Services) provides that such reimbursements will not be treated as income of the priest and, consequently, there should be no diminution of the priest's pension.
6. Generally, Centrelink needs to be notified of any event or change of circumstances which may affect a person's payment eligibility within 14 days after the occurrence of the event or change. Therefore, Centrelink should be notified of an overseas departure regardless of the purposes.
7. Records of expenditure should be retained for social security purposes in a similar manner for similar reasons as explained in clause 5 above, as evidence of the nature of the expenses incurred.