

Finance Matters subject

MOTOR VEHICLE - WHO QUALIFIES ?

Over the past few years many Churches have been in a fortunate position to be able to obtain cars for the Church and Pastors use. These have been secured by use of the local State Government supply contracts or from ACS using preferred pricing from the vehicle manufacturers and then financed in some manner.

Over the past year we have often been asked the question, "who is entitled to receive a car". In answering this it is important to recognise the following points,

➤ PREFERRED PRICING CONDITIONS

The vehicles are purchased using a preferential pricing, therefore there are conditions attached to that agreement. The one we quote is that the vehicle must be retained 9 months or 15,000kms. Equally important is that the vehicle must be ***primarily and predominately purchased for the use of the organisation purchasing it.*** To check this realistically assess the kilometres travelled in the 9 months and see what relates to church use and what would be non Church use. If less than 50% is used for Church use there is a valid case for saying that the vehicle should not be purchased using the preferred pricing scheme.

➤ CONSTITUTIONAL REQUIREMENTS

As not for profit organisations we are exempt of Income tax and our governing documents are required to have special clauses. . One of these compulsory clauses is that the members and Board do not receive a profit either directly or indirectly from the organisation. If we supply cars to Church members or Board members without being used for Church use we will be in breach of this requirement and can risk losing our Tax Exempt status with the ATO.

➤ FRINGE BENEFIT TAX IMPLICATIONS

Under the current tax law only vehicles supplied to religious practitioners (Pastors) are exempt of Fringe benefit tax eligibility. If a passenger vehicle is supplied to an administrator or worker other than a Pastor it may require the Church to calculate fringe Benefit Tax and pay this to the ATO.

Areas that we should be prudent on

- Vehicles to staff and Board members who are secular employed. (**Watch majority use**)
- Vehicles supplied to non Church members in lieu of services provided eg Fundraising, legal, accounting services (**Could be interpreted by ATO as reward for services provided - construed employment**)
- Vehicles supplied to accounting or non pastoral staff (**Fringe benefit Tax payable**)