

Payment for Pulpit Supply - Information for Ministers

Pulpit supply is the provision of a worship service only, by an ordained minister. This is different from stated supply, which is the short-term appointment of an ordained minister on terms of call during a ministry vacancy in a congregation, while the ministry settlement board is undertaking its functions.

Churches are advised by the Assembly Office to pay a minister as an independent contractor when providing pulpit supply.

You might be querying why you are being paid like this.

1. Why can't I be treated as an employee?

- Ministers are not employees.
- In any case, an employment agreement must be provided for employees, and there is a fine of up to \$1,000 for the church if there is no employment agreement.
- Employees would also be entitled to 8% holiday pay in lieu of annual leave, may also be entitled to Kiwisaver (subject to age), to sick leave after a period of time, and the church would be charged for ACC. There is no provision for this in the pulpit supply rates specified by PCANZ.

2. Why an independent contractor?

This is the only option left. However, there are benefits:

- As an independent contractor, you will probably be providing pulpit supply to multiple churches (as we understand many do). Being an independent contractor ensures consistency.
- There is no liability on the church to which the services are provided other than to pay the stipulated pulpit supply ministry rate, but as an independent contractor you are free to claim expenses for mileage/ travel, and any other related costs, against the income.
- We also strongly recommend to churches that withholding tax be deducted from pulpit supply payments, for the following reasons:
 - a) Not doing so potentially leaves you in the position of accumulating a tax bill which may provide a nasty surprise at a later date, and
 - b) Deducting withholding tax triggers the need to file a tax return with IRD, which ensures that you remember to declare the income, again, sparing you the possibility of getting on the wrong side of IRD if you either don't realise that the earnings are deductible income, OR you think the parish has already deducted tax.

3. What happens if I am an independent contractor?

- You do *not* need a written agreement with the church to be a contractor.
- Your payment will go through the church payroll, and withholding tax will be deducted. You will need to complete a IRD IR330C form provided by the church. The compulsory tax *code* WT (withholding tax) on the form will only relate to the pulpit supply. To pay the withholding tax you will need to nominate a tax *rate* on the form, based on your projected total income, from all sources, for the current tax year. At the end of the tax year, depending on your nominated tax rate, you may be entitled to a refund, or have tax to pay, so please consider your income and tax rate carefully.
- Occasional pulpit supply should not push those on superannuation into a higher tax bracket. So this should not necessitate any change to your existing tax rate for government superannuation. But, to be sure, you need to calculate your estimated total income for the tax year, and check the tax thresholds.
- If you have paid work outside of pulpit supply, the tax *code* of WT will relate only to the pulpit supply. But please ensure that you have nominated a tax *rate* that is appropriate for your total income. For someone working full-time this could be a tax rate of 33%, for example.
- IRD will send you a letter with a tax code of WT (Withholding Tax), which relates only to the pulpit supply work.
- You will need to file an IR3 tax return at the end of the financial year to reflect this income, but you will also be able to claim any expenses related to it, for example mileage/travel.
- ACC may send you a letter, asking for a payment relating just to the contract income. However, you can contact them, and, in all but a few cases, they should be able to reverse that, if:
 - i. you have not worked more than 30 hours a week throughout the year as an independent contractor, and
 - ii. this work is not regular

4. Pulpit supply is not specified anywhere in the categories of schedular payments on the IRD tax declaration form IR330C. Does this mean that I can't be treated as a contractor?

The list of activities is not comprehensive. The IR330C states that “the description below may not include all activities”. Although pulpit supply is not specified, it can easily be classified under Activity number 10 (page 3 of the IR330C), which includes lecturers and presenters.

5. Does a church have to onboard me onto their payroll if I am providing pulpit supply as a contractor?

Yes, pulpit supply needs to be paid through payroll, so that tax can be deducted at source.

- Please note that pulpit supply is not eligible for Beneficiary Fund contributions.
- An additional 8% in lieu of annual leave will not be added to the payment. Contractors are not employees.

6. Can I receive payment as a koha or honorarium?

A koha, by its very nature, must be unconditional, i.e. given freely and without conditions. In the case of pulpit supply, your payment cannot be considered a koha, as:

- i. it is at the rate stipulated in Part 2 of the PCANZ Church Management Support Guide, which is based on a percentage of ministers' stipends with appropriate seniority allowance.
- ii. it is *required* (i.e. rather than voluntary)
- iii. there is definitely an element of *reciprocity*, or quid pro quo – a fee paid for a service provided.

In the case of a minister choosing (as the *church* cannot choose to do this) not to receive the PCANZ specified rate for pulpit supply, there are two possible situations:

- (a) Church offers to pay minister who says "I really don't need to be paid. If you feel as though you'd like to pay me a koha, that would be welcome but I don't require it at all". This is absolutely fine, and any payment made in this situation would be a true koha, and therefore not required to be declared as income or have tax deducted.
- (b) Church offers to pay minister, who says "I don't really want any extra income, so could you pay me say, \$200 and we'll just call it a donation or koha?" This is NOT unconditional; the minister has requested payment, and stipulated the amount they would like to receive. This cannot be classed as a koha, and is taxable income, which must be declared to IRD and paid.

An honorarium is similar to a koha or donation. It can be described as a payment made in exchange for rendering a service or activity that is not part of your official duties or responsibilities, where no price is set by the person receiving it. If a supply minister requests or requires a particular amount to be paid, this cannot be said to be an honorarium.

7. Can I be paid on invoice, rather than as a contractor?

Yes, this is possible, but not recommended. If this was to be the procedure followed by the parish, it will make it extremely clear on every communication regarding payment that the payment represents contract income, no tax has been deducted, and that you must declare the income to IRD as self-employed or contract income. However, for the reasons stated, we consider that it is in the best interests of all for tax to be deducted at source.

8. Can a minister choose not to be paid for pulpit supply?

The default is that a minister should be offered payment for pulpit supply, at the PCANZ-prescribed rate that is consistent with a minister's stipend. PCANZ ministers have undertaken training, typically have years of experience, take a number of hours to prepare and deliver a service, and should not be expected to provide pulpit supply for free. The decision not to accept a pulpit supply payment lies with the minister. While we have received feedback from ministers who wish to donate their services, and that is of course completely acceptable if they choose to make that offer, our view is that this should not be expected. Not all ministers are in the position where they can afford to be so generous with their time and effort.

9. If I am a full-time minister in a church, should/could I ask that any pulpit supply payment be made direct to my church?

Yes – it should be paid direct to the church. Your church should invoice the other church, and include GST if registered, as it is for the supply of services.

10. If I am a part-time minister in a church, could I ask that any pulpit supply payment be made direct to my church?

Yes – you can request a payment be made be paid to your church. Your church should invoice the other church, and include GST if registered, as it is for the supply of services.

Questions?

For general queries regarding pulpit supply, please contact the Assembly Office:

Michaela Press
PCANZ Head of Finance & Operations
michaela@presbyterian.org.nz

Kate Wilson
HR and Compliance
kate@presbyterian.org.nz

Or if you would like assistance with determining which withholding tax rate to nominate, please contact the PCANZ Payroll helpline 0800 567597.

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