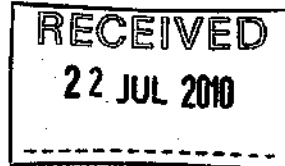




Inland Revenue
Te Tari Taake

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20 July 2010

Attention Gordon Copeland
Inter Church Working Party on Taxation
C/O PO Box 12287
Wellington 6144

Dear Mr Copeland

Our Reference PM/AST/LR/SC

Thank you for your query regarding the treatment of accommodation supplied to clergy.

The first issue to note is there is a specific tax exemption in the legislation, although it has a narrow application. Under section CW 25 of the Income Tax Act 2007 (ITA) the value of board or lodgings and other personal necessities received by a member of a religious society is exempt income if:

- (a) the member's sole occupation is service in a religious society or order; and
- (b) it is in the nature of the service that members are not paid for their work and do not receive a reward for it, other than those necessities.

Other than the above exemption, the general rule is that the market value of accommodation supplied to clergy is treated as a taxable income.

However, as you are aware, there has been a long-standing Inland Revenue statement on the taxation of the value of housing for clergy. This is stated in Inland Revenue's former Technical Ruling Manuals at paragraph 12.5.8.1 (Accommodation):

"The taxable value of housing supplied to clergy is calculated at one-tenth of stipend less fifteen percent."

Inland Revenue decided to formally discontinue the updating of what was known as Technical Rulings in 1998. Although Technical Rulings were written for the guidance of Inland Revenue staff and taxpayers, it was considered they were also not subjected to the degree of analysis and consultation prior to issue that occurs with current tax publications. Further, due to resourcing and prioritisation, Technical Rulings were not updated in many areas.

Inland Revenue stated at the time of discontinuing the Technical Rulings that although they may be useful as background material, the contents should not be relied upon as representing Inland Revenue practice.

Since the Technical Rulings were discontinued, Inland Revenue has not revisited the specific issue of the housing for clergy on a national level. I have made enquiries with our Legal and Technical Services team and been advised that although the Technical Rulings are discontinued, due to the fact there has been no updated public ruling, interpretation statements or specific legislative changes, there has been no change in practice.

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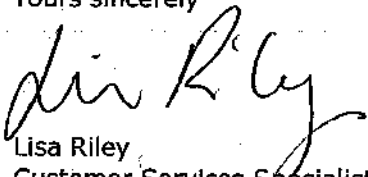
Inter Church Working Party on Taxation

If Inland Revenue reviews the matter on a national basis any update would involve the issue of a draft policy document and consultation. Any amended policy would apply prospectively, usually from the date of finalisation or publication in a Tax Information Bulletin.

In conclusion, the taxable value of housing supplied to clergy may continue to be calculated at one-tenth of stipend less fifteen percent, until such time as amended legislation or Inland Revenue policy changes occur.

I trust this clarifies the position.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Lisa Riley', written in black ink.

Lisa Riley
Customer Services Specialist
Assistance