

## Add Ministry Inc. Seminar Essential Issues for Church Treasurers



### Tax Issues for Christian Workers




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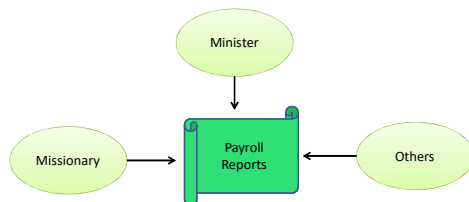
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## So what don't you understand?




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## This session

- Charities and Churches
- Ministers and Pastors
- Missionaries
- Volunteers
- Other Taxes and Issues (if we have time)




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## Add Ministry Inc. Seminar Essential Issues for Church Treasurers



Charities and Churches




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**“Charity”** legally defined means

*‘The relief of poverty, the advancement of education, the advancement of religion and other purposes beneficial to the community.’*

House of Lords 1891 Judgement.




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**“Charity” definition continued...**



Expanded in Australia to include

- Not For Profit Child Care Services and
- Contemplative Religious Orders.




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**Tax Law requires a Charity to**

- Hold an **ABN** and
- Be endorsed as a Tax Concession Charity.

Otherwise a Tax Return is required

- Tax needs to be paid or
- Mutuality rules prevail.




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**‘Religious’ arm of charities in NFP Sector significant**

- Receives many concessions and so
- Misuse will damage our collective credibility.




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A Church is an institution.

It has **obligations** to

- Its members
- The wider community
- To Government – sometimes reluctantly provided.




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### Basic Religious Charity

**What is a 'basic religious charity'? (s 205-35)**

A basic religious charity is a registered charity that meets **all** of the following requirements:

- it is registered for a purpose that is the advancement of religion
- it could not be registered as any other subtype of charity
- it is not a body corporate registered under the *Corporations Act 2001*, an Indigenous corporation (under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*), a corporation registered under the *Companies Act 1985* of Norfolk Island, or an incorporated association in any state or territory
- it is not endorsed as a deductible gift recipient (DGR) itself (however it can be endorsed to operate DGR funds, institutions or authorities as long as their total revenue is less than \$250,000 for the particular financial year)
- the ACNC has not allowed it to report as part of a group, and
- it has not received more than \$100,000 in government grants in the current financial year or either of the previous two financial years (2012 or 2011).




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### Basic Religious Charity Exemption

- Exemption from financial statement lodgement for "basic religious charities"
  - **Sole purpose** must be advancement of religion
  - Companies and incorporated associations not exempt
  - Other exclusions
  - Need to lodge Annual Information Statement
  - Self-assess
  - Notify ACNC in Annual Information Statement




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Ministers and Pastors





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A Minister serving with a religious institution

- Not an 'employee' but
- Tax laws treat him as one
- Centrelink accepts a Minister is a Public Officer engaged under a contract of service.






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- A Minister serving with an entity that is not a religious institution is an employee for both ATO and Centrelink purposes
- The distinction between legal structures is important


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### Income issues for Ministers



Honoraria – are they assessable?

- True aim is a modest compensation for out-of- pocket expenses and substantial effort
- Term not defined but misunderstood




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### PAYG and Ministers

A Minister cannot hold an ABN for ministry purposes

Occasional payments by another religious institution may have special rules

- PAYG Withholding Tax rules apply
- If no ABN/Tax Invoice – tax at 47% obligatory




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### **PAYG – cont.**



- Concession – if no more than 2 ‘services’ in a BAS quarter, the tax rate reduced to \$NIL
- Option for a Statement by Supplier if eligible
- Large ‘love gifts’ NOT eligible for concessions.




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**PAYG – cont.**

Payments by non-religious institutions have different rules

- Payments for chaplaincy & counselling services in excess of \$150 p.w. need to be as employees
- Funeral services – PAYG rate is \$NIL




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Hospitality/entertainment expenses **NOT deductible** to Minister.

Church can pay expense or Recoup the actual cost.




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**Superannuation Salary Sacrifice changes**

Superannuation salary sacrifice arrangements need to be shown on PAYG summaries as ***“Reportable Benefits”***.

This will affect some Centrelink payments.




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**Bank accounts and other Investments**

- Financial institution need TFN or ABN;
- No TFN/ABN – PAYG tax at 47%
- Banks should accept ABN as compliance




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**Employees** – TFN declaration essential

**Contractor** – ABN and tax invoice essential

- If contractor paid without ABN disclosure ATO want 47%.
- Cost to Church




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Missionaries and Other Charity Workers




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Gifts to Christian workers/Ministers normally taxable

Presumption in law is the gift is payment for services

**Exceptions**

- Family gift – e.g. Birthday
- Dire personal need.




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Missionaries serving overseas who are Australian residents for income tax purposes subject to new rules from July 2009.

- Former exemption for income earned overseas no longer available
- Income assessed in Australia on a whole world basis
- Tax paid overseas credited against tax liability BUT evidence needed




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Missionaries serving overseas – cont...

**Exception**

IF the Mission is a member of Missions Interlink the exemptions still apply.

See [www.missionsinterlink.org.au](http://www.missionsinterlink.org.au) for membership




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# Add Ministry Inc. Seminar Essential Issues for Church Treasurers



Volunteers




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## Volunteers

- No payment for services
- Expenses (e.g. bus fares) can be recouped
- Volunteer insurance needed (Duty of care)




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## **Part Volunteer** – part-time salary

- Need agreement identifying employment hours and pay rate
- Need workers compensation insurance.




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### Legislative requirements

1. Register and remit Good Services Tax (GST)
2. Register and remit Superannuation (SG)
3. Register and remit Withholding Tax (PAYG WH)




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### Add Ministry Inc. Seminar Essential Issues for Church Treasurers



Other Taxes and Issues




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### STATE TAXES

Car Licences and Stamp Duty –

- If a Church owns a vehicle – exempt – BUT conditions apply
- If registered marriage celebrant owns vehicle – exempt – BUT conditions apply




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### **STATE TAXES – cont...**

Stamp Duty – exemptions normally available on

- Land purchases
- Lease and mortgages BUT
- Not on insurance contracts.




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### **STATE TAXES – cont...**

- Council rates – place of worship and manse exempt - other exemptions may be contested.
- Water rates – limited concessions;
- Land Tax – qualifications & restrictions.




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## **Questions ?**

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