TAX LAWS IMPACT ON THE CHRISTIAN COMMUNITY.



"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.

"Charity - cont. -

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Expanded in Australia to include: -

 Not For Profit Child Care Services; and

Contemplative Religious Orders.

Tax Law requires Charity to : -

Have an ABN; and

✤Be endorsed as a Tax Concession Charity.

If not, - a Tax Return is needed, and

✤Tax needs to be paid; or

♦Mutuality rules prevail.

Tax Law identifies -

Charitable Institutions and Charitable Funds:

Institutions perform charitable activities;

Funds normally provide money or resources to institutions;

Public benefit necessary.

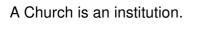
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Multiple options for legal structures -

- Incorporated Association
- Company Limited by Guarantee
- Special Purpose Company
- ✤ Trusts

Aim for simplicity – if possible.

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- It has obligations to: -
- Its members;
- The wider community; and
- To Government sometimes reluctantly provided.

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.

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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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.

PAYG and Ministers

A Minister cannot hold an ABN for ministry purposes.

Occasional payments by another religious institution have special rules: -

- PAYG Withholding Tax rules apply;
- If no ABN/Tax Invoice tax at 46.5% 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.

PAYG - cont. -

Payments by non-religious institutions have different rules:

- Payments for chaplaincy & counselling services in excess of \$100 p.w. need to be as employees.
- Funeral services PAYG rate is NIL.

Hospitality/entertainment expenses NOT deductible to Minister.

Church can pay expense, or

Recoup the actual cost.



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Notes are included for -

Ministers' tax deductions; and

♦ Centrelink benefits

Superannuation Salary Sacrifice changes.

From 1 July 2009 superannuation salary sacrifice arrangement need to be shown on PAYG summaries as "Reportable Benefits".

This will affect some Centrelink payments.

QuickBooks and MYOB software have been upgraded.

Fringe Benefits Tax and GST

Separate sessions cover these items.

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Bank accounts and other Investments

 Financial institution need TFN or ABN;

✤ No TFN/ABN – PAYG tax at 46.5%

Charity doesn't normally have a TFN;

✤ ABN is enough.

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Employees – TFN declaration essential

Contractor – ABN and tax invoice essential

✤ No ABN – PAYG tax at 46.5%;

 If contractor paid without ABN disclosure ATO still want 46.5%.

Volunteers

✤ No payment for services;

Expenses (e g bus fares) can be recouped;

Should arrange volunteer

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insurance.

Part Volunteer – part-time salary

 Need agreement identifying employment hours and pay rate;

Need workers compensation insurance.

Missionaries serving overseas who are Australian residents for income tax purposes subject to new rules from 1 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 needed²³

Missionaries serving overseas - cont.

Exception: -

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

See www.missionsinterlink.org.au

for membership

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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.

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 free.
- Water rates limited concessions;
- Land Tax qualifications & restrictions.

