

**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.

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“Charity – cont. –

Expanded in Australia to include: -

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

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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.

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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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A Church is an institution.

It has obligations to: -

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

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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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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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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.

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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.

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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

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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.

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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%.

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Volunteers

- ❖ No payment for services;
- ❖ Expenses (e.g bus fares) can be recouped;
- ❖ Should arrange volunteer insurance.

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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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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.

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



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