

Add Ministry Inc. Seminar Essential Issues for Church Treasurers



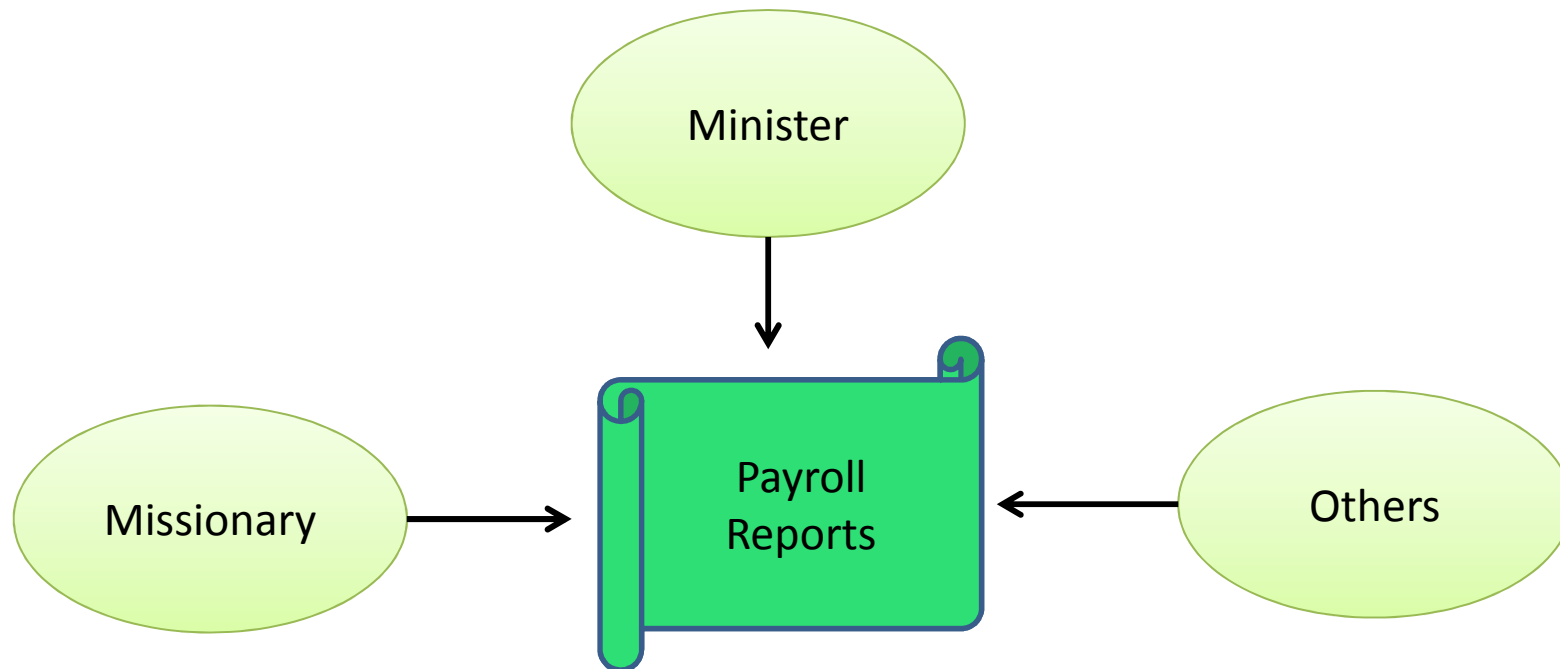
Tax Issues for Christian Workers



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Matters that seem to not be generally understood?



This session

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

Add Ministry Inc. Seminar Tax Issues for Christian Workers



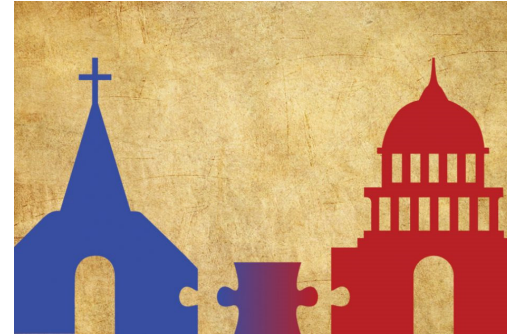
Charities and Churches

“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” definition continued...



Expanded in Australia to include

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

Tax Law requires a Charity to

- Hold an **ABN** and
- Be endorsed as a Tax Concession Charity (i.e. registered with the Australian Charities & Not-for-Profits Commission (ACNC))

Otherwise a Tax Return is required (to ATO)

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

‘Religious’ arm of charities in NFP Sector significant

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



A Church is an institution.

It has **obligations** to

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



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 (2021 or 2020).
- **National Redress Scheme (17 March 2021)**

Basic Religious Charity Exemption

- Exemption from financial statement lodgement to ACNC (but not reporting) and not ATO 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

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.



- 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 (\$75 or less?)
- Term not defined but misunderstood

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 (TR2002/9)
- If no ABN/Tax Invoice – tax at 45% obligatory

PAYG Withholding Annual Report

[illegible]

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.

Statement by Supplier



Australian Government

Australian Taxation Office

Statement by a supplier

Complete this statement if the following applies:

- you are an individual or a business
- you have supplied goods or services to another enterprise (the payer), and
- you are not required to quote an Australia business number (ABN).

HOW TO COMPLETE THE STATEMENT

- Print clearly in BLOCK LETTERS using a black pen only.
- Use BLOCK LETTERS and print one character in each box.
- Place X in all applicable boxes.

➤ Payers can check ABN records of suppliers by visiting abr.business.gov.au or phoning 13 72 26 24 hours a day, 7 days a week.

Section A: **Supplier details**

Your name



Your address

Suburb/town

State/territory

Postcode

A row of base ten blocks. It starts with a long horizontal bar representing 100, followed by a vertical rod representing 10, and then a small cube representing 1.

Reason/s for not quoting an ABN Place X in the appropriate box/es.

- | | |
|---|---|
| <input type="checkbox"/> The payer is not making the payment in the course of carrying on an enterprise in Australia. | <input type="checkbox"/> The supplier is an individual and has given the payer a written statement to the effect that the supply is either: |
| <input type="checkbox"/> The supplier is an individual aged under 18 years and the payment does not exceed \$350 a week. | <input type="checkbox"/> made in the course or furtherance of an activity done as a private recreational pursuit or hobby, or |
| <input type="checkbox"/> The payment does not exceed \$75, excluding any goods and services tax (GST). | <input type="checkbox"/> wholly of a private or domestic nature (from the supplier's perspective). |
| <input type="checkbox"/> The supply that the payment relates to is wholly input taxed. | |
| <input type="checkbox"/> The supply is made by an individual or partnership without a reasonable expectation of profit or gain. | |
| <input type="checkbox"/> The supplier is not entitled to an ABN as they are not carrying on an enterprise in Australia. | |

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

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

Church can pay expense or Recoup the actual cost.



Superannuation Salary Sacrifice changes

Superannuation salary sacrifice arrangements need to be shown on PAYG summaries as ***“Reportable Employer Super Contributions (RESK)”***.

Note SGR2009/2 – FBs not S&W so were SG is paid on Ministers ‘gross income’ RESK applies
This will affect some Centrelink payments.

Employees – TFN declaration essential

Contractor – ABN and tax invoice essential

- If contractor paid without ABN disclosure ATO require 45% Withholding
- Please take care here - Cost to Church?
- Ref above PAYG Withholding

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- Tax Issues for Christian Workers



Missionaries and Other Charity Workers

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 (welfare)



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 (global) basis
- Tax paid overseas credited against tax liability BUT evidence needed

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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Volunteers

Volunteers

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



Part Volunteer – part-time salary

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



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Essential Issues for Church Treasurers



Other Taxes and Issues

Legislative requirements

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



Bank accounts and other Investments

- Financial institution need TFN or ABN;
- No TFN/ABN – TFN Withholding tax at 45%
- Banks should accept ABN as compliance



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.



STATE TAXES – cont...

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

Questions ?

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