

**NOT-FOR-PROFIT
TAX CONCESSION WORKING GROUP**

Fairer, simpler and more effective tax concessions for the not-for-profit sector

Discussion paper November 2012

Response from Hillsong Church

Submitted 21 December 2012

DEDUCTIBLE GIFT RECIPIENT STATUS

Extended to most

Hillsong supports the concept of extending DGR status to 'most' charities with the exception of those which provide 'private benefits', we challenge however the assertion that religious organisations provide 'private benefits' as detailed below.

Charities providing 'private benefits'

The discussion paper lists three types of entities as providing 'private benefits', these being; schools, child care centres and religious organisations.

As there is a fee for service arrangement for the provision of education and child care services to a limited number of people, this gives credence to the argument that donations to these entities would not be for 'public benefit' and therefore DGR status should not be extended to these activities.

There are significant differences between educational or child care services and religious organisations. For the following reasons we do not believe there are 'integrity issues' in deeming that religious organisations are for the 'public benefit'.

- Services are accessible to all people, regardless of age, race or religious background.
- An individual can enjoy the services of a religious organisation whether or not they donate to the organisation.
- Caring for those who are disadvantaged or vulnerable is inherent to the Christian message and intrinsic to the activities of churches and many other religious groups. Care is provided regardless of whether a person is a member of the church or not. This was evidenced in recent years where large numbers of volunteers organised from local churches helped victims of the Victorian bush fires and more recently, those effected by the floods in south east Queensland. Churches regularly provide volunteers for activities such as the Salvation Army *Red Shield Appeal* and World Visions' *40 hour famine*. Those assisted were not discriminated against by whether they were members of their local church.
- Religious groups help combat *social isolation*, an issue facing a growing number of Australians. The Australian Bureau of Statistics' *Australia Social Trends* report of 2009 states that social isolation 'can have a negative impact on people's mental and physical wellbeing'. The Australian Government's *Social Inclusion Agenda* recognises not-for-profits, as being integral in providing a solution to social isolation of which religious organisations are key players.
- The teaching of 'religious truths' is provided for public benefit and the wellbeing of the recipient of the message. If the conclusion is drawn that a religious organisation does not operate for 'public benefit' because their beliefs are not shared by all Australians, this would be consistent with saying the local soccer club does not operate for public benefit because not all people play soccer.

DGR status extended to religious organisations

On the understanding that religious organisations provide a 'public benefit', it is our view that DGR status should be extended to include religious organisations, but not in exchange for the removal of fringe benefits tax concessions.

In exchange for the removal of fringe benefits tax concessions

We do not support extending DGR status to religious organisations if it is conditional on the removal of fringe benefits tax concessions, for the following reasons:

1. Disproportionate benefits for different religious organisations

Following the introduction of unlimited tax deductibility for giving to religious organisations in New Zealand, it was noticed that the uplift in giving occurred disproportionately between varying church denominations. Those churches who taught the biblical principal of 'tithing' saw the smallest improvement in giving, whilst those which gave less attention to the collection of offerings, benefited more from the added incentive of tax deductibility. We would expect the same outcome in Australia.

If fringe benefits tax concessions were removed, all religious organisations would require an uplift in expenditure, however the flow on uplift in income would be inconsistent amongst religious groups.

2. The increase in donations would not cover the increase in expense

There is no evidence to suggest donation revenue would rise to an amount equal to the increase in expenditure required as a result of the removal of the fringe benefits tax concessions.

If Hillsong was to increase the compensation to offset the loss of exempt benefits, the Church's personnel costs would rise by 11%. This would require an uplift in donation revenue of 7.4% to offset the rise in personnel costs. According to our research, we do not believe this would occur, and as a result the church would be adversely affected.

Summary

Whilst we believe religious organisations are equally eligible to DGR status on the basis of providing a public benefit, if revenue neutrality is the prerequisite for extending DGR status, we recommend no changes to current fringe benefit concessions nor the extension of DGR status to include religious organisations.

EXEMPT FRINGE BENEFITS FOR RELIGIOUS PRACTITIONERS

Why should religious practitioners receive exempt fringe benefits?

The remuneration of religious practitioners is reflective of the nature of their employment. For the most part, individuals view their role as a 'life calling' which isn't restricted to regular working hours but invades all aspects of their personal life and time.

Typical responsibilities include hospital visitation, crisis counselling, prayer, preaching etc.

Religious practitioners are often compensated by means of reimbursement of expenses, such as housing, meals, utilities, vehicles etc., as their work extends beyond regular working conditions and they are required to use their personal assets to fulfil their roles. It is therefore appropriate to continue to allow for the reimbursement of related expenses in the form of exempt fringe benefits.

It is also worth considering that employees of many other vocations, whose roles include on-call responsibilities, are often rewarded through allowances and overtime rates which are not common place for religious practitioners.

Further to this, employment is not on a commercial basis, and remuneration is often well below what the person could earn in alternative employment. The average church in Australia has less than 200 people, and as such, removal of exempt benefits would make it unaffordable for the churches to employ ministers and religious services would suffer.

OTHER CONSIDERATIONS

Indexing of cap on exempt Fringe Benefits

Consideration should be given to indexing the cap on exempt fringe benefits, such as those offered to employees of Public Benevolent Institutions, as inflation will otherwise deteriorate the benefit of the exemptions provided.