Submission to the "In Australia" Exposure Draft

Melbourne Church of Christ
ACN 111 933 325

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1 Introduction

1. The Melbourne Church of Christ (MCOC) is a religious institution which operates in accordance with its purpose to promote the fellowship of the Christian religion. In keeping with this purpose, the church employs people who work in accordance with roles outlined in the Bible such as Evangelists, Pastors and Teachers.

2 Operation of the church

1. The church conducts its activities primarily through the operation of a Christian fellowship based in Melbourne. The church uses a company limited by guarantee as the legal structure.

2. The church primarily expends money on staff and staff-related costs associated with their ministries. This includes ordinary salaries, staff receiving fringe benefits and ministry expenses such as travel (both within Australia and overseas), telecommunication expenses and other miscellaneous costs. These costs account for around 85% of all expenditure of the church.

3. The church is financed principally through donations made by church members (i.e. members of the corporate entity) and associates of the church (i.e. "members" using a broader sense of the word). These donations are mostly made from after tax income of members. A small number of members have made income distributions to the church from discretionary trusts under their control.

4. The church spends about 10% of funds supporting work in overseas countries. In recent years, this has been expressed in financial support of a sister church in Port Moresbyand also work of a sister church in Fiji.

5. A small amount of funds is spent providing financial assistance to people in need in Melbourne (the church's local benevolence ministry), which ranges from those who are members of the church to those who are known to members of the church. Separately, the church has had offerings for special causes, such as the 2009 Bushfire appeal and to support displaced members of a sister church in the Ivory Coast.

3 "In Australia" draft changes

1. The changes as currently drafted have the potential to significantly affect the operations of the church. This is regardless of the fact that well over 85% of the operations of the church take place supporting work within Melbourne.

2. Paragraph 1.37 of the exposure draft would act to prevent the church from making financial contributions to people in need in Melbourne. This would prevent the church from continuing its local benevolence ministry. The paragraph acts to restrict donations only to other exempt bodies, when the benevolence ministry makes donations to persons who are not exempt.

3. Paragraph 1.40 and 1.85 contemplates a restricted avenue for an exempt body to donate some funds to overseas bodies that are both exempt under their own jurisdiction and have been prescribed in the regulations. The church

would anticipate that the hurdle for having an overseas body prescribed in the regulations would be high. Given this assumption, this would prevent the church from being able to support related Christian work in overseas countries, unless the government through regulation is willing to list a wide number of church organisations throughout the South East Asia and the South Pacific regions.

4 Effect of changes too broad

1. It is the church's observation that the proposed changes go well beyond the policy effects of the "Word Investments Case". It is understandable that the government is keen to ensure that "predominately in Australia" should mean the majority, even a super majority of the economic effects of an exempt body be effected in Australia.

2. As outlined above, we believe that the proposed changes will, in effect, shut down any ability of the church to support any Christian mission work outside of Australia. This effect is not to restore the "previous policy intent" but to impose a new policy. This new policy is extremely aggressive against Christian activity in third world countries, activities that have been funded for many years from Australian churches. These activities are not funded by the community at large, but by church members who believe that funding these activities is consistent with their religious beliefs.

3. The effect of the changes means that if the church ignores the proposed law, it will lose all of its concessions related to its own domestic operations.

   (a) The income tax would only be minor in the hands of the church, but preparing tax returns is a major new additional administration cost.

   (b) The GST exemptions would end, imposing significant costs on an activity that is supposed to be GST free under the legislation.

   (c) The Fringe Benefit Tax exemptions for religious practitioners would end, imposing major costs on the church. Melbourne Church of Christ spends most of its money on religious staff who provide pastoral and religious teaching services. Under the removal of the Fringe Benefit Tax exemption, at least $\frac{1}{3}$ of these services would have to be cut.

   It could well be said that if the church decided to give \$20,000 to Papua New Guinea, the Australian government would respond wanting another \$120,000 in tax. This is totally disproportionate and draconian. In no way could this be suggested to be restoring the "previous policy intent" taken away by the Word Investments case.

4. As outlined above, these highly undesirable proposed changes would prevent the local benevolence ministry of the church. As the church could not make donations to non-exempt bodies, how will the church be able to donate money to a member who, due to unexpected financial hardship, is not able to pay next month's rent? If the church helps someone out in this way, it will lose all of its tax concessions, as Paragraph 1.37 of the exposure draft states that "the entity is not entitled to be income tax exempt unless donations are solely to entities that are also income tax exempt".

5 Modification of changes

1. The MCOC suggests that the changes be reconsidered.

2. The exposure draft outlines that there is a desire to restrict the funds of charities making their way to entities that have a terrorist purpose. The government should consider alternative ways of meeting this objective, perhaps through improvement of the proscribed terrorist organisation provisions. It is unrealistic to maintain a "white list" of organisations that are not terrorist—which seems to be the direction of the proposed changes, rather a "black list" of prohibited organisations appears more realistic.

3. Rather than using an approach that prevents exempt bodies from donating overseas to any organisation that is not proscribed in regulation, the government should instead consider an approach where it considers the overall economic effect of the expenditure of the exempt body, requiring that a majority (eg 51%, 60% or even 75%) of

the economic effect of expenditure be in Australia. The church has no issue with a requirement that any overseas body be tax exempt in its own jurisdiction.

4. The government should consider some threshold for minor financial donations to non-exempt bodies. We believe that most of the Australian community would not accept churches being prevented from helping Australians in immediate financial need.