

AUSTRALIA NEW ZEALAND SECULAR ASSOCIATION

ABN: 15 846 286 456

AFTS RECEIVED

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AFTS Secretariat
The Treasury
Langton Crescent
Parkes
ACT 2600

Dear Secretariat

This letter is a submission to your inquiry into Australia's future tax system.

SOME INTRODUCTORY COMMENT

Please find enclosed a copy of my book *The Purple Economy: Supernatural Charities, Tax and the State*. It was published December 2007. The book is mainly a description of why religious organisations in Australia and New Zealand do not pay tax and an analysis of why they should. Please consider this a gift to the Treasury library.

A main theme of the book is that it is not the role of the Commonwealth of Australia, particularly were it a secular republic, to 'advance religion'. The reasoning is that government should be neutral in matters of belief, favouring neither atheism nor religion in their various manifestations.

These recommendations follow:

(1) the advancement of religion as a ground for charitable and hence tax-exempt status, should be abolished. As a belief system atheism is not a ground for tax-exempt status. As a belief system, religion should not be a ground for tax-exempt status either. The idea that the Commonwealth of Australia should 'advance religion' is an idea past its time. It was devised in the 16th/17th centuries when religious belief was expected and blasphemy laws were enforced. Recently, in July in Britain, blasphemy laws were repealed.

(2) as a consequence of the abolition of the tax-exempt status of religion it follows the tax-exempt status of the commercial businesses and investments of religious organisations should be abolished as is the case in most western liberal democracies. Legislation should also be introduced to overcome the reluctance of the courts to agree to this reform even when it is argued by the Australian Tax Office (*The Age* 16 November 2007.)

(3) as a consequence the Tax Office ruling TR/92-17 should be abolished by legislation so that ministers of religion, and similar individuals, are not uniquely entitled to take all of their income as fringe benefits.

(4) It is completely unfair and unreasonable for governments to expect secular citizens to subsidise religious organisations through their taxes when they have no sympathy with religion. In each successive census Christianity as a whole has declined in Australia and those indicating 'no religion' have continued to rise. So the number of citizens affected continues to increase. This is ultimately a question of constitutional separation of church and state.

SOME EXPLANATORY COMMENT

Australia is a constitutional monarchy with no constitutional separation of church and state. It retains exemptions from taxation for religious organisations which are ancient in their origins. They ultimately derive from the exemption of the monarchy from taxation. This is partly discussed in my enclosed paper 'Clericalism in New Zealand: a conspiracy of silence', presented to a conference in Wellington on 30 August 2008 and in my November 2006 talk 'Understanding laïcité' available on U-Tube. I explain there that further back in time it is the case European monarchs were usually tax exempt and churches were also quarantined from exemption in an arrangement of mutual benefit. Prior to the French Revolution, 95 per cent of the population paid tax for the maintenance of the monarchy, the church and the aristocracy.

Although it deals mainly with New Zealand, the August 2008 paper has relevant discussion of Australia and common points of interest between Britain, Australia and New Zealand in these tax matters. Interestingly, as I point out, Norman Baker MP noted in the British Parliament on 9 July 2002 that the British monarch did pay income tax in the nineteenth century and into the twentieth century until the policy changed. He said the relevant files concerning the change of policy have been destroyed.

In my book I explain the modern genesis for the exemption from taxation of religious organisations is the first Income Tax Assessments Act of 1936. As you will know the legislation formalised the common law exemptions that derive from the 1891 Pemsel Privy Council case which confirmed the clauses of the Statute of Charitable uses of 1601.

FURTHER JUSTIFICATION FOR THE ABOLITION OF TAX EXEMPTION FOR RELIGIOUS ORGANISATIONS

On 30 September 2008 *The Sydney Morning Herald* reported on the Uniting Church's annual meeting held the day before at Canterbury Racecourse in Sydney. The Moderator of the NSW Synod of the church, Reverend Dr Niall Reid, indicated that the assets of the church in NSW alone were valued at approximately \$8B.

At the same time Dr Reid pointed out the church was faced with dwindling congregations and conceded the church may disappear in 30 years. Dr Reid suggested churches be sold to raise funds for less orthodox ways of evangelizing. As I note in my book at p.7 the *Herald-Sun* reported on 7 August 2002 that by that time the Uniting Church had already sold 152 churches including 25 in metropolitan Melbourne.

Like all religious organisations that satisfy the definition of religion, the Uniting Church is entitled to exemptions from major and minor taxes including income and capital gains tax. So it is that as the evangelical and conversion activities of the church are failing, the tax-exempt wealth of the church has the potential to rise exponentially.

On p.179 of my book I note that the former President of the Uniting Church, James Haire, was cited in *The Canberra Times* of 10 November 2002 saying that the Uniting Church 'is the largest employer in Australia except perhaps for the Catholic Church. Growth in community work, largely paid for by state and federal governments, accounts for the employee base.'

It seems clear that since colonial times taxpayers through their governments have in various ways gifted, granted and exempted federal money to the Uniting Church to 'advance religion', yet all this effort has only seen the church, as a church, facing likely extinction. At the same time the church has grown into an unofficial arm of government through its welfare work. This welfare work of the churches is valuable and where it has a public purpose it should continue to retain the same tax exemption secular charities enjoy for the public good.

In his 28 August 2008 submission to the Senate Inquiry into the Disclosure regimes for charities and not-for-profit organisations, the Managing Director of the Australian Christian Lobby, Mr Jim Wallace AM, argues that 'churches and charities must retain their tax-exempt status' in order to protect the charitable functions of not-for-profit organizations. He simply assumes that religion per se is a benefit to the community sliding over the facts, as I explain in my enclosed book and paper, that not all religious organisations are involved in charitable work in addition to advancing religion. Many donate just a fraction of their income to good works in a face saving way. Also, one of the wealthiest evangelical churches in Sydney has been recently attempting to spend more than \$80M developing a new site for a joint church and commercial building. This is church empire building not charitable work. It is completely inappropriate the taxpayers should be asked to subsidise this through exemptions.

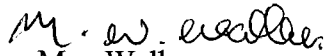
CONCLUSION

It is time in the 21stC to abolish the 17thC tax exemption for religion which became law at a time when religious belief was expected and blasphemy laws were enforced.

The *private* purposes of religion should not be subsidised by all citizens through *public* taxation. Governments are facing significant budget demands for education, health, welfare, defence, infrastructure renewal and environmental concerns.

As a nation, Australia cannot afford to perpetuate the now significant scale of largesse allowed to the advancement of religion. The privilege is outdated, an irrelevant impost on a growing number of citizens, a form of discrimination in so far as non-belief is not exempted and total contradiction of the principle of separation of church and state.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'M. Wallace'.

Max Wallace

Director

10/15/2008

CLERICALISM IN NEW ZEALAND: A CONSPIRACY OF SILENCE*

Max Wallace

INTRODUCTION

In 2001 the former Prime Minister of New Zealand, Sir Geoffrey Palmer, said

... *a sine qua non* of effective public debate is proper information on what our constitutional arrangements are. There is very little of that around in New Zealand. In some ways, I sometimes think there is a conspiracy to keep it quiet so no one understands how the system of government works¹. (SLIDE 1)

Today I will discuss those constitutional arrangements. I will argue they are characterised by clericalism: the assumption that a close relationship between government and religion is normal and not contingent. It is in the relationship between government and religion that we find a conspiracy of silence. This conspiracy of silence is quite well concealed. It isn't exactly what Sir Geoffrey might have had in mind. It concerns the fact that following the exemption of the British monarch from most forms of taxation, the churches are exempted from most forms of taxation. Partly as a result of exemptions, churches are very wealthy.

The political will to keep these tax exemptions and this wealth is the driving force of religious organisations and the monarch in Great Britain and religious organisations and constitutional monarchists in New Zealand and Australia. While the monarch's presence in our countries is mostly symbolic, the crown in New Zealand and Australia is the historical mechanism for exemption from taxation for religious organisations. Our democracies, the UK, New Zealand and Australia are effectively soft theocracies whose constitutional arrangements keep these tax arrangements in place.

A theocracy is usually defined as a government where the government and a dominant religion are one and the same. Naturally, in such a country that dominant religion would not pay tax. Usually a strict theocracy would be led by someone with a direct line to the supernatural power of the dominant religion. A less strict theocracy might have some gesture towards elections, as in the case of Iran.

A soft theocracy can be defined as a form of government, constitutional monarchist or republican, characterised by a separation of powers between executive, legislature and judiciary. It features freedom of association, a free

press, political parties and elections, but it retains symbolic associations with religion through flag symbolism, prayers in parliament, oath and other rituals, and continuing exemptions from taxation and other financial privileges for religious organisations. If one were to look at countries along a continuum, France would be the closest to the ideal of a democracy that has minimised those religious features that frame a nation, in my view, as a soft theocracy. That is, France comes closest to an ideal, secular, democratic republic. It is not an atheist republic.

This structural arrangement favouring religious organisations' avoidance of tax is the small but very significant core of our politics. It is realised by an absence: an absence of constitutional separation of church and state. That is, a new constitutional, republican, arrangement that might end the monarchy and its wealth and tax privileges in Britain, New Zealand and Australia; a new constitutional arrangement that might question the desirability of continuing tax exemptions and other privileges for religions, without qualification or accountability, in our supposedly secular states. There is a near total silence about separation of church and state in the debates about republicanism in Australia and New Zealand.

In 1981 in Australia there was what amounted to a judicial coup in the High Court in the *Defence of Government Schools* case.ⁱⁱ The court explicitly said there is not a constitutional separation of church and state in Australia. All the judges, bar the one who disagreed with this ruling, were eventually knighted by the Queen. In both our countries separation has been almost completely under the political radar.

Is this silence simple ignorance of the subject? Or a wilful omission by those who want to ensure that in the likely transition from constitutional monarchy to republicanism in our lifetimes, the tax privileges of the churches are never raised as an issue? Also, have our republican movements a limited agenda? Do they simply want to see an end to the symbolism of the Anglican:government interface in our two countries? Is this an approach to republicanism the Catholic Church, which still treats Anglicanism as a deviant sect, would prefer?

At the same time, if republicanism is achieved without a constitutional separation of church and state, the quarantining of churches' tax-exempt status and the protection of government grants to Catholic and other private schools would be likely to continue without review. I don't believe that this approach to republicanism applies in New Zealand as the Catholic Church is smaller here, but it might in Australia.

My argument is that we are just at the beginning of understanding politics and government from this perspective. You won't read what I'm going to say today in any political science textbook in New Zealand or Australia. Our lack of understanding of this core of our politics speaks to the ability of its beneficiaries to keep it very well concealed, as the quotation from Sir Geoffrey Palmer would imply. But he would hardly agree with my argument. While not everyone who accepts a knighthood is a political conservative, at the same time, to accept a knighthood is an act of deference to the monarchist establishment.

While the Queen of New Zealand does not cost the New Zealand taxpayer very much its churches arguably do, a subject to which I will return, and the monarch, expressed in New Zealand through the abstract concept of 'the Crown' is at the centre of this legal usurpation of taxpayers money. I argue it is not the role of a state to advance the cause of religion at the expense of citizens who have no sympathy with it. Religion is not the business of the state.

CONSTITUTIONAL MONARCHY

New Zealand is a constitutional monarchy. It does not have a written constitution. It does have the Constitution Act of 1986 which severed some links between New Zealand and the United Kingdom. The United Kingdom is a constitutional monarchy. It does not have a written constitution. The head of state is the Queen or in the case of New Zealand, the Governor-General is her representative. There is no constitutional separation of church and state in the United Kingdom, in fact, the exact opposite applies: the Church of England is the official religion of England. At the same time there is no section separating church and state in the 1986 Constitution Act, so there is also no constitutional separation of church and state in New Zealand.

New Zealand is similar, superficially, to a province of the United Kingdom like Scotland, Wales and Northern Ireland. It shares the same Queen. Until recently, it shared the same national anthem. 'God Save the Queen' was an official anthem of New Zealand in addition to 'God Defend New Zealand'. I note in passing that this is hardly an appropriate anthem for a supposedly secular nation, although the tune, I concede, is more attractive than Australia's awful dirge, 'Advance Australia Fair.'

The constitutional situation here contrasts to that of the Australian states in the recent past. In 2006 Professor Anne Twomey published her book *The Queen and her Governors*ⁱⁱⁱ. She explained that until 1986 the Australian states were technically colonial dependencies of the British Crown. The Queen's jurisdiction

over the Australian states was via her role as 'Queen of the United Kingdom', not Queen of Australia. Professor Twomey describes some of the backroom activities the British Crown engaged in concerning the political affairs of the Australian states where they impacted on the United Kingdom's interests. All behind closed doors.

Paradoxically, both New Zealand and the United Kingdom are both very secular countries in a cultural sense. Last month, the Religion Monitor Survey, an international survey carried out by Germany's non-profit research group, the Bertelsmann Foundation, reported that of the 21 countries it surveyed only four showed less interest in religion than Australia: Russia, France, Germany and the United Kingdom. Unfortunately, the survey did not include New Zealand.

But New Zealand is more secular than Australia. The dominant religion, Christianity, will very likely represent near to or less than fifty per cent of the population at the next census. That is almost the case now.

It is this general disinterest in religion that may have partly moved the Prime Minister, Helen Clark, to remark in 2002 that New Zealand was a 'de facto republic.' How can that be so?

New Zealand might have a secular culture, but our two governments are still structurally enmeshed in the concealed taxation arrangements easily allowed by a lack of a constitutional separation of church and state. We are supposed to be governed by the rule of law. But if we don't have a law separating church and state, how can we consider ourselves to be secular?

THE MONARCHY AND TAXATION

By way of background I will move to the example of how the monarchy avoids tax with a couple of necessary digressions. I will then compare that to the ways religious organisations avoid paying tax. You will find no reference to what I am about to detail on the website of the Monarchist League of New Zealand.

In 1992 Phillip Hall published his book *Royal Fortune: Tax, Money and the Monarchy* in London^{iv}. It followed from his PhD thesis at Cambridge. The BBC television program *World in Action* turned it into an exposé of the facts about what taxes the monarch in Britain does not pay. There was widespread public anger at these revelations and in a face saving gesture, the Queen generously decided that she would voluntarily pay income tax. Incidentally, there is not a single copy of Hall's book in any Australian or New Zealand library.

The Queen's website reveals that she has always paid Value Added Taxes, other indirect taxes and local council rates on a voluntary basis. Now she agreed, voluntarily, to pay income tax. But only after the *World in Action* revealed she wasn't paying any.

On 9 July 2002 Liberal Democrat, Norman Baker, raised these matters in the British parliament. He argued all citizens should be treated equally on taxation, including the Queen. He said that Royal finances should be transparent 'as one would expect because public money is being spent.' He said there should be 'proper control and auditing of the way in which public money is spent on royal finances, which is the case for every other area of public expenditure'. He said 'there is no reason why royal finances should be different.' He pointed out that the monarch is legally exempt from income tax, capital gains tax, inheritance tax. He asked what the justification for this was.

He noted that in 1993 the Prince of Wales agreed to voluntarily pay income tax and capital gains tax, but not inheritance tax. He noted that the lack of an inheritance tax for the Queen meant that the British Treasury lost tax on the windfall the Queen received, something between £20 and £25 million realised when the Queen Mother died.

Before I continue, I should repeat that the British monarch and the Church of England are like Siamese twins. The Queen is the head of the Church of England as well as the monarch. The Church of England is the 'established' church of England, that is, an act of parliament had made it the official religion of England. This arrangement commenced when Henry VIII split from the Catholic Church over the question of his divorces.

In 1601 in the reign of Elizabeth I the Statute of Charitable Uses legislation was passed. This created the four 'heads' of charity which are still accepted as the basis of charity law in Britain and our countries. Charitable status meant exemption from taxation. These four kinds of charity are relief of poverty; advancement of education; other purposes beneficial to the community and – 'the advancement of religion.' That is, all religion received tax-exempt status because to proselytise the Christian God's words was considered to be a form of charity. In fact, it is '*supernatural* charity'. As recently as 2006 Pope Benedict XVI said 'Only in Christ can we find the strength to offer human affection and supernatural charity to our brothers and sisters'.⁹ In other words, the promulgation of Christian belief is a form of heavenly charity. It is offering us charity to save us from our ignorance and presumably hell.

It is important to distinguish between charities, be they religious or secular based, who work with a secular purpose in mind, such as relief of poverty, from those religious charities who receive tax exemption for the purpose of advancing religion only. The former have a public purpose while the latter, in my view, have only a private purpose in mind.

I use the term supernatural charities in the subtitle of my book and I only found that quotation from the pope after I had finished it. I had independently realised that the word 'church' does not accurately describe what religious organisations are. As churches are legally charities and the main criterion they require to have tax-exempt status is that they have a supernatural belief, it follows they are supernatural charities.

With the 1601 legislation all religions got in on the tax exemption privilege. Even in the Republic of the United States which had made separation of church and state as the first consideration in its government, the exemptions for religion were still allowed. With some foresight, President Madison said in the nineteenth century that if the government allowed churches to become tax-exempt there would be no limit to their growth and influence. Subsequent history has proved him correct, and the Religious Right in the United States today is immensely wealthy, and through their influence, they affect domestic and international politics.

In fact, in a book published this year, Deal W. Hudson, a conservative, Catholic American political activist, argues it was the threat of the loss of tax-exempt status for Christian schools in the American South that sparked the development of the Religious Right in the United States. He describes how conservative white Christians were incensed when America's Internal Revenue Service threatened to withdraw their tax-exempt status if they did not agree to the de-segregation of their schools^{vi}. This is a very candid admission from Hudson.

He is saying that conservative southern Americans became politically active when their tax-exempt status was under threat because they did not want black American children in their all-white schools. This happened during the Carter administration. Hudson argues the Religious Right has moved from its days of fire and brimstone intolerance to a more considered position: evangelical Christians and conservative Catholics now combined as never before. Now all they oppose is abortion, stem cell research, euthanasia, gay marriage and so on; they promote intelligent design to be taught in American schools and they seek to undermine separation of church and state. Very moderate. Interestingly, Hudson points out the US Conference of Catholic Bishops would not be drawn into direct debates

about abortion fearful that political comment might jeopardise their tax-exempt status. It could be safely left to lay Catholics.

Returning to the British situation, Norman Baker pointed out in 2002 that the first income tax act was passed in 1799. This was in response to the Napoleonic wars. It was abandoned shortly thereafter but returned in 1842. Queen Victoria who reigned from 1837 to 1901 paid it. So did Edward VII who reigned from 1901 to 1910. During the reign of George V whose reign was 1910 to 1936 the requirement for the monarch to 'pay tax was *removed*. This was still true for George VI in 1937-38. Norman Baker said he tried to find out the reason for why the policy changed to remove the obligation to pay tax but that 'the relevant files on the agreement have been destroyed.' Very unfortunate.

The next question of course is *how much* tax the monarchs pay when they do pay it.

In the Parliament in 2002 Norman Baker pointed out that after the Queen volunteered to pay income tax there was no statement of how much she would pay. It follows, he said that 'there is not the transparency in royal finances that we would wish.'

Four years later in July 2006 the cat was let inadvertently out of the bag when Prince Charles revealed, generously, that he had paid the equivalent of A\$8.2M dollars on his income of A\$35M. His income had increased 6 per cent 'on the back of commercial property rent reviews and higher investment returns'^{vii}. That's a tax rate of around 23 per cent. But for other British taxpayers with this high income the rate is in fact 40 per cent.

So how come he pays significantly less? By revealing how much he paid Prince Charles inadvertently raised the question of 'well, how much tax does the Queen pay?' She's not saying. The ABC reported that 'The Royal Family's spin doctors went into damage control arguing the Queen costs each taxpayer just the equivalent of A\$1.55 per year, and that represents value for money.' What exactly has the Monarch got to hide?

The ABC interviewed Graham Smith of the Republic movement in the UK who argued the cost of the monarchy to the British taxpayer was probably closer to \$250M per annum given the taxpayer is now providing more security for all the royals who require it. He also made the point that 'who else gets to pay tax ... as they think appropriate?'

When faced with this embarrassing truth, the monarchy play three main cards. The first is silence: to talk about the facts is to give them oxygen. The media always have to move onto something new and if nothing more is forthcoming, if there is no discussion, it will soon be forgotten.

If that doesn't work, they try the second line which is the value-for-money argument. They're working so hard for the British public, what is a \$1.55 per annum? That is, don't look at the issue in *absolute* terms where one might calculate how many public hospitals, public schools, public forms of transport and other social services might have been financed, how the public may have benefited from the use of open rural spaces they control, and so on, look at it in *relative* terms. A mere \$1.55. What is the problem? Forget multiplying \$1.55 by the total number of British taxpayers turning it into hundreds of millions per annum, and forget about multiplying that figure by the decades or even two centuries where that sum could have been applied to public benefit.

The third line is that they're deeply involved in an exhausting round of charitable work. This work is so intense they barely have time to retreat to their country castles on weekends to be waited on hand and foot; attend the races at Ascot and elsewhere to watch their horses win or lose; tour the Caribbean or Mediterranean on vessels rented at great expense; go skiing in Switzerland and numerous other overseas trips.

Charitable work is also the justification for the tax-exempt status of the churches. I will return to it later.

There is an interesting report drafted by the Fabian Society in London in 2003. The Fabians argued that 'The Queen should be stripped of ownership of Crown property, forced to pay inheritance tax on all her private lands, all her collections of paintings, prints, furniture and royal parks should be given to the public. They did not call for an end to the monarchy, but that it should be 'less extravagant and more like the less ostentatious royal families of Europe.'^{viii}

There is also the point that while the monarchies of Europe keep a lower profile they are also significantly wealthy, and there are quite a few of them. The cost to Europe generally would be very significant. It's likely many billions of Euros are lost keeping them in the manner to which they have become accustomed while at the same time the world is facing critical environmental problems. It's simply crazy to be throwing this scale of money at these irrelevant monarchies, which are usually associated with established churches, in the face of this crisis. Every country needs every research dollar it can find to address our collective global

future. I would be equally critical of similar, secular waste of money or forms of largesse.

Be that as it may, I mentioned that the Queen of England is also the head of the Church of England. A report in the British Telegraph of 1 November 2000 claimed that 'It costs £740M a year to run the Church of England – more than £2M a day.' Nearly half of this is spent on clergy who occupy churches that are nearly always empty. When this became news there was a scandal. Again, Norman Baker gave evidence to an inquiry that was called into the lifestyle of the Anglican bishops in 2000. He said that

It's intolerable that when you have falling church rolls [i.e. low church attendance] you have rising Bishop's expenses. It is also intolerable that when you have parishes suffering [he meant poverty] you have Bishops living in huge palaces with chauffeurs and gardeners. I can't find anywhere in the Bible where it says 'Thou shalt live in lavish palaces.'

I mentioned that 'advancing religion' is a tax-exempt activity. Legally, all religions are technically charities. After the Statute of Uses of 1601 all religions became eligible for tax-exempt status. What this means is that while the monarchy is joined at the hip to the Church of England, nearly all religions now have equal status with the Church of England in terms of tax exemption. It is like an extended daisy chain of religious organisations who qualify for tax exemption. That is not true of the Church of Scientology that failed Britain's Charities Commission's 'public benefit test.'^{ix}

The concept of public benefit is instructive. Reading the Commission's determination against Scientology it is hard to pin down exactly what it is. Scientology was excluded partly because its core practise, auditing, was not considered to be of public benefit. Auditing is where a member sits opposite another more senior member and pours out all details of their life, their thoughts and details of their recent behaviour in order to be evaluated in terms of Scientology's criteria for an individual to be 'clear' of their problems. Scientology thus imitates religion's strategy of seeking to convince a subject they have problems and they should surrender themselves to religion to resolve them. If the subject falls for this line they enter the bottomless pit of contrived guilt from which they may never emerge.

Because this is a private matter, which incidentally, Scientology members may have to pay for, and the practise was not extended freely to the public, the Commission decided the practise of auditing did not match the precedents established by common law as to the meaning of public benefit. So, 'public benefit' must have a public component. This public component seems to relate to

‘moral or spiritual welfare or improvement of the community’ and this intangible improvement would have to be received approvingly by ‘the common consensus amongst people who were fair minded and free from prejudice or bias.’ They seemed to be saying that because ‘judicial and public concerns’ had been expressed about Scientology, it followed the organisation was not of public benefit.

So if there are no complaints about a supernatural organisation it’s OK.

I said that all other religions beside the Church of England were given equal access to tax exemptions generously provided by taxpayers who now are obliged to maintain every religion, including every sect and cult that satisfies the criteria for tax-exempt status. You will never hear one religion arguing that another religion, even an abusive cult, should lose its tax-exempt status. Also, no one ever argues churches should lose their tax-exempt status when there is proof that bishops have knowingly moved paedophile priests or ministers of religion to other parishes to conceal their crimes. In other words, perverting the course of justice in this way does not entail any loss of tax exemption. It is hard to see the public benefit in the concealment of crime, or how that crime ‘advances religion’ except by occasioning a temporary cover-up.

There has been significant public concern and complaint – one of the criteria used to exclude Scientology from charitable status in Britain - about the handling of paedophile cases in Britain and elsewhere concerning the Catholic and Anglican churches. But no one suggests they should lose their tax-exempt status on the basis of this widespread public concern. So, why the double standard? Why is a non-Christian religion unacceptable when it comes to public concern, but Christian religions are quite acceptable even when their members engage in serious criminal activity about which there is widespread concern? This is a subject that requires further investigation.

Also, I would argue, if the vast majority of the British people are disinterested in religion, and there is ample evidence to show that is the case, then how is religion ‘benefiting’ the public? The fact is, reality has long caught up and overtaken the original intention of the 17thC idea that to ‘advance religion’ is a form of charity or ‘intangible’ benefit to the community at large. The idea of religion as charity should be scrapped and religious organisations should be on the same tax level as any other organisation, including atheist or humanist organisations who are not tax exempt under British law, at least on the grounds they are offering intangible moral improvement. Of course, what applies in Britain, tends to apply in New

Zealand, Australia, and wherever the ancient idea of the advancement of religion still has application.

CHURCHES AND EXEMPTIONS

Having said that, I believe New Zealand law follows Australian tax law concerning the exemptions. Where the British Charities Commission found that the Church of Scientology was not of 'public benefit', the Australian High Court in 1983 came up with a definition of religion that included Scientology. This came after their consideration of Scientology's appeal to that court after they had been refused tax-exempt status in Victoria.

The High Court overturned the Victorian court's finding about Scientology and said that religion is any belief in a supernatural being, thing or principle and canons of conduct that give effect to that belief.

With the door wide open to achieving tax-exempt status as a religion and no limit to the amount of money religious organisations can receive, invest tax free and accumulate, the pursuit of money and the protection of their tax-exempt status has become the *raison d'être* of religions. Like the Queen, up until 1992, religions do not pay income tax, capital gains tax, and sundry other minor taxes.

So, just how much revenue do our two countries miss by the churches not paying tax? In Australia the total revenues of the churches would be in excess of \$20B. The bulk of that is the \$15B turnover the Catholic Church has admitted to, that is, if you take them at their word. Tax revenue goes missing at three levels in Australia: local government, where church buildings avoid property rates and related charges; state government taxes and federal taxes such as income tax and capital gains tax. A conservative guesstimate of how much tax that could have been paid would be something between \$500M and \$1B each year, probably more. The Catholic Church is in the top five organisations by wealth in Australia. It is likely it is Australia's largest landholder and private employer. The Uniting Church has claimed that it is Australia's second largest employer after the Catholic Church.

So what is the situation in New Zealand?

If one goes to the website of the Charities Commission to find information about the incomes and expenditures of charities, including religious charities, there is nothing there. They are supported by taxpayers as non-profit organisations but there's no requirement for them to put their annual returns to the Commission on the public record. It is as if they are private organisations, rather than public

organisations. But often they are incorporated as companies limited by guarantee, which means they do not have shareholders. They benefit from public exemptions but with no public accountability. If they are not prepared to tell us, it's not so easy to find out. Silence again.

I have accumulated some of what is on the public record about church wealth in Australia in my book as sometimes the commercial affairs of the churches make it into the financial press.

Recently, journalist Sally Blundell had a look at this question here. She found that there are about 9,700 tax-exempt religious charities in New Zealand. She discovered they received \$534M in donations but information about their substantial investment income is not available. When she asked the Anglican and Catholic churches about their property holdings they would not respond. She pointed out that Presbyterians put their income, expenditure and assets on the net for all to see^x. If the Presbyterians can do that, why can't the other churches? It would seem they prefer silence to complete transparency, as does the Queen of England, as Norman Baker pointed out in the Parliament. We could safely conclude the loss to consolidated revenue from the tax exemptions awarded to churches, offsetting the value of their charitable work, would most likely run into tens of millions, possibly hundreds of millions, of dollars, but this is guesswork for, as I say, the silence descends.

Now, I said earlier that a justification for these privileges is that the churches, like the monarchy, are engaged in charitable work. This is the standard line of defence to justify the tax exemptions and concessions religions receive. The idea is the missing revenue could be reconciled to the value of voluntary charity work.

No one denies the value of the charitable work the mainstream religions do through their relief of poverty work. They provide accommodation for the homeless, they feed them, they console them and show them kindness. They help people who have fallen on hard times financially. They help indigenous citizens, the ill. They do things governments are not prepared to do. They are a thin blue line ameliorating the structural inequalities of our competitive, capitalist economies. They share this role with many secular charities. This kind of work, when it is characterised by a secular, public purpose should remain tax exempt.

But until last year when New Zealand established its Charities Commission there was not enough regulation of all this activity. Many humanitarian charities have become giants with large amounts of staff. Some of their executives enjoy very high salaries and fringe benefits. But, as I point out, since *religions* are deemed to

be charities in themselves, there is no requirement for them to be engaged in good works. If they want to tithe their members, accumulate millions of dollars and invest it to become significantly rich while paying no tax, they can. There is no regulation and they are not even obliged to put in tax returns to our tax offices. If they choose to mask their growing wealth by engaging in cosmetic charitable work they can.

Another question that follows from all this is whether we as secular citizens should have our taxes garnisheed to support religious organisations for which we have no sympathy. In my book^{xi}, I point out the German Government has partly agreed that this is unfair and the Italian Government allows citizens annually to nominate which charity they want to support. All citizens there give .8 of one per cent to the charity of their choice and this can include churches. That seems to me to be fair.

An argument occasionally heard to head off this danger of citizens having a democratic choice as to which charity they want to support is the idea that religious citizens are also obliged to support things that governments do with which they disagree. For example, Christian taxpayers, so the argument goes, are obliged to support government schools where the curriculum is overwhelmingly secular, where the curriculum undermines Christian belief.

Well, for argument's sake, we could follow the Italian example to its logical conclusion and say that henceforth all Christians and citizens of other faiths who so choose will be able to apply a proportion of their taxes to schools that teach a curriculum they approve of. They won't have to pay for secular schools. But if that were to be the policy, it would follow that non-Christians should not have to support Christian schools and schools of other faiths. In Australia, this is about \$12B annually.

Also, to be consistent, exemptions Christians and those of other faith receive at the level of local, state and national government should be abolished. Why should secular citizens subsidise religious citizens for their local government property rates, their garbage collection and so on? Why should secular citizens subsidise religious organisations in those instances where they don't pay land tax, payroll tax, stamp duty and other minor taxes? I'm comfortable with them paying for themselves.

Why should secular citizens subsidise religious organisations for exemptions from income tax, capital gains tax and so on?

Why should ministers of religion be the only citizens who can take all of their income as fringe benefits and pay no tax^{xii}? I would be comfortable with reform of that privilege too. Some of these matters are currently under review in the Australian Treasury. This cartoon appeared in the front page of The Australian on 28 July this year, that is, about a month ago (SLIDE 2). It would have been unthinkable a decade ago.

Now, if you were a beneficiary of this system, you would have an incentive to maintain it. I will now conclude by summarising my argument, and then take some questions.

CONCLUSION

At the core of government lies the tax exemption for monarchy and churches.

These exemptions have helped make both institutions extremely wealthy at the cost of public services.

Silence reigns about these exemptions.

Government conspires to keep this issue off the political agenda because to address it means addressing the question of constitutional separation of church and state. Separation could threaten the tax exemptions and moves to abolish them since, after a new constitutional separation of church and state, the exemptions could be understood to be unconstitutional. In fact, governments, particularly in Australia, seek to enmesh government further in religion. This is clericalism.

The republican debate has so far avoided this issue.

As a result, the religious tail is wagging the dog of the body politic. The religious believe they can avoid death. They know they can avoid tax.

The solution for our countries is for them to become republics with constitutional separations of church and state. In doing so they would excise private religions from the definition of charity while retaining exemptions for the genuinely charitable public work they do. This work should be closely monitored by Charities Commissions and the finances of all charities, secular or religious, should be on the public record, that is to say, the internet, for all to see.

It is time to put an end to the conspiracy of silence about this issue.

Thank you.

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END NOTES

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ⁱⁱ M. Wallace, *The Purple Economy: Supernatural Charities, Tax and the State*, ANSA, Sydney/Melbourne, 2007, pp15-86.

ⁱⁱⁱ A. Twomey, *The Queen and Her Governors*, Federation Press, Sydney, 2006.

^{iv} P. Hall, *Tax, Money and the Monarchy*, Bloomsbury, London, 1992.

^v Benedict XVI, 'Greeting to UNIV participants', Rome, 2006.

^{vi} Deal W. Hudson, *Onward Christian Soldiers: the growing political power of Catholics and Evangelicals in the United States*, Threshold, NY, 2008, p.3ff.

^{vii} Correspondents Report, ABC, 2 July 2006.

^{viii} M. Woolf, 'Public should own all of Queen's palaces, say Fabians', *The Independent*, 6 June 2003.

^{ix} 'Application by the Church of Scientology (England and Wales) for Registration as a Charity', British Charities Commission, 1999.

^x S. Blundell, 'The God dividend', *The Listener* (NZ), February 2-8, 2008.

^{xi} M. Wallace, Op. Cit.

^{xii} Ibid., pp173-6. See also N. Renton 'Taxpayers' sacrifice to the churches', *The Age*, 6 May 2008.