

Anglican Diocese of Willochra's response to the Not-for-Profit Sector Tax Concession discussion paper.

The Diocese of Willochra is one of the twenty three Dioceses which make up the Anglican Church of Australia. The Diocese of Willochra covers most of South Australia north of Adelaide and contains around 80 congregations, mostly in small towns. These congregations have their own ABN's and the majority are registered for GST.

We wish to respond to a selected parts of the discussion paper, leaving more comprehensive responses to others.

Extension of DGR status:

1. We would welcome any simplification of the process for obtaining DGR status. We would also welcome further clarification of the purposes to which DGR entities can expend their funds. We note that there have been difficulties under the present arrangements in establishing bodies like Community Foundations which aim to build a fund from which to support future community projects.
2. The suggestion of extending DGR status to all charitable bodies is very attractive both from an administrative point of view but also for those of us who do most of our giving through a church. Presently where a church makes grants to DGR charities it is not able to offer any tax advantage to the donors.
3. The argument that some charities like private schools provide private benefits is well made. If gifts to private schools were tax deductible it would be very tempting for schools to partially replace fees with donations.
4. Almost without explanation, the discussion paper puts churches into the group of charities which provide private benefits. This seems to be a misunderstanding of the role of churches in society. Churches provide a broad range of community benefits including fund raising for overseas aid, youth work, aged care, hospital visiting, missions to seafarers, op shops, maintenance of heritage buildings, community choirs, prison & schools chaplaincies etc. As one minister put it "Churches exist for those who are not their members". Without suggesting that there are no pay-offs for church membership, there is no direct relationship between giving to a church and a personal benefit. It would not be proper to deny extending DGR status to churches on that basis.
5. Having made the above point, we note that many of our congregations are small and aged and could not handle any further administrative requirements that may come with DGR status. We suggest that there is a strong case of excluding from any DGR extension those churches which take advantage of the "Basic Church Entity" option.

Fringe Benefits Tax

6. Clergy have the benefit of a Fringe Benefits Tax exemption which enables them to receive salary sacrifice advantages similar to other low paid community workers. While the extension of DGR status to churches seems initially attractive, if revenue neutrality was sought by removal of the FBT exemption, that would be a major threat to the churches.
7. It is the practice of the Anglican Church to limit salary sacrificing to 30% of stipend, this figure being chosen largely because it seems a fair thing. We would not necessarily be adverse to a mandatory limit on salary sacrificing to Religious Practitioner Expense Accounts if that change facilitated extension of other benefits.

8. The Anglican Church also provides non-cash benefits such as housing to its clergy. (It is a moot point as to whether living in a church house is a benefit or an imposition but it is a requirement of the job). We would be greatly impacted by the application of FBT to these benefits, not only because of the financial impact but also because of increased and more complex accountancy requirements. The nature of the work undertaken by clergy is such that there can be no clear boundary between their life and their work. Any attempt to tax clergy benefits would therefore be fraught with administrative difficulties. Clearly this is not something that we would support.

DGR Gift Threshold

9. The \$2 threshold clearly needs updating. Nevertheless there is an army of people who collect small donations and dutifully issue receipts. Many of these may never be used to claim tax benefit but they do give reassurance to the donors.
10. A change from \$2 to \$25 donations may represent a change from casual to considered giving and would have an unpredictable impact on the level of giving and the task of the collectors. There is a strong case for making the change in a series of announced steps, perhaps starting with \$5 and then \$10 before reviewing the impacts.

Non-profit Status

11. A non-profit body is one which does not distribute profits to its members. There may however be organisations which meet the requirements for non-profit and charitable status but which are governed by a board dominated by paid employees. In some cases the membership of the organisation may not extend much beyond the board so that board members seem to have a direct interest in the financial performance of the organisation. Perhaps there is a case for limiting some the advantages of non-profit status to those organisations which have a majority of voluntary board members?

Conclusion:

Thank you for the opportunity to comment. Our priorities include:

- Lessened administration & reporting requirements for our smaller congregations.
- Maintenance of the FBT regimen for clergy without which we would die in the more remote areas.
- No tax on unrelated commercial activities. Although we have not addressed this section of the discussion paper, our ability to provide services depends on op shop and investment income as much as it does on donations.

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