



Submission to ‘Revitalising National Competition Policy’ consultation

3 October 2024

This is a submission by the Rationalist Society of Australia (RSA) to the public consultation of the joint state/territory and federal governments’ Revitalising National Competition Policy initiative. The RSA is Australia’s oldest freethought organisation promoting reason, secularism and evidence-based policy.

We agree with the words of treasurers Jim Chalmers and Daniel Mookhey in the foreword to the consultation paper that competition is important in “leveling the playing field” so that businesses “don’t face unfair barriers to growth”.

In this submission, we urge the government to examine one area in particular in which we believe there is an unfair playing field for some businesses – that is, where businesses have to compete with church-owned commercial enterprises that enjoy tax concessions because of their charitable status of ‘advancing religion’.

The issue of religious organisations running tax-exempt commercial operations has long been controversial in Australia. As Wallace pointed out, the issue was raised in 1938 in parliamentary debates over the first federal Income Tax Assessments Act¹. And it has been raised on multiple occasions since in the federal parliament, and in state parliaments². Over the years, business owners have been among those leading the calls for reform, saying that their businesses are being hurt by unfair competition³.

¹ Wallace, M (2008), ‘Render unto Caesar’, *The Australian*

² See, for example: Patten, F (2021), *Hansard*, Parliament of Victoria, <https://hansard.parliament.vic.gov.au/isysquery/a9bfae0c-3cc6-4ef1-b67a-469f64c12dd3/1/doc/> ; Patten, F (2018), *Hansard*, Parliament of Victoria, <https://hansard.parliament.vic.gov.au/isysquery/a9bfae0c-3cc6-4ef1-b67a-469f64c12dd3/2/doc/>

³ *Sydney Morning Herald* (2002), ‘Where the tax-free grass is greener’, <https://www.smh.com.au/national/where-the-tax-free-grass-is-greener-20020404-gdf640.html>



It was the High Court's 2008 ruling in *Commonwealth of Australia v Word Investments Ltd* – in which a majority decision overturned the Australian Taxation Office's refusal to grant Word Investments tax-exempt charity status – that ensured church-owned commercial enterprises would have tax exemptions if their profits went towards the charitable purpose of 'advancing religion'. This outcome has been described as marking a "turning point in the fortunes" of Australian church charities⁴.

In every cereal and long-life milk aisles of supermarkets in Australia, the unfair competition is evident. In these aisles, you will find a large number of brands that have to compete at a disadvantage to Sanitarium's wide range of products. The Sanitarium Health and Wellbeing Company is wholly owned by the Seventh Day Adventist Church. As such, it has charity status for the purpose of 'advancing religion' and pays no company tax.

We understand that the problem goes well beyond the Sanitarium example. Earlier this year, Boccabella and Gupta wrote that megachurches are among the religious charities that run "huge commercial enterprises" which are "often indistinguishable from comparable business activities in the for-profit sector"⁵.

In recent years, media reports have revealed that the Catholic Church has commercial enterprises including banks, a superannuation fund, and an insurance company⁶. Another large church, Hillsong, also enjoys tax-free profits from commercial activities.⁷ Also, many religious charities have extensive property holdings and collect rent on these.

We believe that such tax exemptions are unfair to competitors, making it challenging especially for start-ups and fledgling companies to compete in some markets. According

⁴ Hardaker, D (2024), *Mine is the Kingdom*, Allen & Unwin

⁵ Boccabella, D, & Gupta, R (2024), 'Australian churches collectively raise billions of dollars a year – why aren't they taxed?' *The Conversation*,
<https://theconversation.com/australian-churches-collectively-raise-billions-of-dollars-a-year-why-arent-the-y-taxed-228901>

⁶ Millar, R, Schneiders, B, & Vedelago, C (2018), 'Catholic Inc. What the Church is really worth', *The Age*,
<https://www.theage.com.au/interactive/2018/catholic-inc-what-the-church-is-really-worth/>

⁷ Rationalist Society of Australia (2018), 'Media release: Hillsong a global business empire',
<https://rationalist.com.au/media-release-hillsong-a-global-business-empire/>



to Boccabella and Gupta, a competitive disadvantage may be reflected in lower prices for customers of the church business⁸.

We are not aware, however, of comprehensive research pointing to the extent of market distortion or practices such as discounting aimed at driving competitors out of the marketplace. In considering new national competition policy, Australian governments have an opportunity to examine the extent of the impact on competition in these circumstances, and to take appropriate action.

To help achieve a level playing field, we believe that commercial enterprises owned by religious groups should be subject to the same legal, financial and taxation laws that apply to other commercial entities. We understand that internationally there are models – such as in the United Kingdom – where unrelated commercial activities are separated from the charity and do not qualify for tax exemptions, with dual use of assets and staff apportioned accordingly⁹. In Canada, harsher measures apply, with charities at risk of losing their charitable status and taxation benefits for carrying out unrelated business activities¹⁰.

Australian businesses deserve a level playing field. We urge you to address this long-standing barrier to fair competition.

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⁸ Boccabella, D, & Gupta, R (2024), 'Australian churches collectively raise billions of dollars a year – why aren't they taxed?' *The Conversation*, <https://theconversation.com/australian-churches-collectively-raise-billions-of-dollars-a-year-why-arent-the-y-taxed-228901>

⁹ McGregor-Lowndes, M, Turnour, M, & Turnour, E (2011), 'Not for profit income tax exemption: Is there a hole in the bucket, dear Henry?' *Australian Tax Reform*.

¹⁰ McGregor-Lowndes, M, Turnour, M, & Turnour, E (2011), 'Not for profit income tax exemption: Is there a hole in the bucket, dear Henry?' *Australian Tax Reform*.