

# **AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS**

**Press Release 963**

## **‘Potentially billions’ of dollars unreported due to religious charities’ exemption**

In his provocative book published in 2007, *The Purple Economy: Supernatural Charities, Tax and the State* Max Wallace from the Secular Society, argues democracies should be republics characterised by constitutional separations of church and state. Wallace argues the separation of secular authority from supernatural authority should be understood as the first separation of powers in a democracy, prior to, and equivalent to, the separations between the executive, legislature and judiciary. The failure of democracies to fully realise this distinction constitutionally has seen churches become immensely wealthy as a consequence of their centuries old tax-exempt status as charities that 'advance religion'. Their wealth is now a recognisable financial phenomenon - the Purple Economy. But, following the French principle, Wallace argues it is not the role of state to 'advance religion'. Ancient exemptions from taxation for the 'supernatural' charities who are under no obligation to spend their wealth on 'good works', are not appropriate for the 21st century. They should be treated for tax purposes the same as other taxpayers. The failure of governments to formalise separation of church and state has contributed to the significant wealth of supernatural charities largely as a function of the exemptions. These are effectively concealed tithes on all taxpayers. At the same time church attendance has plummeted. Central to supernatural proselytising is their lobbying success in achieving more public money for private, religious schools. Public education has been betrayed by compliant politicians from both sides as they run what are effectively soft theocracies: democracies compromised by constitutional monarchy and/or supernatural charities and their tax exemptions.

Max Wallace was pointing to the fact that the current \$20 odd billion of taxpayer funds currently pouring into the private religious education sector is in fact the tip of the State Aid iceberg. Many more billions are provided in taxation exemptions, otherwise known as taxation expenditures. And it is almost impossible to quantify these exemptions since many charities do not have to

report them to the Charities Commission anyway. The issue has recently been raised again, by Si Gladman of the Rationalist Society in an article entitled

*Potentially billions' of dollars unreported due to religious charities' exemption*

on the Australian Rationalist website at <https://rationalist.com.au/potentially-billions-of-dollars-unreported-due-to-religious-charities-exemption/>

Here it is:

Si Gladman / 20 December 2022

**Evidence given to the Senate estimates hearings last month underscores the need for an inquiry into the operation and scope of the tax exemption for entities claiming to be religious, says the Rationalist Society of Australia.**

When asked whether there were “potentially billions” of dollars going unreported, with ‘basic religious charities’ exempt from submitting financial reports to tax authorities, [an official from the Australian Charities and Not-for-profits Commission \(ACNC\) responded](#): “That’s correct.”

Under laws passed in 2012, basic religious charities – which qualify for charity status solely for ‘advancing religion’ – do not need to lodge financial details or comply with other governance standards required of other charities.

In September, RSA president Dr Meredith Doig wrote to charities minister Dr Andrew Leigh, arguing that there was public interest in having an inquiry into the operation and scope of the tax exemption for entities claiming to be religious.

She said such an inquiry should give consideration to the appropriateness of exemptions from financial reporting for basic religious charities. Also, it should examine: whether it would be appropriate to remove the ‘advancement of religion’ from the charity subtypes; whether any commercial operations should be eligible for this exemption; and whether there should be a requirement that religious organisations demonstrate public benefit – as exists in the United Kingdom – rather than this being automatically presumed.

At Senate estimates last month, Greens Senator David Shoebridge told representatives of the Australian Taxation Office and the ACNC that it was a “fraught environment” to have billions of dollars moving through the economy with almost no reporting to taxation authorities.

Officials from the ATO confirmed for Senator Shoebridge (pictured) that there were no limitations in regards to the volume of money or the size of the charity for the use of the basic religious charity exemption.

The ACNC noted that 8,210 basic religious charities provided an annual information statement in 2020, but 7,719 utilised the exemption in relation to providing financial information.

In 2018, Robert Fitzgerald AM, a former commissioner from the Royal Commission into Institutional Responses to Child Sexual Abuse called for the exemptions to be scrapped, [saying they sent a “poor signal”](#) to the wider community that some charities deserved special treatment simply because of their religious status.

In response to the RSA’s letter in September, Dr Leigh said the Albanese government had committed to developing a charity sector blueprint and strategy to boost giving. He said that, during those processes, the government would be able to consider “proposals that support our valuable community building charities”.

Dr Doig had also pointed to numerous media articles from recent years about alleged taxation evasion involving religious organisations, including [Church of Scientology](#), the [Mormon Church](#) and [Hillsong](#).

In his response, Dr Leigh acknowledged the “concern that some organisations might be inappropriately accessing income tax and other tax concessions available to charities”, and said such concessions should only be available to those pursuing charitable purposes.

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