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## **RE: Submission - Review of Local Government Rating System**

### The Australian Christian Lobby

The Australian Christian Lobby's (ACL) vision is to see Christian principles influencing the way we are governed, do business, and relate to each other as a community. ACL seeks to see a compassionate, just and moral society through having the public contributions of the Christian faith reflected in the political life of the nation.

With over 50,000 supporters, ACL facilitates professional engagement and dialogue between church and state, allowing the voice of the Church and of individual Christians to be heard in the public square. ACL is neither party-partisan nor denominationally aligned and lobbies in the Federal Parliament and all State and Territory Parliaments.

ACL welcomes the opportunity to make a submission to IPART's Review of Local Government Rating System. ACL will limit its discussion in this submission to proposed options discussed in the Local Government - Issues Paper that may affect the current exceptions on land used for religious purposes.

### Review of Local Government Rating System

#### Assessing exemptions, concessions and rebates

10 *Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?*

The current exemptions that apply to land used for religious purposes mean that land belonging to a religious body which is used in connection with a church or other building used for public worship, a residence of a minister of religion, a building used for religious teaching or training is exempt from paying council rates.

The current exemptions afforded to church bodies for land used for religious purposes is appropriate and should continue without modification. There are many good reasons for continuing the exemptions and those reasons shall now be outlined in detail, addressing each of the issues raised by the discussion paper in turn.

Some key points that should be made before addressing the matters raised by the Issues Paper are:

- religious bodies, provide a substantial social good to the community.
- churches are charitable entities, therefore as a matter of law, any financial benefit accruing to them are to be used in furtherance of the objects of the charity and not for personal gain.
- the cost of the services provided by council to land used for religious purposes is unlikely to make up more than a small percentage of total budget costs incurred by councils in any given region.
- the social landscape which precipitated the current rating system arrangements has not significantly changed and so ACL does not consider that there is a sound motivation for changing the exemptions.

#### 5.1.1 How exemptions compare with tax principles

The issues paper characterises existing exemptions as a subsidy, and adopts the principle that those who should pay the cost of the exemption are those to whom the public benefit of the 'goods and services' provided by the exempt land use flows.

Land that is used for religious purposes, such as a place of worship e.g. a church, or ancillary facility attached to a church, provides significant and substantial benefits not only to the adherents of that particular religion, but also to the wider community. Land that is used for religious purposes is different in kind to many other uses of property. The use of amenities and services provided by churches, for instance, church hall hire, wedding facilities etc, are available to the wider community, in part because of the current arrangements.

Religious bodies vary in their structure and character, so it is difficult to make definitive statements regarding the geographic benefit or boundaries, but it would be fair to say that local communities are often the beneficiaries of religious land use and that churches generally have a local character. This is true even of the largest churches such as the Catholic and Anglican Churches, since their internal structures follow a parish basis with a local focus. There may be exceptions to this situation where the benefits flow across more than one local government area, but on the balance ACL considers that it would be more appropriate to characterise the public benefit of land that is used for religious purposes as a benefit having a local impact.

ACL submits that the net social benefit of land that is used for religious purposes outweighs the small impact on the economic efficiency of the community. The public good provided to the community by religion, the services and facilities offered by Church communities are significant and should not be discounted in some kind of clinical economic balancing exercise that lacks the vocabulary to express intangible benefits, for example the benefit of social cohesion, community leadership, or the benefits to family unit stability, and spiritual benefits. Such social goods are impacted by religion in profound yet difficult to measure ways.

The use of land for religious purposes should not be seen as an inferior use of the land in comparison to more commercial or profit focused use. It would also be wrong to characterise the placement of older Church buildings in built up locations as less than the 'best use' potential of the land, for example a single story church located in a high density area. The intangible benefit to the community of the presence of such a building in a crowded city means commercial comparisons are inappropriate and unhelpful.

Considerations of 'overuse' of council services do not apply to land used for religious purposes. Such land is used to provide a community service to the local populace and does not operate on commercial competitive principles. To apply this kind of thinking to churches sells short the role that they play since the benefit of their use goes to the community rather than private interests.

The principle of simplicity is consistent with the existing application of exemptions to the use of land for religious purposes. It is more simple and efficient to grant an exemption rather than the alternative of applying both rates and a then subsidy to remedy the cost. If exemptions were unwisely removed then subsidies would certainly be necessarily to counterbalance the detriment to vital community services provided by land used for religious purposes. The increased cost of administration with no net benefit makes such a proposal unattractive. The existing exemptions are the best possible means of keeping administration simple, both for churches and the councils which would have increased accounting and regulatory burdens by having to first tax then provide a subsidy. The paperwork and regulatory costs of a subsidy approach are unnecessary and undesirable.

Churches and others religious bodies that would use land for religious purposes do not operate on market based principles, but instead are community organisations that operate on spiritual and charitable principles. ACL, therefore, considers it inappropriate to apply the principle of competitive neutrality to land used for religious purposes.

### Removing exemptions

The issues paper lists several reasons why it might be appropriate to remove an exemption that currently exists for a land use category. ACL submits that the reasons listed in the issues paper do not apply to exemptions on the use of land for religious purposes.

Land used for religious purposes provides a public benefit to the community significant enough to justify the exemption. Venues owned by religious groups are often publicly available for community use at reduced rates. Many religious communities make their halls available for various events, and Churches for weddings, even at times to members who do not belong to the same particular faith.

Religious communities run schools, hospitals, charities, childcare, nursing-homes, give food to the hungry, provide shelter to the homeless, and provide counselling services, to name just some of what they are engaged in.

Faith is the motivator behind the ethos of these organisations and is bound up in the worship and doctrines of the community, without a physical space in which these activities and important life of the community takes place, the organising energy and focal point of the community would be jettisoned. Accordingly it makes sense that land used for religious purposes would remain exempt as an extension of encouraging and fostering the public good provided by organised religion.

Facilities are also used for many kinds of activities which benefit the community including women's groups, groups working towards assisting the disadvantaged etc.

It would be wrong to characterise the activity that takes place on land used for religious purposes as activity of commercial nature with reference to taxation. Whilst some activities that churches engage in do generate money, the financial benefit is applied to charitable purposes and for ongoing maintenance. Payment for services rendered are given with the understanding that the money generated from such activity will be used for those charitable objects of the organisation. As a matter of law, charitable institutions must divert all profits to purposes consistent with the organisations charitable object.

The costs to council are currently born by the community and have not prevented councils from being sustainable. The costs to council are limited to the essential services that council provides.

The benefits are not of a private nature but of a public nature since membership of churches is open to the community and the facilities of churches are often available at rates below commercial value, thereby providing a service to the community, particularly of benefit to those of a low socio economic situation.

### Narrowing the exemption

ACL opposes any narrowing of the exemption in an attempt to isolate and apply council rates to commercial activities that are carried out on land used for religious use. It would be wrong to characterise money generating activities carried out on such land as profit generating activities when the gains from such activities are ultimately applied to charitable purposes.

In addition, the practical difficulties of administration of such a system are significant and go well beyond the current disclosure of activities that organisations provide to local government. It is beyond local government's role to require such disclosure.

### Giving councils more discretion over the level of exemptions

ACL is opposed to granting councils more discretion. This would lead to discrimination of some churches or charities and an unequal application of exemptions between different councils. To grant councils discretion may lead to an arbitrary, ad hoc approach to exemptions.

### Replacing exemptions with rebates

Rebates should be rejected since it would add to the administration and the cost of the system, yet end up with no financial benefit to either party. Rebates mean they could later be removed or adjusted thereby leading to incremental future changes to remove rebates.



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