

Mr 10%



Charismatic character: Hillsong church leader Brian Houston

By ADAM SHAND

THE tax office wants a special national body set up to monitor "not for profit" charities, admitting that churches — such as the multi-million-dollar phenomenon Hillsong — are literally "invisible" to it.

And the sector is expanding so rapidly that \$31 billion a year is now being drawn out of the federal Budget in tax exemptions to the ever-growing list of groups claiming church and charity status.

The push to put not-for-profit groups under greater fiscal scrutiny comes amid revelations that senior pastors of the Hillsong mega-church and their families are enjoying lavish lifestyles virtually tax-free.

Critics say Hillsong — which makes millions by routinely demanding its followers hand over at least 10 per cent of their salaries for the church coffers — exploits tax exemptions designed to help small, struggling churches.

The Sunday Telegraph can reveal that Hillsong founder Brian Houston uses a not-for-profit company — Leadership Ministries Inc (LMI) — to fund a burgeoning, tax-free global preaching empire.

LMI and other tax-free companies in the Hillsong network are



Heavenly rewards: Hillsong at Baulkham Hills

Signing up for a lifetime deal

By BRENDEN HILLS

EVERYONE in the building has a common understanding: 10 per cent of your income — at the very least.

A woman barely into her 20s sits two places down from me in the 10th row. She's maybe old enough to be a poverty-stricken, second-year university student earning retail wages.

She drops in three fifties — notes, not coins. The Asian gentleman next to me drops in four \$50 notes.

Young parents and elderly people dot the room that looks more like the Sydney Entertainment Centre than a Pentecostal church. Can they afford to do the same?

Even if they can't, they do. Then there's me — an unmarried white-collar worker with no mortgage or dependants.

The Asian man passes me the bucket — one of 100 doing the rounds — with holes in the bottom large enough to discourage coins.

I pass it on without dropping in any money. People glance at me. My fick-pass has been noticed. This is Sunday night at Hillsong Church.

For three months, I attended Sunday morning and evening ceremonies at Waterloo and Baulkham Hills.

To an outsider, it seems phenomenal the church took \$17 million in tithes and donations from its attendees in 2008. This was up from \$16 million in 2007.

But, after sitting

through about 20 services, it's easy to see why. It's only 15 minutes into my first service and I've heard the guy on stage with the microphone make his third "shout-out" for people to make a "generous donation".

"The world of the generous gets larger and larger, while the world of the stingy gets smaller and smaller," he says.

"Can we bring an offering? We need to contribute to the prosperity of the church so our souls can prosper."

And contribute they do. There's a shared understanding among Hillsong worshippers: they love going to this church, and they're prepared to pump as much money into it as they can.

And it's hard not to get caught up in the moment. The atmosphere is seductive.

For the uninitiated, Hillsong is more like a rock concert, with the light shows, the band and the screaming crowds. But instead of sex, drugs and merchandising, it's church, Jesus, tithes and merchandising.

As a "newcomer", I received a lot of attention. I was "love bombed" by three enthusiastic church workers who wanted to know about my prior religious involvement.

I was signed up as a member and listed to join a "connect group".

Then came the phone calls. They wanted me in, and they wanted to seal the deal for life.

and his family being underwritten by the taxpayer



Praise the dollar: Pastor Brian Houston preaches to a huge crowd in Sydney

Sunday Agenda Adam Shand on Hillsong's religious and financial empire

- PAGE 52



able to provide housing, cars, overseas travel, accommodation, credit cards and other perks free of fringe benefits or income tax.

And since LMI was set up in 2001, the Houston family's relationship with the company has included:

- Property deals that have earned Brian Houston and his wife Bobbie \$1.4 million. The Houstons are still tenants of waterfront properties at Bondi Beach and the Hawkesbury River that they sold to LMI.
- A \$1 million, fringe benefits tax-free expense account each year for five people, including the Houstons.
- The use of vehicles worth more than \$120,000.
- Fully funded overseas tours where Brian Houston can earn \$US20,000 a speech in "love offerings" on the preaching circuit.

● The refund of all goods and services tax paid by the Houstons in their pastoral duties back to LMI.

● The creation of a network of Hillsong subsidiaries in South Africa, Britain, Sweden and Ukraine.

The Sunday Telegraph has also learnt that the Australian Taxation Office reviewed LMI's tax-free status this year and has re-affirmed it, despite growing concerns about a lack of accountability in the not-for-profit sector.

ATO Assistant Commissioner Michael Hardy told a recent Senate inquiry he lacked the staff to monitor religious organisations.

Once tax-free status was granted, churches were "technically invisible to the tax office", Mr Hardy said.

On the push for a special national body to oversee charities, Mr Houston told *The Sunday Telegraph*: "I would welcome a charities commission ... to avoid continued speculation surrounding charities doing legitimate work in the community."

Mr Houston said his total salary was "just over \$300,000".

The ATO defines salary as cash payments, excluding fringe benefits and exemptions.

Pentecostal preacher Philip Powell, a critic and former Assemblies of God national secretary, said Hillsong, which has a congregation of more than 20,000, should be stripped of its tax-exempt status.

"It should be recognised for what it is: a corporation, not a church," Mr Powell said. "Hillsong is really just a sales and marketing operation."

"If you took out the religious aspect, a company like that would

have to pay thousands of dollars in fringe-benefits tax each year."

Lobby group Taxpayers Australia spokesman Roger Timms wants the Government to adopt Treasury secretary Ken Henry's recommendation that tax exemptions for churches be replaced with direct grants.

Under the Tax Act, there is no cap on the amount of expenses churches can pay ministers of religion before incurring fringe-benefits tax.

Mega-churches such as Hillsong have taken full advantage of this, rewarding its leaders tax-free, the pastor of a church aligned to Hillsong says.

A former Assemblies of God pastor, who declined to be named, said: "It's what many of the AOG churches are doing. Hillsong can legally pay all of Brian Houston's

salary as fringe benefits, so he can end up paying no tax whatsoever."

A Hillsong spokesman said: "We do not pay Brian Houston or any ministerial staff 100 per cent, or anywhere close to that amount, in fringe benefits."

Mr Houston added: "My salary has been consistent throughout the year and includes fringe benefits. I pay personal income tax."

Assemblies of God pastors typically take at least 75 per cent of their salaries as tax-free benefits.

This provision was meant to help small churches retain low-paid staff, not for those like Hillsong, which earns \$50 million a year.

"The Government has an opportunity to make the tax system more fair by closing the loopholes that exist for churches," Mr Timms said.