



Technical Advisory
(Issued 2004, July)

Re: Tax Status of Churches

Following is a brief description of the tax status of Churches under the General Consumption Tax, Income Tax and Property Tax Acts.

1. GENERAL CONSUMPTION TAX:

The GCT Act provides for 'zero-rating' for specific items bought for Churches.

- Goods for furnishing or decorating a place of Worship:
 - Where Churches purchase the following items they are entitled to not pay the GCT as the following list items can be *zero-rated* by the Inland Revenue Department;
 - Altar bread, communion wafers, and altar wine, matzos unleavened bread, purchased or imported for the purpose of administering the sacraments which the head of the denomination for which they are intended *declares in writing* will be used only for the purpose intended;
 - Candles, myrrh and frankincense;
 - Offertory envelopes;
 - Religious printed materials.
 - Goods of a non-consumable nature which the head of a denomination for which the goods are assigned

declares in writing will be used only for the purpose intended.

- It is important to note that in each instance, the Commissioner of Inland Revenue has to be satisfied are purchased, or imported solely, for furnishing or decorating a place of worship, or as vestments for use during public worship.
- To obtain the approval from the Inland Revenue Department, the institution should present in triplicate (three copies) the following:
 - A letter/ purchase order from the Church, signed by the head of the denomination or his representatives
 - Invoices (one original and two copies) from the Supplier
- Activities carried on by a Church for which a fee is charged is exempt from GCT; in respect of which the Commissioner is satisfied that the proceeds are for religious or charitable purposes. Churches therefore should charge GCT on activities of a commercial nature such as the rental of buildings, or other business ventures.

2. INCOME TAX:

- Section 12 (h) of the Income Tax Act, exempts charitable, educational and religious organizations or corporations, from the payment of Income Tax provided that the income does not go to (*enure*) to any individual. This approval is subject to the Commissioner's discretion in determining whether or not an entity falls within the ambit of the provision.
- As an institution, Churches may enjoy this status – but if individual churches wish to obtain an exemption from tax as it pertains to *interest income*, the Church must get exempt status

but must first apply to the Commissioner Taxpayer Audit & Assessment Department - on which approval they will be registered as a religious and charitable organization.

- Further, Section 13 allows for persons making donations to religious organisations registered as being charitable entities to deduct such amounts before the payment of tax.
- Persons employed to Churches should be subjected to statutory deductions in the normal way.
- The policy of the Department is that Ministers of religion, who live in houses owned by churches, should be taxed additionally on 5 percent of gross emoluments.

E.g. If the Minister's "salary" is \$50,000 per month, the Minister's pay would be grossed up by 5 percent to \$52,500.00 and taxed accordingly i.e. the amount of \$2,500.00 being 5 percent of \$50,000.00.

3. PROPERTY TAX:

- Under the Property Tax Act, exemptions from property tax is given to all buildings used exclusively for religious worship and as schoolrooms; as well as the lands immediately attached to them being used as churchyards and, or cemeteries.
- In effect, Churches are exempt from paying Property Tax *only* on those lands described and specifically stated above.

DISCLAIMER:

This is not a substitute for the Law, and in the event where they may be a conflict between the Law and the contents of this Bulletin, it is left to the discretion of the Commissioner to make a determination.