

# Hillsong and the \$50m stairway to heaven



Blessed life of Brian: Pastor Houston in full flight during one of his sermons

**“ Hillsong and other churches like it are beyond the reach of the tax man and public scrutiny. Once their status is rubber stamped by the ATO there is no accountability and transparency. ”**

— Senator Nick Xenophon

Thanks to its tax-free status, the Hillsong Church is raking it in, Adam Shand writes.

**I**N Brian Houston's 1999 prosperity gospel *You Need More Money*, the Hillsong boss exhorts his followers: "Don't give someone else the power over your financial freedom."

The 56-year-old, New Zealand-born Houston practises what he preaches.

He's Australia's richest cleric, presiding over a \$50 million global empire that is "invisible" to the taxman and beyond the scrutiny of corporate regulators and even its own congregation.

Under Hillsong's constitution, Houston has almost total control. As senior pastor and chairman, he and the board have the discretion to liquidate Hillsong's assets and legally move the money to a similar entity in Australia or offshore without paying a cent of tax.

It's a family affair. Houston's wife Bobbie is also a Hillsong pastor.

His eldest son Joel is creative director for Hillsong, and lead singer of the in-house band Hillsong United.

The church earns more than \$9 million in tax-free royalties each year.

Another son, Ben, and his wife, Lucille, are pastors at Hillsong's northern beaches extension service. Daughter Laura and husband Peter Tognivalu preach in the youth ministry.

The Houston family has shared in the prosperity of Australia's fastest-growing church through their interest in not-for-profit entities, which critics are saying offends the spirit, if not the letter, of tax laws.

These entities reward the Houstons for building the global brand with a very generous expense count.

Brian Houston told *The Sunday Telegraph* his salary was "just over \$300,000". "My salary has been consistent throughout the year and includes fringe benefits. I pay personal income tax," he said.

An ATO spokesperson confirmed that under its definition, "salary" does not include fringe benefits or exemptions. The main Houston vehicle, Leadership Ministries Inc (LMI), can provide as much as \$1 million a year of expenses to its employees, tax-free.

For instance, Brian Houston recently took an all-expenses-paid European tour accompanying his son as Hillsong United played church and arena services in England, Northern Ireland, Germany, France and Portugal.

The band's new live album — *A Beautiful Exchange* — made its debut in the iTunes top 10 this month and at number three on the local charts, behind Eminem and Kylie Minogue.

These international tours are big earners for Brian Houston, who is in demand as a speaker at overseas churches. Pastors exhort their congregations to make "love offerings" to visiting preachers such as Houston.

Over a weekend, the pastor, on behalf of his church, may reap \$US60,000 of "love offerings", much of it in cash, according to insiders.

Houston told *The Sunday Telegraph*: "When I travel, including my recent trip to Europe, the inviting church covers the travel expenses. If there are any personal travel expenses, these are covered by myself personally."

Hillsong, particularly through its music, has become the most powerful Christian brand in the world.

But not without controversy.

The *Sunday Telegraph* has confirmed the ATO last month completed an investigation into an entity connected with Hillsong and the Houstons, and has reaffirmed their tax-free status.

A spokesperson for Hillsong said the ATO probe began midway through last year and was completed last month.

ATO assistant commissioner Michael Hardy told a recent Senate inquiry into the not-for-profit sector the ATO lacked staff to adequately monitor charities and religious organisations.

Once tax-free status was granted, churches and charities were "technically invisible to the tax office", he said.

Mr Hardy told the inquiry that because of staff shortages, most investigations were concluded within one or two days. Last year, the ATO reviewed 200 not-for-profit organisations, revoking the tax-free status of 16. A further 13 had to undertake "corrective action" to maintain their concessional status.

Hillsong finance director Peter Ridley says of the tax probe: "No settlement was required or reached. LMI was re-endorsed as a tax-exempt religious institution by the ATO."

**F**rom a congregation of 45 in 1983, Hillsong today boasts a membership of more than 20,000 across four Sydney "campuses" and another in Brisbane.

For many worshippers, Hillsong has been a godsend, connecting them with a vibrant religious community involved in social-justice issues.

But critics argue that Hillsong is based on what some say is an un-Biblical premise: that the faithful must "tithe" at least 10 per cent of their income to the church.

That is crucial to Hillsong's success. In 2008, despite the global financial crisis, the congregation tipped in \$17.2 million in "tithes" — much of it in cash, former insiders say.

Each member is expected to tip in at least 10 per cent of their income or face questions about their piety, they say.

Hillsong's 2008 accounts (the latest available) reveal the church earned another \$32 million in revenue on top of the tithes, including \$10.2 million from "training and resource" and \$4.6 million in conference fees.

There's no mention in its accounts of how at least \$2 million in grants from federal and state governments over the past decade was spent.

In 2004, the NSW Government withdrew a \$414,000 grant to the Riverstone Aboriginal community, in western Sydney, after it was revealed the money had been diverted for Hillsong staff salaries, including \$103,584 to a former executive.

Nor does this include revenue from Hillsong's operations in South Africa, Britain, Sweden and Ukraine.

In 2009, Hillsong swallowed up Brisbane's Garden City Christian Church, and in March this year it announced plans to establish a US branch in New York.

Critics say Hillsong has exploited its tax-free status to create a corporation answerable only to Brian Houston. Independent senator Nick Xenophon is lobbying the Federal Government to create a charities commission to monitor churches like Hillsong.

"Hillsong and churches like it are beyond the reach of the taxman and public scrutiny. Once their status is rubber-stamped by the ATO, there is no accountability and transparency," Xenophon says.

Hillsong is not required to lodge a tax return, nor explain how it earns its revenue. Each year, the church spends nearly all it earns. In 2008, it spent \$20.7 million on "church services" and \$4.6 million in "missions and overseas aid".

That's all the detail available.

"Charitable donations are whatever Hillsong says they are," rival Assemblies of God pastor Phillip Powell says.

**H**illsong runs its own bible school, Hillsong International Leadership College which has 900 students, and hosts at least four Christian conferences each year, including the Hillsong Conference that this year drew 25,000 people to Sydney's Acer Arena.

It's the biggest event on the Hillsong calendar, a recruiting spectacular for new tithers. Then there are the sales of Houston's 12 books and speaking gigs

that take him and his wife around the world. Hillsong Television, starring the Houstons, is shown in 160 countries.

Houston has long maintained that any member is able to view the church's financial records, but a Hillsong member told *The Sunday Telegraph* that his request had been rejected.

"I was told there were no more copies left — no hard copies, nothing in digital form either. I was told to come back in a few months."

Another former Hillsong insider, Steve West, quit the church in 2006 after failing to gain access to the books. He says Hillsong's financial accountability is questionable.

"It is upheld by willing people and those who are conditioned not to question, because criticism is ungodly," says West, who was a member of the Hillsong congregation for five years.

After months of trying, West got an appointment with Hillsong general manager George Aghajanian.

"I left the meeting without seeing a single figure," he claims. "They refused to show me anything."

Nick Xenophon believes this secrecy is excessive and unwarranted. He says: "Every Australian taxpayer is subsid-

ising these organisations and the lifestyles of their leaders.

"We have a right to have access to their books and finances."

Steve West also questions the strength of Hillsong's congregation, saying it loses half its membership every five years.

"Compared with any other denomination, this is an atrocious retention rate," he says. "It's covered up because Hillsong has a significant inflow of Christians, mostly denomination-switchers and a much smaller rate of converts from wider society."

Behind this veil of secrecy, Hillsong uses not-for-profit companies and incorporated associations to run a money-making machine the envy of any secular sales and marketing company.

The source of the Houston family's financial freedom is another entity, the NSW-incorporated association Leadership Ministries Inc.

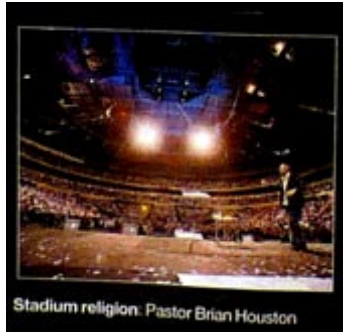
Through LMI, a not-for-profit entity, Brian and Bobbie Houston enjoy a lifestyle more akin to that of corporate chief executives than clergy. They enjoy international travel and the use of million-dollar waterfront properties, free of fringe-benefits tax.



Son of a preacher man: Ben Houston



Hillsong's resident musician: Joel Houston



Stadium religion: Pastor Brian Houston



Shakedown: John Howard meets Houston



Shared cause: Bobbie and Brian Houston



Flashback: The Houston seniors in 1983



Musical tour: Hillsong United rock Africa

LMI's latest report says its purpose is to provide direction and leadership to AOG churches in Australia and "facilitate the teaching ministry of Brian and Bobbie Houston"

LMI has shared up to \$1 million with the Houstons and their associates tax-free every year for the past decade because of a legal loophole that Assemblies of God pastors such as the Hillsong boss have skillfully exploited.

A 400-year-old English law called the Statute of Elizabeth holds that religion is a charitable pursuit by definition. Under this archaic law, even the Atheist Foundation is tax-exempt.

In 1986, the Hawke government introduced fringe-benefits tax and reinforced the primacy of religion over other forms of charity in the tax system. Under fringe-benefits legislation, not-for-profit institutions such as hospitals are allowed to pay employees expenses such as mortgage payments to a maximum of \$9095 per person a year before incurring fringe-benefits tax.

A non-religious charity can pay up to \$16,050 per employee before fringe-benefits tax is payable.

But if your organisation can persuade the ATO of an adherence to a religious

belief system, everything changes. There is no cap applying to ministers of religion in the course of their duties, and they can be paid 100 per cent of their salaries as fringe benefits.

Matthew Honan, chief executive of salary-packaging company The Remunerator, says this was meant to help small, struggling churches retain lowly paid staff who would otherwise be lost to private industry.

"It's about making a low salary go further, so churches can carry out their good works. It certainly wasn't meant to apply to institutions with multi-million-dollar turnovers," Honan says.

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

"Pastor Brian does not drive an LMI vehicle. Motor vehicles listed by LMI are driven by various LMI employees."

A pastor from another AOG church says most AOG churches take advantage of the tax loophole.

"But it's becoming a matter of conscience for many of us. Why should we not be paying tax on large incomes?"

"The Bible says: 'Render unto Caesar what is Caesar's'. These fringe

benefits arrangements are ethically wrong and should be examined. It wasn't meant to enable pastors like Houston to jet around the world."

Federal Treasury Secretary Ken Henry recommended the phasing-out of these benefits to churches in favour of direct government grants. This would have been a catastrophe for LMI and Hillsong.

To the relief of many AOG pastors, former prime minister Kevin Rudd ignored Henry's recommendation.

"Church involvement is still the best way to maximise your gifts, & fulfill your dreams!" Brian Houston tweeted on July 1.

However, the ascension of avowed atheist Julia Gillard to The Lodge may mean this golden era will eventually come to an end.

Labor insiders say Treasurer Wayne Swan may be preparing to review financial reporting requirements and disclosure of churches and charities. Currently, LMI has ultimate discretion on how it rewards the Houstons and their associates.

There is no oversight by the Australian Securities and Investments Commission, nor even the tax office under normal circumstances. LMI lodges its self-assessed returns with the NSW Office of Fair Trading.

However, LMI's accounts are not professionally audited for accuracy or legal compliance.

LMI is run by "a committee" but it's not required to disclose who the committee members are.

Ridley signed off on the 2008 accounts as LMI's "public officer". He denied this conflict of interest but confirmed that he still held both roles.

Brian Houston's personal secretary at Hillsong, Megan Ivory, was also a committee member in 2008.

For three years after its incorporation in 2001, LMI failed to lodge any accounts, breaching its reporting obligations to Fair Trading NSW. Pressed by a journalist from The Sunday Telegraph, LMI reported a net surplus of just \$21,658 for the year to December, 2002, \$12,739 in 2003 and \$69,041 in 2004. (LMI is now fully compliant).

But this miserly surplus doesn't tell the full story. Under their tax-exempt status as ministers of religion, the Houstons are entitled to recoup all their

living costs from LMI, including housing mortgages, overseas travel, motor vehicles and credit cards. And LMI is entitled to recover all the goods and services tax paid by the Houstons.

It's a win for everyone except the taxman and ordinary taxpayers.

The cost of religious exemptions to Australia is more than \$31 billion a year, excluding the exemptions enjoyed by entities such as LMI, but they are not compelled to report these figures.

In its own report, LMI reveals "The ministry was able to teach and share the message of the Gospel in countries and cultures across the world."

And that's not cheap, given Brian Houston's reported travel penchant.

Over the past eight months, he has visited the US, South America, New Zealand, France, England, Germany and Portugal

In 2008 LMI's "ministry operating expenses" were almost \$991,000, pushing the association into a loss of \$166,000.

LMI is not compelled to reveal the names of its employees, nor their earnings. LMI's 2008 accounts refer to five employees. Each employee would have to be a practising minister to qualify for the tax-free bonanza.

There are dozens of not-for-profit entities in the Hillsong structure that are legally allowed to pay expenses tax-free to pastors.

LMI has also been useful to the Houstons' property activities.

In 2002, LMI paid the Houstons \$650,000 for a luxury 100sqm Bondi beachfront apartment that is now valued at \$1.3 million.

In October, 2004, the Houstons sold a 1.2ha waterfront property on the Hawkesbury River at Wilberforce to LMI for \$780,000 — pocketing a \$535,000 profit on its purchase price six years earlier.

Local agents say the vacant block is now worth about \$1.2 million.

The Houstons are listed as tenants of both these properties. Their residential address is a palatial home at Glenhaven, in Sydney's Hills district.

Brian Houston told The Sunday Telegraph: "The Bondi and Wilberforce properties are for ministry purposes."

LMI is also exempt from paying stamp duty, thereby saving itself a further \$51,000 on these purchases.

News Limited newspapers reported

on August 26, 2003 that Joel Houston bought a \$676,000 apartment a few minutes' walk from the LMI-owned apartment, paying \$276,000 up front.

The same day, Brian and Bobbie Houston paid \$650,000 for the apartment next door to Joel's.

Both properties are worth \$950,000 according to local agent Paul Stern.

Exactly a year later, son Ben bought a \$412,000 apartment a few streets away.

Steve West says that until the federal Government places Hillsong under greater scrutiny, it will shrug off all outside criticism.

"Hillsong's success is borne out of criticism, and it has developed certain unique traits to cope with it. I consider these traits to be the most sinister aspect of the organisation," he says.