

UNITING PRESBYTERIAN IN SOUTHERN AFRICA



NEC TAMEN CONSUMEBATUR

**FINANCE AND ADMIN UPDATE FOR TSHWANE
PRESBYTERY SPECIAL MEETING – 17 August 2019**

Intro

GENERAL TREASURER

Ryan Johnson

- Director and Head of Internal Audit – large listed company – 94,000 staff
- Seconded to Zambia and Tanzania as Director for 3 years in 2002/2005
- Busy with PhD
- CIA (Certified Internal Auditor)
- Chairman of Pension Fund – 18,000 members
- Trustee – 18 years of Pension Fund, and Medical Aid



GENERAL TREASURER

- I believe in:
- Doing the rights things
- Doing things right the first time
- Accountability – being held accountable, and also holding people accountable
- Don't start something if you can't give your 100% - then don't do it!
- *“Doing good is good business”* – Raymond Ackerman, founder of PnP



UPDATE →

UPDATE →

FINANCE COMMITTEE OF THE GENERAL ASSEMBLY

- Made up of 50 % Ministers, 50% Elders / Members
- Moderator and General Secretary sit on the Finance Committee
- Meets every 2 months to discuss the business of the Church
- Responsible for the financial well-being and sustainability of our denomination



FINANCE COMMITTEE OF THE GENERAL ASSEMBLY

- Members give of their time – not remunerated
- Hence respect people's time when asked to do so
- Finance Committee works within its “Terms of Reference”

A green rectangular road sign with rounded corners and a white border, mounted on two wooden posts. The sign features the word "Challenges" in a large, white, sans-serif font. The background is a bright blue sky with scattered white clouds.

Challenges

CHALLENGES PRESBYTERIES AND CONGREGATIONS

- We do not submit returns on time, if at all. - > assessment forms, summary of emoluments, remittance advices.
- We do not pay our Minister's pension fund contributions over in time, or in full (fines and penalties).
- We have a Pension Fund that is non-compliant for 3 years due to various challenges.



CHALLENGES PRESBYTERIES AND CONGREGATIONS

- Congregations do not submit Title Deeds, or certified copies of Title Deeds.
- We do not have the tax numbers of all our Ministers and employees.
- Not all our Ministers and employees pay tax, or pay the incorrect amount of tax.



CHALLENGES PRESBYTERIES AND CONGREGATIONS

- We are in arrears with municipal rates and taxes, and municipal services.
- We waste money on huge fines and penalties with SARS and other government bodies.
- We chose to ignore General Assembly decisions, either purposely or unknowingly (or even legislation of our country)



CHALLENGES PRESBYTERIES AND CONGREGATIONS

- We even ignore emails or phone calls or simple requests.
- As a result we are NON-COMPLIANT, with our own policies, but also that with the laws of our country.
- As we work with other people's money, this is SERIOUS!
- We could face more fines, or worse case, be closed down!



CHALLENGES

PRESBYTERIES WHO RESPOND (6/13)

- Highveld *
- Central Cape
- Ethekwini
- Egoli *
- Western Cape *
- **Tshwane ***

(more work is needed in all the above)



CHALLENGES

PRESBYTERIES WHO DON'T RESPOND (7/13)

- Tiyo Soga
- Mthatha
- East Griqualand
- Thukela
- Limpopo
- Lekoa
- Trans Ghariep



CHALLENGES THE WAY FORWARD

- General Assembly Finance Committee are working on numerous proposals to reduce the risk of non-compliance, such as:
- **Centralisation of payroll and Stipends** (either through Presbytery or General Assembly) – extra cost for this at GA OR Presbytery level.
- Centralisation of all admin functions into a Presbytery Admin Office (more costs)



CHALLENGES THE WAY FORWARD

- We shut our Pension Fund down, and each congregation must sort their own retirement planning out for their Minister (NOT the way to go, but if we remain non-compliant this is a possible risk) – fine is R 1,000 a day – to date R 720,000
- **Do we have too many Presbyteries? Do we need less?**
- Presbyteries who remain non-compliant, are they able to manage their own affairs, and **should they be merged into other Presbyteries?**



CHALLENGES THE WAY FORWARD

- **Do we reduce the size of the General Assembly and Executive Commission?** (a lot of people see it as a free holiday!)
- **Does the General Assembly / Exco. meet every 4 years, and not every 2 years** (huge saving)
- **Do we reduce the number of commissioners** on Presbyteries from congregations? (some don't contribute at all!)



CHALLENGES THE WAY FORWARD

- Do we stop buying land and spending money on buildings, and rather use School Halls, work place conference centres, etc. to grow and develop new communities?

(we don't have money to maintain our properties, but we want to continue buying properties, and then neglect them)

CHALLENGES THE WAY FORWARD

- Are we going to start holding commissioners, elders, treasurers and other people in power, accountable for the positions they hold?

(people see it as a status thing, whether at General Assembly, Presbytery or congregational level. Once they have the title, they sit back and do nothing.)

We want workers who want to SERVE the Church.



CHALLENGES THE WAY FORWARD

- Are we going have frank, open, honest discussions with one another?

(we are scared to offend people, and hold people accountable)



CHALLENGES THE WAY FORWARD

- Where congregations and Presbyteries are non-compliant, are we going to be honest and find those commissioners unfit for duty and not allow them to sit as Commissioners at Presbyteries and at General Assemblies?
- We need to do something and we need to do it FAST!
- Deficit for the year of R 1.5 million



TITLE DEEDS GENERAL

- Many congregations through the denomination do not submit, or do not even have a copy of their own title deeds.
- Costs incurred to obtain certified copies of title deeds from local municipality, and if not, then even more costs to get them re-done by the council.
- Risk denomination / congregation risks losing ownership of properties
- No control over list to ensure rates / taxes, etc. is correct for each one.



TITLE DEEDS GENERAL

- Congregations to obtain written confirmation for ROU's (right of use) where government or other properties are being used to hold services, etc.
- Copies of these should also be sent to the Central Office in Johannesburg.
- Congregations to ensure any rates / taxes / municipal charges are up to date.



TITLE DEEDS

10 RECEIVED (36%)

- Ga-Rankuwa
- Mabopane
- Saints
- St. Andrew's Witbank
- St. Andrew's Pretoria
- St. John's Middleburg
- St. Peter's Mothutlung
- * E.T. Legodi - Hammanskraal
- * St. Columba's Hatfield
- * Trinity Lynnwood



TITLE DEEDS

18 NOT-RECEIVED (64%)

- Centurion West
- Emmanuel
- Grace Nuclear
- Phola Emalahleni
- Jonas Lediga
- Khayakhulu
- Mamelodi East
- * Mamelodi Gardens
- * Pretoria Central
- * Pretoria North
- * Ruighoek
- * Rustenburg
- * St Francis - Waterkloof
- * St James - Matsulu

TITLE DEEDS

18 NOT-RECEIVED (64%)

- St Mark's - Moregloed
- St Paul's – Marite
- Thumedi Makgahleta

123RF



LEGAL
LAWYER
JUDGEMENT
LAW
LEGISLATION
JUSTICE

JURIDICAL
LAW
COURTHOUSE
JUDGEMENT
LAWYER
CRIME
LEGAL
JUSTICE
PUNISHMENT
RIGHTS
FREEDOM
LEGISLATION

LEGISLATION

PUNISHMENT
JUSTICE

VERDICT
DOCUMENT
LAWYER

JUSTICE
LEGAL
DOCUMENT

RIGHTS
LAWYER
LEGISLATION

LEGAL
LAW
CRIME
LEGISLATION
JUSTICE
VERDICT
PUNISHMENT
LEGISLATION

CRIME
LEGISLATION
JUSTICE
LAWYER
LAW
INFORMATION
LAWYER
CRIME
JUDGEMENT
DOCUMENT
PUNISHMENT
RIGHTS

123RF



LEGISLATION

Introduction

- Why legislation?
- Keeps law and order in a country, business or entity
- Prescribes how we should behave, and when not, what punitive measures are in place?
- SA has some of the best written legislation in the world

LEGISLATION Applicable to Churches

- The Constitution of the Republic of South Africa
- The Basic Conditions of Employment Act, of 2018
- The Wage Determination and Sectoral Determination Acts
- The Labour Relations Act



LEGISLATION

Applicable to Churches

- The Labour Laws Amendment Act, of 2018
- The National Minimum Wage Act, of 2018
- The Income Tax Act, of 1962





labour

Department:
Labour

REPUBLIC OF SOUTH AFRICA



LEGISLATION

Labour - highlights

- 2019 saw the signing into law of the Labour Relations Amendment Act, Basic Conditions of Employment Amendment Act and the National Minimum Wage Act. The Acts have been signed off by the President and are now in effect since January 2019.
- The purpose of the LRA is not only to protect everyone in the workplace, but to also promote economic development, fair labour practices, peace, democracy and social development.



LEGISLATION

Labour – Unemployment Insurance Fund (UIF)

- The purpose of Unemployment Insurance is to provide short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave, or illness. It also provides relief to the dependants of a deceased contributor.
- It is compulsory for ALL wage'd and salaried employees to pay UIF
- Calculated as 1% of gross earnings

LEGISLATION

Labour – Unemployment Insurance Fund (UIF)

- Both employer and employee pay 1%
- Up to R 14872 per month, i.e. contribution capped at R 148.72 per month.
- Payments made to SARS even though a Labour Department issue.

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graph TD; A[ACCIDENT] --> B[INJURY]; B --> C[CLAIM]; C --> D[COMPENSATION];
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ACCIDENT

INJURY

CLAIM

COMPENSATION

LEGISLATION

Labour – Workmen's Compensation

- Workmen's Compensation Fund – (WCA)
- Returns are submitted to the Department of Labour once a year
- Amount payable based on gross earnings paid to all employees on payroll.
- All employees covered in the event of an accident, or injury on duty



LEGISLATION

Labour – Workmen's Compensation

- The employer (Congregation or Presbytery) can face penalties by the state for failure to have insurance coverage.
- It is not the employees fault! -> Just because your employer does not have workers' compensation insurance in place, it does not mean that you must be responsible for your medical bills and other damages.
- HUGE risk if not in place, you can be fined, or have to pay medical bills which pay amount to hundreds of thousands of Rands!



PAY AS



YOU EARN

LEGISLATION

Tax – Pay as You Earn (PAYE)

- Tax must be deducted and paid over MONTHLY.
- Failing to do this may result in a fine. A penalty will be charged for each month that the employer continues to fail to remedy the non-submission.
- The penalty may not exceed 10% of the total amount of Employees' Tax which should have been deducted or withheld by the employer during the year.



LEGISLATION

Tax – Pay as You Earn (PAYE)

- If NOT registered for Tax (Church and Employee / Minister), Pension Fund by law, CANNOT pay any retirement benefits out.
- Fine for both Church AND employee / Minister.
- Have seen in 1 Presbytery, Minister lost R 800,000 of his Pension through a fine for not registering for 10 years for Tax. Left with R 45,000 for retirement after paying the fine.



TAX

EXEMPTION

(PBO)



PUBLIC BENEFIT ORGANISATIONS Vs. NON PROFIT ORGANISATIONS

- NPOs are different from Community Based Organisations (CBO's) in that their solutions are not necessarily driven by the members of the community in which they work.
- The organisation's governing structure sets the objectives for the organisation, usually in response to a perceived need in the community, with or without community consultation. NPOs generally don't have programmes, or if they do, there are not a wide range of them, with most work performed routinely or through projects.



PUBLIC BENEFIT ORGANISATIONS (PBO's)

- As per SARS: A PBO is any organisation which is:
- a non-profit company (NPC) as defined in section 1 of the Companies Act or a trust or an association of person that has been incorporated, formed or established in the Republic; or
- any branch within the Republic of any company, association or trust incorporated, formed or established in any country other than the Republic that is exempt from tax on income in that other country;
- of which the sole or principal object is carrying on one or more public benefit activities, where -



PUBLIC BENEFIT ORGANISATIONS (PBO's)

- all such activities are carried on in a non-profit manner and with an altruistic or philanthropic intent;
- no such activity is intended to directly or indirectly promote the economic self-interest of any fiduciary or employee of the organisation, other than by way of reasonable remuneration payable to that fiduciary or employee; and
- where each such activity carried on by that organisation is for the benefit of , or is widely accessible to, the general public at large, including any sector thereof (other than small and exclusive groups).



PUBLIC BENEFIT ORGANISATIONS

PBO's

- The purpose of PBO status is to allow an organisation exemption from taxation. In order to qualify for PBO status, an organisation must, among others, conduct one or more of the numerous "public benefit activities" in terms of the Income Tax Act.



PUBLIC BENEFIT ORGANISATIONS (PBO's)

- Approved PBOs have the privilege and responsibility of spending public funds, which they derive in the public interest on a tax-free basis.
- Donations or grants may be received from the general public or directly or indirectly from the State.
- It is therefore important to ensure that exempt organisations use their funds responsibly and solely for their stated objectives, without any personal gain being enjoyed by any person including the founders and the fiduciaries.



PUBLIC BENEFIT ORGANISATIONS (PBO's)

- Approved PBO's must continue to comply with the Act and related legislation throughout their existence.
- This includes the submission of annual income tax returns on an IT12EI form. The income tax return enables the Commissioner to assess whether the approved PBO is operating within the prescribed limits of the relevant approval granted and to determine whether the partial taxation principles must be applied to receipts and accruals derived from a trading activity or business undertaking which does not qualify for exemption.



PUBLIC BENEFIT ORGANISATIONS

Information required to register

- An application for PBO status is made at the South African Revenue Service (SARS).
- Submission of the application must be done by hand at a SARS branch and the registration process takes approximately eight weeks from date of submission

PUBLIC BENEFIT ORGANISATIONS

Information required to register

- Organisations need to submit the following documents to the Tax Exemption Unit of SARS.
- A certified copy of the organisation's founding document.
- A completed application form to register a PBO (Form EI 1)
- A written undertaking to be signed by three trustees confirming that they take fiduciary responsibility for the PBO (Form EI 2)

PUBLIC BENEFIT ORGANISATIONS

Information required to register

- The SARS Exemption Unit, in Hatfield PTA oversees all PBO related matters.
- You can't put 3 people down for Fiduciary responsibility if their OWN tax affairs is not in order, OR they are not registered for tax.
- SARS wants to hold the fiduciary people personally liable.

PUBLIC BENEFIT ORGANISATIONS

Information required to register

- It is crucial that Presbyteries become PBO compliant ASAP, as non-compliance may result in congregations below them being deemed non-compliant.
- Where non-compliant or non-PBO, the church is deemed to be a “business” and then pays business rates and taxes.
- <https://www.sars.gov.za/ClientSegments/Businesses/TEO/Pages/default.aspx> for more information



PUBLIC BENEFIT ORGANISATIONS

Information required to register

- Congregations and Presbyteries MUST supply central office with PBO number.
- Congregations and Presbyteries MUST complete an annual tax return, the EI12 with SARS and submit copies of financial statements.
- Failure to do this, will result in the PBO status being revoked, and you will be deemed a company and pay tax on all income at 28%.



GENERAL

- The South African Revenue Services (SARS) has warned that it will be investigating churches that do not pay tax.
- Employees of these religious institutions are not exempt from paying tax.
- HUGE fines and / or imprisonment for non-compliance.



Budget

ASSESSMENTS

Why pay?

- Right thing to do.
- We are mandated in terms of our manual to pay.
- We want to contribute to the overall well-being of our denomination.
- We want to grow the work being done in the Kingdom of God.



ASSESSMENTS

Why pay?

- We should not be FORCED to pay assessments.
- We should not have to remind congregations and elders of their obligations.
- We must WANT to do it because we BELIEVE it is the RIGHT THING to do and that we WANT TO grow and keep our denomination sustainable.



ASSESSMENTS

What are they used for?

- Running costs of central office, including salaries.
- Administration costs of our Pension Fund.
- Grants and subsidies to Ministers.
- Training of Ministers (approximately R 300,000 per student)

ASSESSMENTS

What are they used for?

- Acquisition of properties to plant future congregations (if funds available)
- Legal costs where Ministers / Elders / Members get into disagreement with the Church
- Funeral Cover for our Minister (from July 2019) to be launched at Executive Commission – September 2019



ASSESSMENTS

What are they used for?

- Funding of the various committees of the General Assembly, such as Mission and Discipleship, Ministry, Audit Committee, Priorities and Resources.
- General Assembly and Executive Commission costs (between R 500,000 and R 1 million per year)
- Court of Assembly and AARP hearings.

ASSESSMENTS

What are they used for?

- Hiring of venues such as this, for meetings.
- Travel and accommodation of committees.
- Minister and spouses conference.
- To start saving to build our own conference facilities one day (if need be)

ASSESSMENTS

What are they used for?

- Most of Assessment Income is spent on MISSIONAL work, and NOT Administrative work (see table)

		R	%
1	Central Office Employment Costs	2,998,154	25.2%
2	Ministry	2,732,615	23.0%
3	Other UPCSA running costs	1,563,678	13.2%
4	Mission and Discipleship	1,220,000	10.3%
5	General Assembly 2017	680,000	5.7%
6	Ecumenical Relationships	259,500	2.2%
7	Moderator	250,000	2.1%
8	Minister and Spouses Conference	217,980	1.8%
9	Legal costs	207,600	1.7%
10	Finance - Pension Administration	190,800	1.6%
11	Education and Training	187,182	1.6%
12	Pension Fund - Audit Fees	178,500	1.5%
13	Pastoral - association work group	174,384	1.5%
14	Audit Committee	171,000	1.4%
15	Assembly Business	148,174	1.2%
16	Priorities & Resources	147,396	1.2%
17	Church and Society	110,834	0.9%
18	Contingencies	100,000	0.8%
19	Church Associations	93,420	0.8%
20	Moderator Designate	60,000	0.5%
21	Court of Assembly	51,900	0.4%
22	Church Office Committee	51,402	0.4%
23	Communications Committee	51,381	0.4%
24	Finance and sub-committees	23,874	0.2%
25	Nominations	15,000	0.1%
26	Stewardship	-	0.0%
27	Faith and Order	-	0.0%

11,884,774

ASSESSMENTS

General

- We DON'T get financial statements from all Presbyteries and congregations.
- We therefore DON'T know the financial well-being of our denomination, which is a HUGE risk.
- As a result, assessment rates remain high and the diligent and faithful congregations currently paying, continue to pay.



ASSESSMENTS General

- This is not only unfair on them, but places huge burden on them.
- **I WANT TO** propose a **assessment reduction** in the July 2020 General Assembly, either at once or a phased-in approach.
- For this to work, we need **ALL Presbyteries and congregations to work together**, and submit the required forms when asked to do so.



ASSESSMENTS

General

- If we can't get something as simple as this right, then an assessment reduction won't work.
- We need to start holding one another ACCOUNTABLE in Presbytery meetings, and at General Assemblies.
- An organisation / General Assembly / Presbytery is like a chain – it is only as strong as its weakest link!



RESOURCES

STRATEGIES
LEARNING
TEACHING
COACHING
INTELLIGENCE
TRAINING
EDUCATION
TEACH
COLLEGE
COMMUNICATION
PLANNING
TARGET
SKILL
DISCOVER
STRATEGY
TEACHER
INSTRUCTION
MEDIA
INFORMATION
UNIVERSITY
SUCCESS
SCHOOLING
STUDY
STUDENT
GOALS
RESOLUTION
EDGE
PROJECT
SCHOOL
SUCCESSFUL
TRAINING
TEACH
SKILL
MEDIA
STRATEGY
PLANNING



RESOURCES

- **South African Revenue Services**
- www.sars.gov.za
- www.efiling.co.za

- **Department of Labour**
- www.labour.gov.za
- www.cf-filing.co.za/CompensationFund/return-of-earnings

General Information

GENERAL General

- WE are the custodians of good governance.
- WE must set the example to the rest of the Church.
- WE must maintain the moral high ground and do what is right.
- WE must be ethical in everything that we do.



GENERAL General

- WE must abide with the laws of our country, and the rules and policies of the Church.
- WE must respect one another, and one another's positions in the Church, and support one another.
- WE must not work against one another.



GENERAL General

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GENERAL General

- WE WILL SUCCEED!!!
- WE WILL SUCCEED!!!
- WE WILL SUCCEED!!!
- I THANK YOU!



CONTACT DETAILS

- Chief Financial Officer – Rev. Malungelo Jita
- finance@Presbyterian.org.za
- Tel (011) 727 3500

- General Treasurer – Mr. Ryan Johnson
- generaltreasurer@presbyterian.org.za or ryan.j@live.co.za
- Tel (083) 459 1950

