

Maximizing Tax Efficiencies

Case Study #05

Scenario

As responsible corporate citizens, **we have a legal and moral responsibility to pay all the applicable taxes of the land.** Taxes are necessary for government to provide security, health care, infrastructure, education, defense, and social services. However, to the extent the law permits and morally defensible, we ought to plan our tax affairs to give us the best outcome. **Evading taxes is like cheating which is unlawful and not acceptable in God's sight.**

And He said unto them “ **Render therefore unto Caesar the things which be Caesar's, and unto God the things which be God's.**” (Luke 20:25)

Let the thief no longer steal, but rather let him labor, doing honest work with his own hands, so that he may have something to share with anyone in need. (Ephesians 4:28)

Tim started out a new business, manufacturing medical devices for heart surgeons and has been very successful for the past two years. In his country, all businesses with an annual turnover which exceeds \$1 million must register their companies for Goods and Services Tax (GST - the equivalent of Value Added Tax) and then such businesses must also charge their customers the prevailing tax of 9%. **Tim's revenue is close to the \$1 million mark, and he needs to consider whether to register his business for the GST.**



He has a partner, a non-believer, **Rick, who has 50% share in the business and who has been instrumental in funding his business.** **An experienced businessman, Rick has asked him not to register his business for GST.**

He has asked Tim to try to get his customers to pay cash only and to sweeten the deal for them if they will agree to no receipts or invoices being issued to them. This will allow them **to under-report their revenue to “maximise tax efficiencies”** and at the same time, it is to remain competitive, so their customers do not need to pay the additional 9% tax.

GALATIANS 6:1-3

Brothers, if anyone is caught in any transgression, you who are spiritual should restore him in a spirit of gentleness. Keep watch on yourself, lest you too be tempted. Bear one another's burdens, and so fulfil the law of Christ. For if anyone thinks he is something, when he is nothing, he deceives himself.

WHAT DO WE DO?

As a Christian businessman, Tim feels uncomfortable and has come to you for advice. What would you tell him?



