

A case against Italy for violating competition rules is to be opened  
Under fire are the shops and hotels “attached” to sacred sites

# Property tax relief for the Church: EU takes Italy to court

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The dome of St Peter's Basilica

There are some in Italy who are accustomed to receiving privileges from successive governments and authorised to pay no tax, but about whom no one dares moralise for fear of being accused of anticlericalism. It has been some time since the anomalous relationship between the Italian State and the clergy landed on the EU's table, and it is preparing to take Italy to court over the tax breaks accorded the Catholic Church, in contravention of EU competition rules. It also runs contrary to the Italian Constitution, but that is a less fashionable argument. At the centre of the court case is the exemption from buildings tax (ICI – Imposta Comunale sugli Immobili) given to all the Church's commercial activities. It's an old story and a typically Italian one.

The gift of tax exemptions to the Church began in 1992. It was subsequently rejected by a ruling of the Constitutional Court in 2004, then resuscitated by decree or “a Berlusconi miracle” in 2005. In the 2006 budget it was cancelled again and then reinstated as a vote winner, only to be abolished “in theory” by the Bersani “decree laws” after last year's election (with emphasis on the “in theory”). In reality, religious bodies (and voluntary groups) continue to avoid paying the ICI tax on their commercial buildings, thanks to an intentional loophole inserted into the government decree (and voted in by a large majority) despite secularist resistance from a group of Mazzinian radicals led by Maurizio Turco (Radical MP for Lombardy 1).

The secularist opponents had proposed to limit such exemption from the ICI to only those sites without any commercial purpose such as churches, shrines, diocesan and parochial offices, libraries and walk-in centres. The bipartisan loophole extended the exemption, however, to all activities that were “not exclusively commercial”. All that needed to be done, therefore, was simply to find the space for a little votive chapel within the walls of

cinemas, holiday villages, shops, restaurants or hotels and the ICI tax exemption kicked in. In this way the Catholic Church only pays 5% or 10% of what it owes to the Italian State, which amounts to a loss to the Treasury of at least €400 million per year, without counting the arrears.

This cunning Italian trick did not please Brussels, which has issued the Italian government with a new request for an explanation. The Minister for the Economy reassured the EU of the unequivocal nature of the approved rules and then immediately set up an internal commission of investigation to clarify them. This “wheezing” contradiction was first brought to the attention of EU authorities by lawyer Alessandro Nucara, an expert in EU law, and tax specialist Carlo Pontesilli, two professionals with radicalist sympathies who assist the secularist parliamentary group. At this point the EU competition authorities decided to reopen the case against Italy which had been begun at the time of the Berlusconi government and then shelved after the approval of the Bersani decree laws. Moreover, it also requests the Prodi government supply a complete breakdown of the tax breaks (other than the ICI exemption) that Italy has accorded the Catholic Church.

What happens now? One more breach of the rules probably won't change much. The Italy of monopolies, privileges and caste systems is already bottom of the European league table in terms of applying the rules of competition and swims amongst a group of African nations in terms of fiscal transparency. Whatever the decision taken by the EU, it is pretty obvious that Italian governments of either shade will always find ways to provide a tax haven for the Catholic Church within our borders. Probably even by further cuts in research and State education spending. It is depressing to observe that without pressure from Brussels and the continued struggle by an Italian secularist minority, the public would not even have known that religious bodies continue to receive an exemption from the ICI tax, or at least 90% of it. The EU and the Constitution notwithstanding, our political class promise much but don't even have the courage to defend their own convictions. Even after the solemn declaration by Pope Benedict XVI and his bishops that they were “not interested in tax breaks” nor the fact that two hundred years have passed since Thomas Jefferson said: “No one can be obliged to participate in or contribute financially to a religion, church or preacher” and two thousand years since the Jesus' definitive utterance “Render unto Caesar the things which are Caesar's”.

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