

THE GERMAN CHURCH TAX SYSTEM AND ITS POSSIBLE REFRESHMENT

Academy of Global Church Leadership
May 24th 2024
Munich

Markus Reif
Finance officer
Archdiocese of Munich and Freising



ERZBISCHÖFLICHES ORDINARIAT
MÜNCHEN

1. Historical development of church tax
2. Current regulations on church tax in Germany
3. Church tax in figures
4. Church tax in surveys
5. Criticism of the church tax
6. Excursus mandate tax
7. Requirements for acceptance of church financing



Historical development of church tax

- Secularization - with the Reichsdeputationshauptschluss in 1803, the church in Germany lost large amounts of assets to the secular rulers - important sources of income were no longer available to it.
- Monasteries were no longer centers of spiritual, cultural, and secular life. As a consequence many people lost their economic basis.
- In return, the states commit to pay for the upkeep of bishops, cathedral chapters and seminaries (state payments).
- Availability for church funds to finance needs beyond local demand is insufficient - the financing of church life is strongly localized (parishes, foundations).

[Herder Korrespondenz Hefte, Heftarchiv 2000, Heft 11/2000: Erwin Gatz, Wie es zur Kirchensteuer kam. Zum Wandel der Kirchenfinanzierung in Mitteleuropa]



Historical development of church tax

- In the course of the 19th century, social change leads to ever greater challenges to the states and the churches due to increasing industrialization and urbanization. The after the secularization essentially donation-based financing of church life is by far not sufficient to cover these needs.
- To enable the churches to accomplish their mission, not least to relieve the financial burden on the public side, they were gradually granted the right to levy taxes. Initial objection by the church to be granted taxation rights was unsuccessful.
- Legal incorporation of the church tax in the Weimar Constitution in 1919, in 1949 adoption of the regulation in the Constitution of the Federal Republic of Germany.



Current regulations on church tax in Germany

- In Germany, all religious and ideological communities that are corporations under public law are entitled to levy taxes by constitution law. This implies that the right to levy taxes is not an exclusive privilege of the two major Christian churches in Germany.
- Put simply, a person is subject to church tax in a German diocese if they have their residence there, if they belong to the Roman Catholic Church as a universal church and if they are subject to income tax by the tax office [in Bavaria: see Art. 1-6 Bay.KiStG].
- Baptism is the relevant factor for church taxation; whether faith is practiced (ecclesiastically) is not relevant for church tax purposes.
- The church tax is not “a tithe of income”, but rather 9 percent (8 percent in Bavaria) of the state income tax. Church tax is an annex tax.
- Church tax paid by church members can be deducted from state income tax (special expense deduction).



Current regulations on church tax in Germany

- There are two forms of state tax collection in Germany for the taxation of income - wage tax is a special form of income tax for employees.
- In Germany, the majority of church tax is collected by the tax authorities of the respective federal states. In Bavaria, church wage tax is collected by the tax offices, whereas church income tax is collected by the church tax offices of the churches themselves.
- The state collects church tax for the member churches of the Protestant Church, the dioceses of the Roman Catholic Church, the Catholic diocese of the Old Catholics in Germany, a number of Free Churches, the Unitarian Religious Community of Free Protestants and the Jewish communities.
- The tax authorities of the federal states receive an administrative cost compensation for their administration of church tax. Depending on the federal state, this amounts to 2 – 4% of the church tax revenue.



Current regulations on church tax in Germany

Church tax is paid exclusively by church members.

Church tax is fairer compared to a common membership fee.

A membership fee is essentially the same for every member, regardless of whether someone has a high or low income. In contrast to this people with low incomes pay little or no church tax.



- Total revenue from Roman Catholic church tax for all German (arch-)dioceses in 2023:

6,74 billion € (in 2022: 7,08 billion €)

- Average revenue per church member:

326 € p.a.

[Kompetenzzentrum Kirchenmitgliedschaft und Kirchensteuer, 2022]


- For comparison: Membership fee McFit 359 € p.a.

[Standard membership 12 month, status as of 10.05.24]



Average revenue per church member: **326 € p.a.**

Average revenue per tax paying church member: **558 € p.a.**

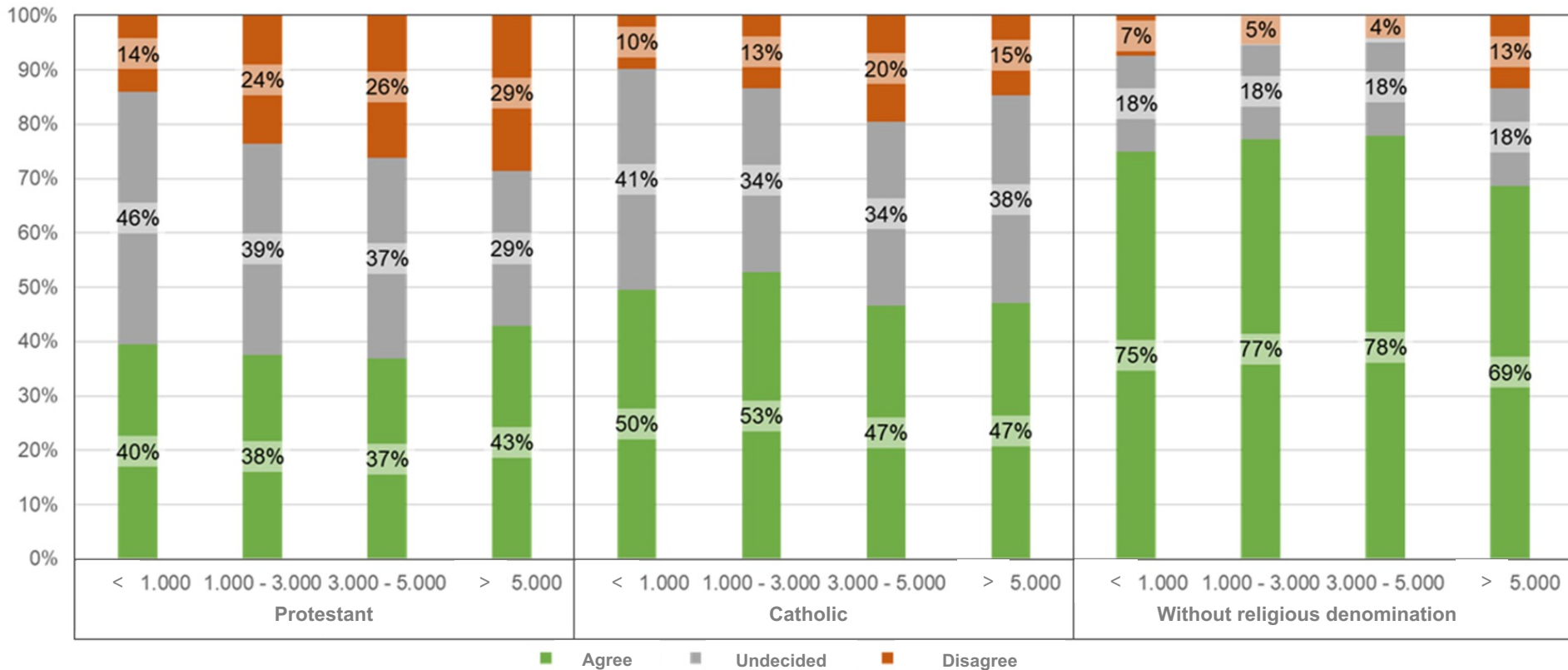
 Only little more than one half of all church members pay church tax

[VDD 2022, Katholische Hochschule Freiburg, Kompetenzzentrum Kirchenmitgliedschaft und Kirchensteuer, 2022]



Church tax in surveys

„I think the church should finance itself in a different way, not through church tax “

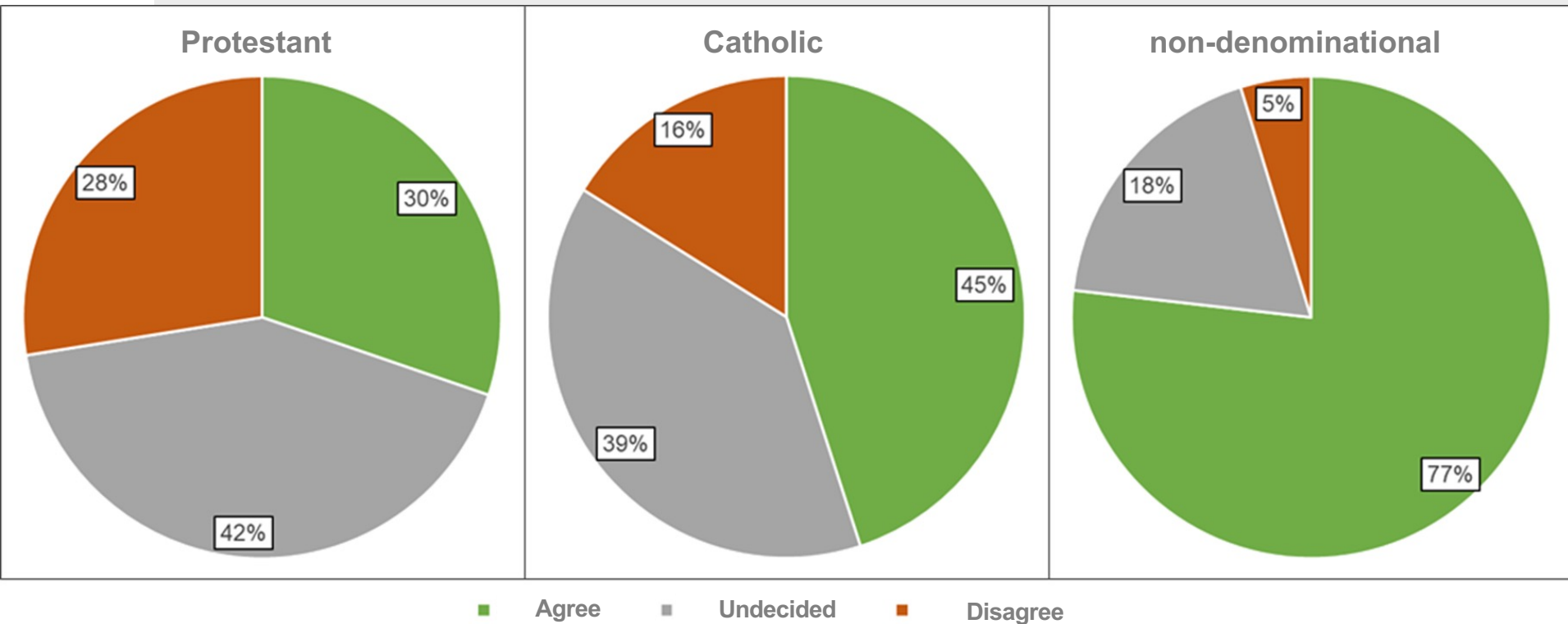


[Katholische Hochschule Freiburg, Kompetenzzentrum Kirchenmitgliedschaft und Kirchensteuer, 2022]



Church tax in surveys

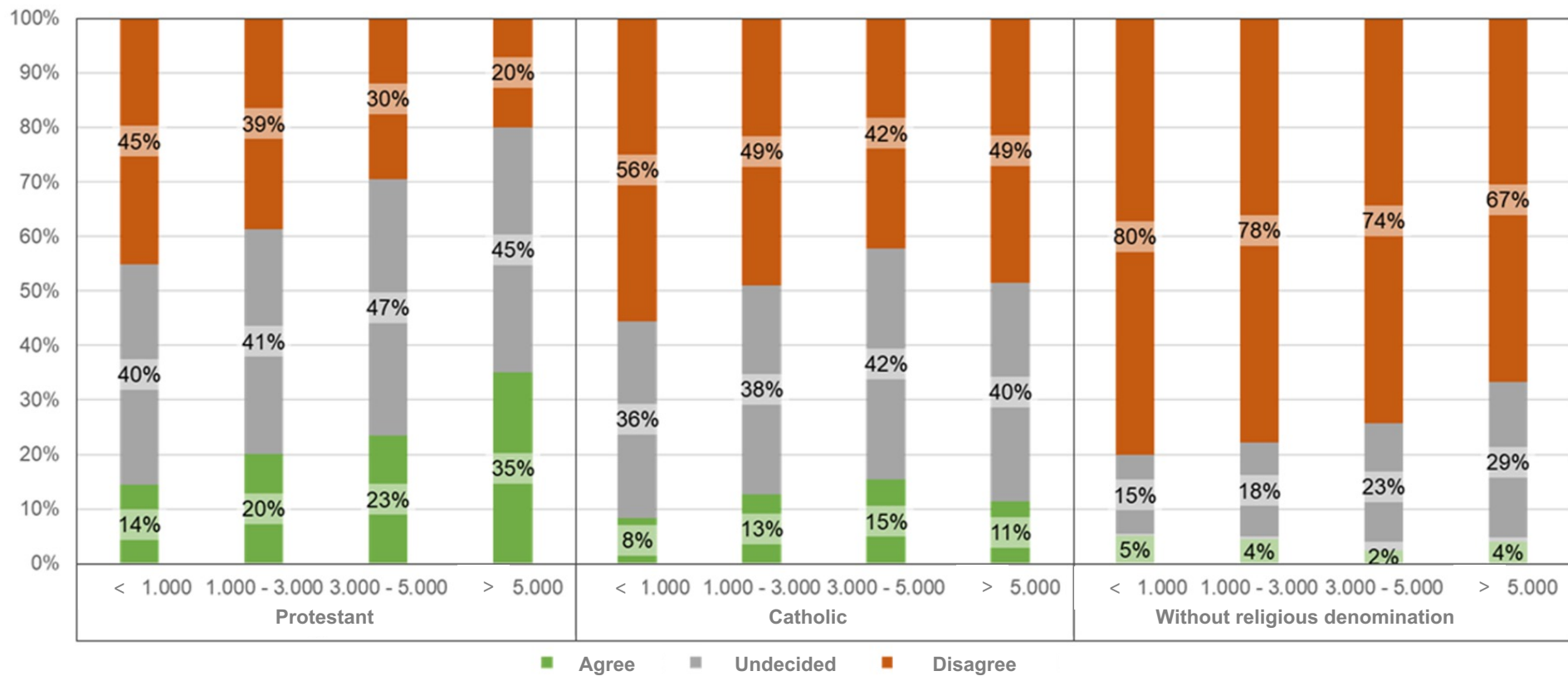
„The church is so rich that my payment doesn't even matter“.



[Katholische Hochschule Freiburg, Kompetenzzentrum Kirchenmitgliedschaft und Kirchensteuer, 2022]



„The height of the church tax is appropriate“



[Katholische Hochschule Freiburg, Kompetenzzentrum Kirchenmitgliedschaft und Kirchensteuer, 2022]



Nobody likes paying taxes...but

- People with no ties to the church leave it when they earn money for the first time and have to pay of tax on it (at the start of their career often a small amount). Others leave our church because they disapprove of its actions or political positions and do not want to support them with their money. Looking at the survey figures alone, the strongest criticism of church tax obviously comes from people who pay little or no church tax.
- There are increasing demands for more co-determination and, in particular, for more influence on the use of the tax paid. On the one hand, there are calls for more funds to be used for supradiocesan issues; on the other hand, taxpaying parishioners want their taxes to be used locally. But for the most part, there is no fundamental criticism of the church tax system among church members.



Nobody likes paying taxes...but

- Priests and parishioners themselves see the great need for stable and sustainable financial resources directly on site. Church employees must be paid appropriately and churches and parish halls must be maintained. Pastoral care, Caritas and education need suitable and appropriate spaces.
- Volunteers need full-time employees for support
- Parish priests need full-time employees for support - administration is becoming more and more complex



The church should withdraw from actual government tasks

Principle of subsidiarity - Germany's own history and the increasing autocratic structures in the countries of our world best show how important non-governmental structures are.

Caritas and education as basic missions of the church must take place under the legal and social framework conditions that apply in Germany.

Would it really be a good idea, in times when the Christian message is reaching fewer and fewer people in large parts of Europe, to withdraw from thousands of schools and kindergarten or from the social-charitable counseling of people? Its often the last chance to come into contact with people who don't attend church services or don't belong to the church.



Church tax and levy by the government as privileges

In Germany, all religious and ideological communities that are corporations under public law are entitled to levy taxes by constitution law.

The German tax offices are compensated by the churches for their services.

In Bavaria for example the fee is 2 percent of the collected tax volume.



Church tax should be replaced by a culture or mandate tax

In Germany, only church members pay church tax.

Financing the churches from a (new) state culture tax paid by all citizens would ultimately mean a state-financed church.

The revenue from the culture tax would be significantly lower than that from church tax.

With regard to the regulation of how the tax of taxpayers who do not select a recipient in their tax declaration is used, the Italian procedure would potentially be constitutionally problematic in Germany.



Requirements for acceptance of church financing

- Transparency in the use of funds

Over the last ten years, the church in Germany has made considerable efforts to make the use of its resources transparent. Many German dioceses disclose their financial circumstances in accordance with general German accounting standards (HGB).

- „No Taxation without Representation“

Co-determination through democratically elected committees (finance council) that decide on the budgets of the dioceses and recognize the annual financial statements.



Requirements for acceptance of church financing

- People who attend church services, who take advantage of church offerings (Caritas, education..) or who volunteer in the church themselves can often well understand the need for financial resources for an active church life. These people know how important solidarity-based and fair financing is.
- However, this does not apply to the vast majority of church tax payers. Although members of our church, they hardly have any contact with it in their everyday life. However, this loose connection is certainly not a purely German phenomenon.
- However, if the vast majority of Catholics are only personally contacted by their church as part of their tax payment, this represents, first and foremost, a pastoral challenge. This challenge would not disappear if church tax were abolished or replaced by a culture tax.



Requirements for acceptance of church financing

- Regularity, good governance and real transparency in the use of funds are prerequisites for financial solidarity.
- It's important to make it clear again and again that solidarity-based financing cannot be taken for granted.
- Transparency also serves to create awareness of which specific areas of church life are financed from the funds provided by members. Money needs to be talked about.
- The believers in Germany support the universal church and supradiocesan activities to a considerable extent. But regional connection and rooting is important for the willingness to show solidarity.
- Church tax means a financing system that doesn't offer the individual member any direct compensation. It serves to support a community in solidarity. In a democratic society, real co-determination and control over the use of funds is a prerequisite for the acceptance of such a system.



Thanks for your attention

Parts of the presentation were translated with DeepL.com (free version)



ERZBISCHÖFLICHES ORDINARIAT
MÜNCHEN