

## Church Financing — Is the German System of Church Tax an Alternative for the Slovak Republic?

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**Abstract:** The aim of the present work is to show that the Church of the Slovak Republic can fulfil its tasks only with the help of sufficient state funding. The German system of church tax or the Austrian variant of the church contribution are not applicable in the Slovak Republic, especially since these systems are increasingly questioned and criticized in both countries<sup>1</sup>. Even clerics<sup>2</sup> assume that this form of church financing is historically outdated and will not survive the next ten years.

**Key words:** church financing; Slovak Republic; church tax

**JEL code:** G390

### 1. Introduction

This thesis deals with the comparison of the financing systems of churches in Germany, Austria and the Slovak Republic. It will be analysed to what extent the financing channels established in Germany and Austria would be successful in the Slovak Republic. A church financing system would be successful if it sustainably secures the financial resources which the church in Slovakia needs to fulfil its tasks.

This work is intended to provide decision-makers and all interested parties with a condensed knowledge base containing all relevant information. This knowledge base will be deepened and focused in a later dissertation of the author on the topic of alternative financing possibilities for church bodies. For this purpose, financing instruments will be named and compared. The theoretical and empirical presentation of all aspects should contribute to the fact that in the Slovak Republic the state continues to guarantee the financing of the churches.

In order to answer the research question about the prospects of success of the German or Austrian model of church financing in this thesis, the church financing systems in Germany and Austria are examined with their historical origins. The differences and the criticism of the existing financing system are presented in a comparative manner. The development of church membership figures, the number of church members leaving the church and the reasons given by those leaving the church are analysed. The causality between the collection of church tax and the number of people leaving the church is examined.

Two theses are to be critically evaluated in this study:

- The church tax, as prescribed and collected in Germany and Austria, is not suitable for a sustainable

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<sup>1</sup> Thuringia's Minister President Bodo Ramelow on the Protestant Press Service, 13.3.2019.

<sup>2</sup> Bishop Gregor Maria Hanke, interview in the Augsburg Allgemeine newspaper 29.03.2019.

financing of the churches in the Slovak Republic.

- A turning away from the state-financed church by the legislator would endanger the church work in the Slovak Republic.

The publications listed in the literature section were used to compile this paper. The internet portals of kathpress, kath.net, katho-lisch.de, dbk.de, etc. were consulted on current developments, especially in the Roman Catholic Church.

## 2. Financing of the Churches

### 2.1 Church Financing in Germany

In Germany 58.5 percent of the population profess Christianity, while 31 percent describe themselves as non-denominational<sup>3</sup>.

The German constitution allows in its §140 in connection with §137 of the Weimar Constitution those religious and ideological communities, which are corporations under public law, to collect taxes in order to fulfil the church tasks (Hartmann Gerhard, 2014, p. S.34). The state-church law is part of the public law in Germany. The full legal protection is guaranteed by concordats<sup>4</sup> guaranteed. In addition to church tax, the donations to the German churches consist of state benefits and subsidies. State payments to the churches are permanent obligations of the federal states which existed on 14 August 1919, the date on which the Weimar Constitution came into force.

The state payments are the result of church expropriations. With the main conclusion of the extraordinary Reichsdeputation in 1803, the state took over not only the assets as legal successor but also the burdens associated with the confiscated property. Some states undertook to make annual payments. The state payments are paid by the state without earmarking. The decision on the use of the funds is exclusively up to the churches. Where religious communities perform tasks in the public interest, the state provides subsidies. Kindergartens, schools and hospitals run by church organisations and other services in the public interest, such as care for refugees, are subsidised by the state under separate agreements.

Church tax in Germany is nine percent of income tax, (in Bavaria and Baden-Württemberg eight percent). The taxes are collected by the state tax offices. The link to income tax gives the church tax a sense of justice, because the tax levied takes into account the taxpayer's ability to pay (Hartmann Gerhard, 2014, p. S.38). The state keeps a fee of two to four percent. Critical voices ask whether it is not the church tax payers or the churches that are co-financing the German tax authorities (Hartmann Gerhard, 2014, p. 41). The tax revenue for the Catholic Church in 2017 amounted to 6.4 billion euros (Deutsche Bischofskonferenz). The Protestant Church has raised 5.67 billion euros. In addition, the churches received more than 500 million euros from tax revenues.

Only members of the church are liable to church tax. The decisive factor is the residence or habitual abode of the church member and the taxable capacity. Therefore, only about one third of the German church members pay church tax. The others are not subject to wage or income tax. Foreigners with residence in Germany are subject to church tax. The church tax can be deducted in full as a special expense in the assessment for income tax.

Critical voices accuse the churches in Germany of simony - the sale of spiritual goods for money. Those who do not want to pay the church tax are threatened with expulsion. As an alternative to the German compulsory tax, they refer to the Italian model. The Italians pay the so-called culture tax, which amounts to about ten percent of

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<sup>3</sup> <http://www.länderdaten.info>, called on 20.06.2019.

<sup>4</sup> Contract between a (Catholic) state and the Roman Catholic Church.

the German church tax. Citizens can decide for themselves which institution should receive their contribution: the church, La Scala in Milan or an environmental association. Since this culture tax replaced direct state contributions, the introduction is in a different historical context (Hartmann Gerhard, 2014, p. 54). The German expert on state-church law Alexander Hollerbach calls the German church tax system superior to other financing systems in terms of social justice, equality, economy and effectiveness (Demel Sabine, 2010, p. 378).

The following overview shows why church members leave the church in Germany: The resignations are mainly for economic reasons.

The church in Germany loses more than 300,000 members annually by leaving the church. Almost half of the resignations are due to church tax (Kirchenamt der EKD, Deutsche Bischofskonferenz (DBK)).

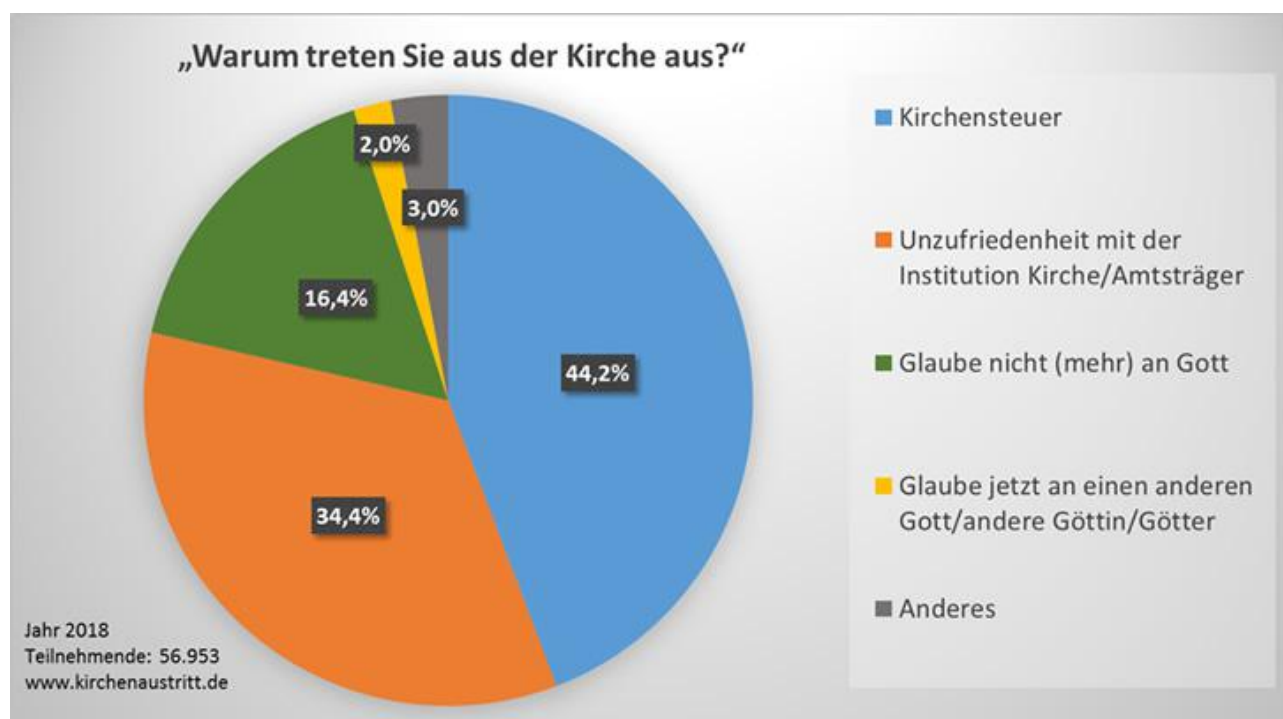


Figure 1 Why are You Leaving the Church (Germany)

Table 1 Reasons for Leaving the Church (D) 2015-2018

Why are you leaving the church (D)?	2015	2016	2017	2018
Church Taxes	45.8	46.9	45.6	44.2
Dissatisfaction with the institution church/official	31.8	30.4	31.5	34.4
Do not (anymore) believe in God	16.7	16.9	17.4	16.4
Believe now in another god/ goddess	2.1	2.2	2.1	2.0
Other	3.7	3.7	3.5	3.0
Interviewee approx. 50,000				

Table 2 Number of Church-Leavers in Germany<sup>5</sup>

	Catholics	Protestants	Total
2006	84.389	121.598	205.987
2007	93.667	131.000	224.667
2008	121.155	168.901	290.056
2009	123.681	148.450	272.131
2010	181.193	145.250	326.443
2011	126.488	141.497	267.985
2012	118.335	138.195	256.530
2013	178.805	176.551	355.356
2014	217.716	270.003	487.719
2015	181.925	211.264	393.189
2016	162.093	190.284	352.377
2017	167.504	200.000	367.504
	1.756.951	2.042.993	3.799.944
Mean value	146.413	170.249	316.662

## 2.2 Church Financing in Austria

In Austria 80.9 percent of the population profess Christianity (Compare FN3). The church members finance their church mainly through the church contribution, which is payable by the Catholic, Protestant and Old Catholic churches. The legal basis is the Church Contribution Act of 1939, which provides that church contributions are collected through church contribution offices. The law has no democratic legitimacy. There are no automatic tax deductions and collection by the tax office as in Germany. The church contribution is calculated from taxable income and can be deducted in the income tax return as a special expense up to a maximum amount. The assessment basis is 1.1 percent of taxable income.

In Austria, too, monasteries and convents were abandoned and the proceeds were added to the national treasury. State-administered religious funds were set up to finance the clergy. In 1939 the state stopped payments. The religious fund was incorporated into the state property. The Church Contribution Law introduced in 1939 was incorporated into the Austrian legal system after the end of the war. Reductions are provided for sole earners, children, senior citizens, extraordinary burdens, which can be granted on application. There is no income exemption limit in Austria like in Germany. The income from the church contribution makes up on average 78 percent of the total income of all Austrian dioceses. The table shows the development of the membership of the Catholic Church in Austria.

Between 2008 and 2018, the church lost an average of 53,000 members per year. The number of Catholics in relation to the total population shows that the proportion of Catholics in the population has decreased by 10 percent to 57 percent in these eleven years.

<sup>5</sup> <http://www.kirchenaustritt.de/statistik>.

**Table 3 Proportion of Catholics to Total Population in Austria (in thousands)**

Year	Catholics	Change	Total population	Share Catholics
2008	5.579	0	8.322	67.05%
2009	5.534	-46	8.341	66.34%
2010	5.453	-81	8.361	65.22%
2011	5.404	-49	8.389	64.41%
2012	5.359	45	8.426	63.60%
2013	5.309	-51	8.477	62.62%
2014	5.265	-43	8.544	61.63%
2015	5.211	-54	8.630	60.39%
2016	5.163	-49	8.740	59.07%
2017	5.111	-52	8.795	58.11%
2018	5.053	-58	8.838	57.17%

**Table 4 Church Revenues in Austria According to Sources (WGM = state reparations)**

	Church Tax	Gov. WGM	Rent & Lease	Church activity	Grants	Other	Total	ChTx/Cath.
2014	435.424	46.823	24.394	35.418	19.729	25.099	586.887	82.70
	74.2%	8.0%	4.2%	6.0%	3.4%	4.3		
2015	445.319	47.408	26.125	41.283	14.806	20.891	595.832	85.46
	74.7%	8.0%	4.4%	6.9%	2.5%	3.5%		
2016	451.401	47.911	26.531	39.584	15.110	23.392	603.929	87.44
	74.7%	7.9%	4.4%	6.6%	2.5%	3.9%		
2017	462.040	48.337	22.821	40.043	14.959	21.013	609.213	90.41
	75.8%	7.9%	3.7%	6.6%	2.5%	3.4%		

The table shows the small fluctuation range of the sums of church contributions on the one hand and the constancy of their share in the total church income on the other. There are 50,000 fewer contributors per year. The sum of church contributions increases by about two percent annually. Since nothing has changed in the calculation of church tax in these years, fewer church members per capita must contribute higher church amounts. This is shown in the last column of the table. While in 2014 the average per capita church contribution was €82.70, in 2017 it was already €90.40<sup>6</sup>.

In the decision to leave the church, the economic aspect is in the foreground. In no other European country is the number of people leaving the church as high as in Austria. The rate of Catholics leaving the Church in Austria is double that in Germany. The withdrawal rate is highest in the age group between 19 and 30 years. Two thirds of those who left the church cite the church contribution as the reason (Höfer, 2014, p. S111f).

The idea of tax dedication as a new form of citizen participation was introduced into the political debate in 2012 by the then State Secretary and later Federal Chancellor Sebastian Kurz in an interview with the daily newspaper Kurier (Höfer, 2014, p. S114). This is a model of tax deduction. The citizen himself decides on the use of a legally defined share of his paid income tax<sup>7</sup>. Comparative calculations based on a report of the Court of Auditors have shown that the conversion of the church tax system to a model of tax evasion could be carried out

<sup>6</sup> Höfer also asks himself this question, p. 113.

<sup>7</sup> Wage tax is a form of income tax and is therefore not specifically mentioned.

in a cost-neutral way. A dedication share of approximately 2 percent of income tax revenue could secure the religious communities' current income. The savings that make the reform cost-neutral lie in the fact that church contributions are no longer deductible, the elimination of costs for lawsuits and approximately 10,000 enforcements<sup>8</sup>, and the processing of 50,000 to 80,000 withdrawal acts annually (Frerk C. & Baumgarten C., 2012).

### **2.3 Church Funding Slovak Republic<sup>9</sup>**

In Slovakia 74 percent of the population profess Christianity (FN 1). Freedom of religion is enshrined in the Constitution of the Slovak Republic. With the establishment of the Charter of Fundamental Rights of Human Rights and Fundamental Freedoms, Act No. 308/1991 Coll. on Freedom of Religion and Status of Churches and Religious Communities is adopted.

The Constitution of the Slovak Republic declares the Slovak Republic a secular, ideologically and religiously neutral state. The relationship between the state and churches is regulated by Act No. 308/1991 Coll. on freedom of religion and the status of churches and religious societies.

The state supports the registered churches and religious communities in the performance of their religious and charitable activities, guarantees their legal status and thus secures their status in public life.

The issues of financial relations between the State and churches are regulated by Act No 218/1949 Coll. on economic security of churches and religious communities by the State, as amended by Act No 16/1990 Coll. The issues of state supervision of churches as amended by Act No. 522/1992 Coll. and Act No. 467/2005 Coll. In order to provide financial support to the church and religious communities, the state finances salaries and contributions of churches through the budget of the Ministry of Culture of the Slovak Republic and provides a subsidy to the running costs of the church headquarters (episcopal offices).

The Ministry of Culture of the Slovak Republic, as the central body of state administration, is responsible for all church and religious affairs. However, the Ministry of Culture is not a superior authority or governing body of the churches. Registered churches and religious communities are Jewish persons with their own organization and self-administration. They administer their affairs, appoint their organs, appoint their clergy and operate religious institutions independently of the state authorities.

## **3. The Sources of Income of the Church**

### **3.1 Financing From Own Resources**

#### **3.1.1 Church Tax (D) — Church Contribution (Ö)**

The church tax (church contribution) is a levy (a contribution) which creates the financial basis for the fulfilment of church tasks in Germany and Austria. In Austria 75 percent of the total income of the Catholic Church comes from church taxes<sup>10</sup>.

The church tax was introduced in Germany in 1919 by the Weimar coalition, i.e. democratically legitimized. In Austria, the Church Contribution Act was enacted by the Nazi regime in 1939.

#### **3.1.2 Follow-up Fees (Puza, 2002)**

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<sup>8</sup> Every year there are about 30,000 legal actions in Austria because of owed church contributions.

<sup>9</sup> Source: Homepage. Ministerium für Kultur der Slowakischen Republik.

<sup>10</sup> <https://kirchenfinanzierung.katholisch.at/home/kirchenbeitragseinnahmen-auf-451-millionen-euro-gestiegen>.

Stola fee<sup>11</sup> (also called *taxa stole*) are contributions collected by the church for ecclesiastical ceremonies such as baptism, church weddings and church funerals.

Pope Francis refuses to pay tribute fees (Domradio.de, 2017) and calls them “unbearable”. A church that exchanges “sacraments for money” is not his church, he says, he wants “a poor and humble church”. It is to be expected that also the German church tax system will come under the critical gaze of the Argentine Pope<sup>12</sup>.

### 3.1.3 Donations — Collection

In the collection (lat. *colligere*: to collect) money was already collected in the early Christian church for ecclesiastical and charitable purposes. In the Catholic Church there are special collections for specific purposes or church organizations. The Peter’s penny supports the apostolic and charitable work of the Pope.

### 3.1.14 Income from Economic Activity (Czermak G., Hilgendorf E., 2018, §15, pp. 207-222)

Ecclesiastical communities generate income from the management of their own assets or those of church foundations. In Germany, the share of financial resources from assets, renting and leasing or shareholdings accounts for approximately four to five percent. Church-owned businesses that operate breweries, wineries, construction companies and companies that manage the church’s real estate assets sometimes generate substantial profits. Churches own shares in banks, insurance companies and media enterprises.

## 3.2 Financing From State Resources

### 3.2.1 Positive Government Benefits

Positive state payments are compensation payments for land and property that was seized from the churches in 1803 (see above). This type of church financing is increasingly being publicly criticised. In countries where church property has been confiscated by the state, the state must face up to its resulting responsibility. The state must pay compensation either in the form of ongoing payments or instalments.

### 3.2.2 Negative Government Benefits (Seeger, 2008)

Negative state benefits consist of tax and fee concessions for religious and denominational communities, insofar as they are organised as corporations. The deductibility of church tax in the assessment of income tax is also to be seen as a negative state benefit.

### 3.2.3 Subventions

If church organisations take over tasks that would otherwise have to be performed by the state, such as the operation of kindergartens, hospitals or nursing homes, the state provides subsidies. The principle of parity must be observed.

## 4. Conclusion

The church tax (in Austria called *Kirchenbeitrag*) exists only in Germany, Austria and Switzerland. In Germany, the church tax is linked to the fiscal capacity. Those who do not have to pay wage or income tax do not pay church tax. In Austria, income under € 11,000 is not taxable. The church contribution law does not know any exemption limit. Every Euro earned is subject to contributions. The Church Contribution Act is socially unjust (Höfer Rudolf K., 2019).

Making financial contributions as a condition for belonging to a religious community does not fit into a modern, democratic social order. The system is a relic that has already been criticised by Martin Luther as a trade

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<sup>11</sup> Stolgebühr deshalb, weil sich der zelebrierende Kleriker bei der Feier eine Stola umlegt.

<sup>12</sup> Vom Missbrauch der Steuer des Kirchenvolkes, <http://www.kath.net/news/68222>, 13.6.2019.

in indulgences. Surveys of those who have left the church show that church taxes and church contributions are the main reason for the consistently high number of church departures in Germany and Austria. The contradiction between the increasing income of the churches from church dues, with constantly decreasing membership numbers, can be explained by rising incomes in a good economic situation. One can only advise against a country that plans to reorganise its church financing to adopt a church financing system like that of Germany or Austria. In Italy, where the financial incentives for leaving the church are missing, there are hardly any members leaving the church (Höfer, 2014, p. 115). Only the state can provide a sustainable economic basis. If the state is interested in maintaining its church organisations, it will decide to introduce a church financing model based on the German or Austrian model.

The development of concrete proposals for a new church financing model in the Slovak Republic requires further research work. It should be examined to what extent the Italian model is suitable for Slovak conditions. The tax deduction motive is gaining ground in Europe (Höfer, 2014, p. 113). The Italian model introduced in 1990 allows taxpayers to dedicate part of their income tax to the Church (Mitterhofer, 2014, p. 121ff). When it was introduced, this system replaced state benefits and was tax-neutral from the citizens' point of view. A good presupposition for the acceptance by the state and citizens. The financial benefits are not perceived as an additional burden, but are part of the wage and income taxes that have to be paid anyway. On the other hand, the direct collection of a church tax by the state or the church itself must be seen as a phase-out model in the light of current developments. The implementation of one or the other state plan to finance the churches remains a question of political will. The task of science is to provide a broad and well-secured information basis for a solution. This solution should be accepted by the population and offer the churches a secure economic basis for their religious and charitable work in the coming centuries.

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