

Tax dispute in Israel may fuel Catholic-Jewish tensions

John L. Allen Jr. | Jun. 8, 2009



Pope Benedict XVI shakes hands with Israel's Prime Minister Benjamin Netanyahu as Israel's President Shimon Peres looks on during a welcoming ceremony for the pope at Ben Gurion airport in Tel Aviv, Israel, May 11. (CNS/Reuters)

Relations between the Vatican and Israel experienced yet another hiccup today, with a short-lived attempt by the country's tax authority to seize assets of some church-run institutions. That move, an apparent end-run around long-running negotiations with the Vatican over the tax and legal status of church properties in Israel, was quickly rolled back in the wake of international media attention.

Vicissitudes in Israeli-Vatican relations are closely followed around the world, in large part because of their potential for affecting broader currents in Jewish-Catholic ties.

The aborted seizure of church funds came in the wake of Pope Benedict XVI's recent visit to Israel, where the pontiff drew mixed reviews. Some local commentators criticized his May 11 speech at Yad Vashem, the country's main Holocaust memorial, while others were left cold by the pontiff's strong endorsement of the two-state solution to the Israeli-Palestinian conflict and his criticism of Israel's security wall in the West Bank.

While no one has suggested that the threatened seizure was directly linked to ambivalence from the papal visit, it nevertheless offers a hint that the trip did not quite achieve a "thaw" in Israeli-Vatican relations. Sources told NCR that a letter from the tax authority outlining the move was dated just five days after Benedict returned to Rome.

The Asia News agency, a Catholic media outlet based in Rome, reported this morning that the Chief Tax Collector at Israel's Finance Ministry, Yehezkel Abrahamoff, had notified some Catholic institutions that funds were being seized in order to compel them to settle what Abrahamoff regards as delinquent tax bills. That report can be found here: <http://www.asianews.it/index.php?l=en&art=15448&size=A>

Less than three hours after Asia News moved the story, and in response to what the Israeli Embassy to the Holy See described as inquiries from various media organizations, the embassy released a statement indicating that the seizure was a non-starter.

"It will not be carried out, and the situation remains unchanged," the one-sentence statement said.

Speaking on background, sources told NCR that Abrahamoff's threat had been directed at a "major Catholic institution" in Israel. Those sources said Abrahamoff stated in a meeting with officials from that institution that his move was part of a broader strategy to compel church-affiliated institutions to pay up, regardless of the course of negotiations between the Vatican and the Israeli Foreign Ministry.

Today's swift roll-back, however, suggests that seizure of assets is unlikely to be the official position of the new Israeli government under Prime Minister Benjamin Netanyahu.

Since formal diplomatic relations between Israel and the Vatican were launched in 1994, the two sides have been involved in complex on-again, off-again negotiations over the financial and legal situation of Catholic institutions. Over those fifteen years, Israeli officials have generally argued that institutions such as schools, hospitals and monasteries should be subject to the same taxes and legal obligations as any other non-profit entity, set at the discretion of the government. Catholic negotiators have replied that many church-run institutions existed before the creation of the State of Israel in 1948, operating under agreements with the Ottoman, and then British, authorities, which they insist Israel can't simply abrogate. Moreover, they say, the 1994 fundamental agreement stipulates that the tax and juridical status of Catholic institutions is to be determined by a bilateral agreement between the Vatican and Israel, one which can't be unilaterally altered by either party.

In practical terms, Catholic observers in Israel have argued that if church-run institutions were actually compelled to pay all taxes that Israeli officials have sometimes asserted to be in arrears, many would be unable to survive.

"We don't even know what the amounts are, because we're talking about taxes that haven't been paid for 62 years," one Catholic expert said. "In theory, this could destroy the church in Israel."

Prior to the announcement of Benedict XVI's trip to the Holy Land earlier this year, the informal diplomatic position of the Vatican had appeared to be that a papal visit wouldn't happen until the negotiations were resolved. What might loosely be called "hawks" on the Catholic side warned that going to Israel before reaching a deal would eliminate whatever incentive the Israelis felt to compromise, while "doves" felt the good will generated by the visit might help spur a resolution.

A bilateral commission composed of sixteen negotiators, eight from the Israeli government and eight from the Catholic church, is charged with resolving outstanding tax and legal questions. Ironically, an April 30 communiqué from the commission said its most recent session, shortly before the pope's trip, was marked by "an atmosphere of great friendship and a spirit of cooperation and good will" and that "significant progress" had been achieved. The negotiators agreed to meet again in Rome on Dec. 10. In the meantime, working groups were to continue fleshing out the details of an agreement.

Assuming that the threatened seizure of church funds isn't somehow resurrected, it's unlikely to fundamentally alter relations between the Vatican and Israel. The episode is nonetheless a reminder of the strains in that relationship ? with the ever-present possibility that localized disputes in Israel could be swept up in broader tensions between Catholics and Jews worldwide.

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