**AGREEMENT**

**BETWEEN THE GOVERNMENT OF THE REPUBLIC OF ITALY**

**AND THE HOLY SEE**

**ON TAX MATTERS**

The Government of the Republic of Italy and the Holy See hereinafter called the Parties;

Whereas, the Government of the Republic of Italy and the Holy See have a longstanding and close relationship with respect to mutual assistance in tax matters and desire to conclude an agreement on shared matters;

Whereas, the Government of the Republic of Italy is supportive of the principles set forth in its Constitution and the Holy See is supportive of the teachings of the Second Vatican Ecumenical Council and the Canon Law;

Considering that the Lateran Pacts and precisely the Treaty between Italy and the Holy See signed on February 11, 1929 (the Lateran Treaty) regulate the relationship between the Republic of Italy and the Holy See;

Considering present measures taken worldwide in order to achieve a higher transparency of financial relationships and having the mutual desire to achieve the highest level of transparency also through the exchange of information to tax purposes in the field of administrative cooperation;

Considering the extraterritoriality of the Vatican City State envisaged in articles 13, 14 and 15 of the Lateran Treaty given the limited size of the State;

Whereas the Parties agree on the need for taxpayers residing in Italy to fully comply with tax obligations as well as the need to fully implement article 16, first paragraph of the Lateran Treaty;

Now, therefore, the Parties have agreed as follows:

**Article 1**

*(Exchange of information)*

1. The competent authorities of the Contracting States shall exchange such information as is most likely necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes of any nature or name collected on behalf of the Contracting Parties, their political entities or local authorities provided that the relevant taxation is not against this Convention.
2. Any information received under Paragraph 2 by a Contracting Party shall be treated as secret as the information received by enforcing the Tax laws of the Party and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of the taxes as in paragraph 1, of the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions. Notwithstanding the above provisions, one Contracting Party shall use for different purposes the information received if this information may be used for these different purposes according to the laws of both Parties and if the competent authorities of the Party so requested.
3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on one of the Contracting Party the obligation:

(a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting Party;

(b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting Party;

(c) to supply information, which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*).

4. If the information is requested by one Contracting Party in accordance with this article, the other Contracting Party shall use its power to obtain the information requested even when this is not useful to its own tax purposes. This obligation is subject to the limitations set forth in paragraph 3, that in no case shall be construed so as to allowing the other Contracting Party to refuse to supply the information requested because it has no interest to its own tax purposes.

5. In no case shall the provisions of paragraphs 3 be construed so that one Contracting Party shall refuse to deliver the information only because it is held by a Bank or any other Financial institution, or entity that professionally operates as an agent or custodian or because this information refers to the risk capital rights or debt of an entity.

6. The requesting Party shall make use of all the customary information sources used in its internal tax procedures before requesting information.

7. When requesting information, the tax authorities of the requesting Party shall supply the competent authorities of the requested Party with the following information:

i) the identity of the person under control or investigation;

ii) the period of time which makes the object of the request;

iii) a description of the requested information, as well as all the indications on how the requesting Party wishes to receive the information by the requested Party;

iv) the final aim for which the information is requested;

v) if known, the name and address of the presumed holder of the information requested.

8. The exchange of such information as is “most likely necessary” aims at ensuring the widest possible exchange of tax information, without allowing the Contracting Parties to venture on a fishing expedition or request of information whose relevance on the tax affairs of a specific taxpayer is not likely; despite paragraph 7 provides for important technical requirements to comply with so as to avoid a generalized and indiscriminate search for information (fishing expedition), points from i) to v) of paragraph 7 shall not be construed so as to hinder the effective exchange of information; the “most likely necessary” condition shall be met in cases of one and only taxpayer (whose name or other data allow for his/her recognition) or in cases of more than one taxpayers (whose names or other data allow for their recognition).

9. The provisions set forth in this article shall apply to the information rendered by the requesting Party to the requested Party starting from the date this Convention will come into force and that is referred to existing facts or events occurring starting from January 1, 2009.

**Article 2**

(*Establishment and payments of the taxes on the income from capital and miscellaneous income from financial activities*)

1. The provisions of this article shall apply exclusively to the following citizens having their tax domicile in Italy under the consolidated text on income taxes as in the Decree of the President of the Republic n. 917 (“TUIR”) of December 22, 1986, holding assets in entities professionally engaged in financial activities in the Vatican City State:
2. Individuals belonging to the following categories:
3. Clerics belonging to Consecrated Life institutes and societies of Apostolic Life;
4. dignitaries, employees, wage-earners, also not on a permanent basis, and retired persons of the Holy See and other entities as in article 17 of the Lateran Treaty, earning the income therein;
5. Consecrated Life Institutes, Societies of Apostolic Life and other entities with a canon law legal personality or Vatican civil personality.
6. For purposes of this Convention the following definitions shall apply:

* “clerics”: those who by divine institution are through the sacrament of order constituted sacred ministers under canon 1008 and 1009 of the Code of Canon Law;
* “Consecrated Life Institutes”: the entities as in canons 573 and following canons of the Code of Canon Law;
* “Societies of Apostolic Life”: the entities as in canon 731 and following canons of the Code of Canon Law;
* “entities with a canon legal personality”: the entities as in canon 114 and following canons of the Code of Canons Law;

1. For the definitions of the categories indicated in paragraph 1 but not defined in this Convention reference shall be made to the corresponding definition in the codes of the relevant Contracting Party.
2. Starting from the date this Convention will come into force, individuals in paragraph 1 shall, limited to the assets held in entities professionally engaged in financial activities in the Vatican City State, comply with the obligations of establishment and payment of the taxes on the income from capital and miscellaneous income from financial activities as well as, if due, the tax on financial assets held abroad through one or more financial intermediaries as in articles 6 and 7 of the legislative decree n. 461 of November 21, 1997, acting as a financial representative on behalf of the entities engaged in a professional financial activity in the Vatican City State. Financial intermediaries acquire the data and information needed to establish the income and calculate the taxes to be paid.
3. At the option of the entities in paragraph 1, the amount and characterization of financial income shall be done analytically or by applying article 7 of legislative decree n. 461 of November 21, 1997. The then established financial income or operating income are subject to a substitute tax with the same rate as in the substitute tax or withholding tax that would be applied to the income or operating income if the financial activities of the same nature would be held by financial intermediaries resident in Italy for tax purpose with a relationship of custodians, depositories, administrators and managers. As regards the entities in paragraph 1, letter b) whose income according to the Italian law is not subject to a withholding tax or a substitute tax on income, a substitute tax on income with a 26 per cent rate is applied thus exonerating them from the reporting obligations under Italian tax laws.
4. Starting from the date this Convention will come into force, the payment of the income taxes and taxes on the assets as in paragraph 4 exonerates entities to which reference is made in paragraph 1 from the reporting obligations under article 4 of decree-law n. 167 of June 28, 1990, converted, after amendment, into article 1, paragraph 1, of law n. 227 of August 4 1990, with respect to the taxable periods to which these income and assets refer.
5. The implementing provisions of this article with the provisions of article 10, paragraph 2 will be established within 60 days of the entry into force of this Convention.

**Article 3**

*(Provisions concerning previous periods)*

1. Entities in article 2, paragraph 1, letter a) may have recourse to the provisions of this article for the assets as in article 2, paragraph 4, held before December 31, 2013 for all the taxable periods that can still be established at the entry into force of this Convention but not before the tax period 2013, by lodging an application and by paying within one year from the entry into force of this Convention:
2. for each of the taxable periods to be settled, 20 per cent of the capital gains or other income from the financial assets held in entities professionally engaged in financial activities in the Vatican City State. The income of the previous taxable period is established under article 2, paragraph 5, first period;
3. for each and every year 2012 and 2013 an amount corresponding to the application of the rates of the income tax on assets held abroad, on financial activities held in each and every year 2012 and 2013 at entities professionally engaged in financial activities in the Vatican City State.
4. Entities in article 2, paragraph 1, letter b) may have recourse to the provisions of this article for the assets as in article 2, paragraph 4, held before December 31, 2013 by lodging the application in paragraph 1 and by paying the taxes resulting from the application of article 4.
5. Entities in article 2, paragraph 1, wishing to make use of the provisions of this article, within 180 days of the entry into force of this Convention shall lodge the application as in paragraph 1 with the competent authority specified by the Holy See. The competent authority specified by the Holy See will send the applications to the Italian competent authority within 270 days of the entry into force of this Convention.
6. Under penalty of being declared null or void, the application as in paragraph 3 shall be accompanied by the following data:
   1. for individuals: name, surname, date and place of birth, registered residence and taxpayer identification number of the applicant; for legal persons: name, headquarters, tax identification number and registered data of the legal representative or equivalent, of the entity;
   2. for every account held and for every year that makes the object of the regularization, the balance or value of the assets held on the account as at December 31 of every year, or at the closing date, the amount of capital gains or other income resulting from that assets, the amounts payable for the regularization as in paragraph 1, letters a) and b), as well as, only for legal persons, even the amount of capital gains and other income from the assets as in article 2, paragraph 4, held in the taxable periods indicated in article 4 and relevant taxes due;
   3. for individuals: a statement, drawn under the terms of article 47 of the D.P.R. n 445 of December 28, 2000 certifying that the financial assets as in article 2, paragraph 4, held as at December 31, 2013 or at the closing date result from one or more of the following income categories in addition to the income being regularized under paragraph 1:
      1. tax-free income indicated in article 3 of the DPR n. 601 of October 16, 1973 and article 17 of the Lateran Treaty;
      2. amounts or securities not qualifying for taxation in Italy under the terms of provisions different from those indicated in point i);
      3. income already totally subject to taxation in Italy;
      4. income for which, under the Italian laws in force at the date in which the statement is written, the time to establish the income tax and the value added tax has expired;
   4. exercising the option as in article 4, or non-exercising the same option.
7. The regularization in this article is admitted only if the Italian competent authority receives the application in paragraph 3 before any tax assessment or criminal prosecution for tax offences is commenced on the activities that make the object of the regularization, of which the taxpayer has become aware.
8. the regularization in this article by the entities in article 2, paragraph 1, produces the effects specified in:
   1. article 5-quinquies, paragraph 1, of decree-law n. 167, of June 28, 1990, converted, after amendment, into article 1, paragraph 1, of law n. 227 of August 4, 1990, and discharges the administrative, tax-related and social security and pension-related penalties. The provisions of this letter are only applied to the taxable amounts, taxes and withholdings that make the object of the regularization;
   2. article 5-quinquies, paragraph 3, of decree-law n. 167, of June 28, 1990, converted, after amendment, into article 1, paragraph 1, of law n. 227 of August 4, 1990. The provisions of this letter are also applied to the conducts held within 180 days of the entry into force of this Convention.
9. The advantages as in paragraph 6 are obtainable starting from the date when the Italian Competent Authority receives the application as in paragraph 3. The achievement of advantages as in paragraph 6 is subject, for entities as in article 2, paragraph 1, letter a) to the payment in full of the amounts due as in paragraph 1 and, for entities as in article 2, paragraph 1, letter b), to the payment in full of the amounts set in paragraph 2.
10. The implementing provisions of this article with the provisions of article 10, paragraph 2 will be established within 60 days of the entry into force of this Convention.

**Article 4**

(*Provisions relating to the transitional period*)

1. For the taxable periods 2014 and 2015, entities as in article 2, paragraph 1 may have recourse to the provisions as in article 2, paragraphs 4 and 5, by informing the Competent Authority specified by the Holy See about this option within 180 days of the entry into force of this Convention.
2. The implementing provisions of paragraph 1 with the provisions as in article 10, paragraph 2 will be established within 60 days of the entry into force of this Convention.

**Article 5**

(*Other provisions)*

1. The provisions of article 2, paragraphs 4, 5 and 6, as well as the provisions set forth in articles 3 and 4 shall not apply to business income, rental income and miscellaneous income as in article 6, paragraph 1, letter f) of the TUIR, excluding miscellaneous income from the activities in article 2, paragraph 4, pertaining to the entities specified in article 2, paragraph 1, letter b).
2. The provisions of articles 2, 3 and 4 do not affect in any way the exemption system established by article 17 of the Lateran Treaty.

**Article 6**

*(Enforcement of article 16, paragraph 1, of the Lateran Treaty)*

1. Pursuant to article 16, paragraph 1, of the Lateran Treaty, signed on February 11, 1929, the property mentioned in articles 13, 14, 15 and 16 of that same Treaty shall never be subject to charges or to expropriation for reasons of public utility, save by previous agreement with the Holy See, and shall be exempt from any contribution or tax, whether ordinary or extraordinary, and payable to the State or to any other body, without further specifications or exemption provisions.
2. This provision shall also apply to pending and unsettled relationships where the judgment has the force of *res judicata*.

**Article 7**

(*Notification of tax proceedings*)

The agreement on the notification of tax proceedings set in the Minutes and relevant annexes of the meeting held on April 20, 2006 is confirmed; they already made the object of Verbal Notes of July 20, 2007 between the Segreteria di Stato, Sezione per i Rapporti con gli Stati (the department in charge of the relationships with States) (Verbal Note N. 4886/07/RS) and the Italian Embassy to the Holy See (Verbal Note N. 2797), here attached and forming an integral part of this Convention.

**Article 8**

*(Central bodies of the Catholic Church)*

Articles from 1 to 5 shall not apply to the central bodies of the Catholic Church having their seats in the buildings specified in articles 13, 14 and 15 for which the provisions set in Article 11 of the Lateran Treaty remain unchanged.

**Article 9**

*(Diplomatic agents)*

Nothing in this Convention shall affect any rights accorded to members of diplomatic or permanent missions or consular posts under the general rules of international law or under the provisions of special agreements.

**Article 10**

*(Implementation provisions)*

1. The Contracting Parties shall adopt the necessary regulations to comply with and implement this Convention.
2. The Contracting Parties shall ensure that the relevant competent authorities adopt the administrative and implementing provisions needed in order to implement this Convention.

**Article 11**

*(Settlement of disputes)*

The competent authorities of the Contracting Parties shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

**Article 12**

*(Competent Authorities)*

The Contracting Parties shall use the diplomatic way to inform the relevant competent authorities so as to fulfil with all requirements laid down by this Convention within sixty days of the signature of the Convention.

**Article 13**

*(Ratification and entry into force)*

This convention shall be subject to ratification in accordance with the applicable procedures of each Contracting Party. It shall enter into force the date after the Contracting Parties’ written notification that they have completed the necessary internal procedures of entry into force of this Convention. The relevant date shall be the date of the last notification.

**Article 14**

(*Termination*)

This Convention shall remain in force until terminated by one of the Contracting Parties. Either Contracting Party may terminate the Convention at any time after 5 years from the date on which this Convention enters into force provided that at least 6 months' prior notice of termination has been given through diplomatic channels. In such event, the Convention shall cease to have effect on the first day of January next following the expiration of the six months’ period.

Done in Vatican City in duplicate, in Italian language, this 1st day of April, Two Thousand Fifteen.

FOR THE GOVERNMENT OF FOR THE HOLY SEE

THE REPUBLIC OF ITALY