Italy

The ‘Marconi Fund’ has been a key element in the creation and sustenance of Italy’s cooperative sector. In return for helpful tax exemptions, co-ops must invest 3% of their annual income in the Marconi Fund to finance new co-ops. Legislation for social enterprises allows for the creation of ‘capital’ or ‘financing’ members with limited voting rights. In practice this opportunity is little used, and where it has been taken up, financers have mostly been

municipalities.

A recently introduced law provides tax exemptions for private donations to not-for profit

organisations, including social co-ops. There are further tax benefits available to people

buying ‘solidarity bonds’, issued to finance not-for profit activities. Co-operative federations

and consortia can arrange special loan facilities at low rates of interest through regional

agreements with banks. Every member co-op has a privileged relationship with that bank

through its membership of the consortium or federation. No assets can be distributed if a

co-op is wound up. This operates, in practice, as a bar to demutualisation.

**PREFERENTIAL RELATIONSHIPS**

Preferential purchasing has been a key element in the growth of social co-operatives and

enabled them to play a central role in the delivery of social services. This is clearly better

than the services being taken over by profit-oriented businesses, with marginal levels of user

involvement. Law 381/91 laid the foundations for theses preferential relationships, which

were initially contested by the European Community (as it then was) as a breach of

competition policy. However, further legislation in 1996 clarified the situation by

implementing EC law, by allowing municipalities to only accept tenders for some contracts

from organisations meeting a minimum requirement on the employment of disadvantaged

people - a condition which only social co-operatives will normally meet. As a result, the revised preferential system has been specifically approved by the European Union, provided that each contract falls under a €200,000 threshold.

The added value of social enterprises is recognised in Italy in both its laws and constitution.

In short, these provide social enterprises with specific tax breaks and benefits:

reserves are not taxed;

their annual contribution to the Marconi mutual fund (see below) is not taxed;

social enterprises can charge nil rate or 4% VAT, compared with the 20% standard

rate of VAT charged by profit-orientated businesses;

co-operatives pay a lower rate of corporation tax (company income tax)

than companies do;

disadvantaged members of the labour market are exempt from payment of national

insurance contributions, thereby providing real practical assistance

to type ‘B’ co-operatives;

a recently introduced law provides tax exemptions for private donations to not-forprofit

organisations, including social co-ops;

tax benefits are provided for those who buy ‘solidarity bonds’ which are issued to

finance not-for-profit activities.

USA

**Capital Tax**

While the income tax rules affecting co-ops and other corporations are identical, there *is* a federal capital tax advantage for a small number of large co-ops. A federal capital tax (often called the “large corporations tax”) is levied on shares, retained earnings and debt of large corporations ie. capital greater than $10 million. Large co-ops which market or process natural products acquired from members are exempted. A wheat pool or dairy co-op does not pay federal capital tax, in recognition that farmers or fishers should not be penalized for organizing their businesses co-operatively compared to working alone. Some, but not all, provinces exempt co-ops from provincial capital tax.

**Credit Unions**

As for credit unions, tax attacks have been more muted than in the U.S. where credit unions enjoy a complete tax exemption but suffer constant and high‑powered assaults from their bank competitors over this advantage.

Canadian credit unions first became taxable in 1972. But bankers are grumbling again, perhaps stung by market share inroads made by credit unions in British Columbia and Quebec. The Canadian Bankers Association recently hired KPMG Chartered Accountants to compile a report comparing all taxes levied against banks and credit unions. It concluded that banks pay more tax than credit unions.

What are these so‑called tax “advantages”? Credit unions certainly pay a lot of tax ‑ but under a different set of rules than banks. Credit unions are small financial institutions. Special rules are common in the Income Tax Act to assist smaller businesses. This principle extends to credit unions. Banks, and indeed all public corporations, pay income tax at the regular corporate tax rate (approx. 45%). In contrast, most credit unions pay income tax at the lower small business tax rate (approx. 23%), until their retained earnings reach a certain level, at which point they too pay tax at the same rate as banks.

Federal capital taxes are levied on the shares, retained earnings and property of both banks and credit unions ‑ but only above certain thresholds. The same amount of capital is exempt from capital tax at each bank and credit union. Provincial governments continue to exempt credit unions from provincial capital taxes, except Quebec, British Columbia and Ontario.

Credit unions pay the same sales taxes, real estate taxes and payroll taxes as banks.

Canada

Solidarity funds

Green Party policy on co-ops:

**The 'third sector'**

EC620 Special attention will be paid to development of the third sector of the economy, which combines the discipline and flexibility of the private sector, the accountability and the community-responsiveness of the public sector, the social concern of the voluntary sector and the activities of the informal economy.

EC621 Selective subsidy and support for the third sector will help to produce many socially and environmentally benign local enterprises. Development funding will channel local savings into local economically and environmentally sound community initiatives ([EC512](http://policy.greenparty.org.uk/ec#EC512)). The Citizens' Income scheme ([EC730](http://policy.greenparty.org.uk/ec#EC730)) will further enhance opportunities for individual participation in the third sector.

**Companies, ownership & the stakeholder principle**

EC650 The unaccountable exercise of economic power by large corporations has done much to destroy the environment and convivial social structures. Green policies will establish greater community and environmental accountability.

EC651 Smaller and more democratically structured enterprises are more open to community regulation, ensuring that greater care is taken both of the people who work in them, and of the concerns and needs of the local community and the environment. These forms of organisation will be promoted and encouraged by economic legislation. Changes in Company Law, taxation, and in monopolies and mergers legislation, will reduce the size of inappropriately large companies.

EC652 The right of the shareholders to dividends must not be the single most important criterion for company policy making. Those with a stake in the company's decisions must have the right to make informed input into those decisions. These 'stakeholders' include the share holders, the workers, consumers, the local community and advocates for the local environment. New legal and institutional structures will be created to enable these stakeholders to have a voice in the running of companies and other relevant organisations.

**Co-operatives**

EC653 We favour the development of more cooperative and mutual economic enterprises, whether worker cooperatives owned and controlled by their workers, or consumer cooperatives, owned and controlled by their customers, including mutual financial institutions like building societies and mutual insurers, and sporting clubs owned by their supporters.

EC654 We will repeal the laws that enable building societies and other existing mutual organisations to be changed into public limited companies.

EC655 We would introduce a cooperative development fund operating mainly through local authorities to provide initial capital on a matched funding basis for new cooperatives in the financial and other sectors.

EC656 We will gradually establish legal ways for companies to be transformed into mutual organisations, such as consumer or worker cooperatives in specified circumstances if a sufficient majority of the relevant workers or customers agree. Existing shares will be converted into non-voting equity or loan stock. One important initial circumstance when this might be done is upon the sale of a small business or upon the death or retirement of the owner. Another initial application might be to football or other sporting clubs where a majority of the season ticket holders, supported by the wider local community, might want to bring a local club into mutual ownership. In the longer run we would envisage some process of this kind applying, with appropriate safeguards, to all companies.

**Community banks and credit unions**

EC670 Mutual financial institutions are preferable to those owned by shareholders, since they are more likely to serve customer interests. The Green Party would provide financial incentives for governments at all levels to use mutually owned banks and financial intermediaries for their own business, and to encourage citizens to do the same.

EC675 In the longer term the banking system should be largely brought under democratic control, preferably at a local level. This will allow the process to work in the best interests of the community as a whole, rather than principally in the interests of commercial banks and their shareholders.

EC678 In order to help bring about the democratisation of the banking system, and in pursuit of our policies to support the growth of local economies, a network of local Community Banks will be established. These will be democratically accountable non-profit-making trusts, which will be able to provide low-cost finance both at district and regional levels. Any operating surplus arising from these Community Banks will be reinvested in their local communities. Community Banks will be empowered to create credit in the same way that commercial banks currently do, and will be given favourable conditions for doing so by the central bank. They will also be able to create their own local currencies, to operate alongside the national currency, where this is supported by the local community.

EC679 In order to bring about a more socially equitable society, it is important that poorer citizens have access to affordable credit, which can give them an opportunity to increase their basic living standards. Alongside Community Banks, measures to help facilitate this will include the promotion and support of credit unions and micro-credit schemes in which small groups of people cooperate to provide guaranteed small loans to each other.