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Berlusconi Tax-Fraud Conviction Sets Up Italian Senate Showdown

By Andrew Frye and Chiara Vasarri - Aug 2, 2013

Silvio Berlusconi's conviction for tax fraud, upheld late yesterday by Italy's top court, set up a Senate showdown over his potential expulsion from parliament.

The upper house's committee for immunities is required to vote on whether to strip Berlusconi, a three-time premier and now a senator, of his seat. The debate, which may take weeks or months, threatens to stoke divisions in the ruling coalition, weakening Prime Minister Enrico Letta's government.

"I am absolutely aware of the politically delicate moment," Letta said today at a conference in [Rome](#). "I hope that the collective interests prevail for the good of the country, the good of Italy, and not the partisan interests."

The fight over Berlusconi's fate moves to the political arena after the court, which confirmed his guilty verdict, left the sentence for his crime unresolved. Berlusconi was spared the immediate enforcement of a five-year ban on holding public office because the court said it required further judicial review. Berlusconi's four-year jail sentence is unlikely to land him in prison due to leniency guidelines.

"This legal matter could have significant political repercussions given that it is ultimately up to the Senate to vote on whether or not Berlusconi should be ineligible," [Wolfgang Piccoli](#), an analyst with Teneo Intelligence, wrote today in a research report.

The Senate committee is required to consider the case due to a law passed in December under former Prime Minister Mario Monti. The committee will hold a preliminary vote prior to a final vote in the full Senate, which could be a secret ballot, the head of the committee, Dario Stefano, told Ansa yesterday.

Deepening Divide

The divide is deepening within the ruling coalition between lawmakers loyal to Berlusconi, 76, and those who, like Letta, have traditionally opposed him. Renato Brunetta, chief whip of Berlusconi's People of Liberty party in the lower house, said the ruling put democracy in [Italy](#) in question and vowed to rally around the ex-premier. Giuseppe Civati, a lawmaker with Letta's Democratic Party, said

it was time to plan “an exit strategy” from the alliance with Berlusconi.

Yesterday’s ruling was “completely groundless” and “irresponsible,” Berlusconi said in a video message. His party will “stay in the field” and seek a majority from Italians, the former premier said, without giving details.

Berlusconi’s People of Liberty party will continue to support the government, Nitto Palma, a member of the party in the Senate, said in a statement. Still, Cabinet Undersecretary Michaela Biancofiore, a member of the PDL, will resign to protest the verdict, Ansa reported. Civati said in a message “we can’t go on like this to infinity.”

‘Every Initiative’

Berlusconi’s three defense lawyers, Franco Coppi, [Niccolo Ghedini](#) and Piero Longo, said in a statement they would “take every useful initiative, even at the European level, so that this unjust sentence is radically changed.” The conviction is linked to tax evasion in the purchase of U.S. film rights for his [Mediaset SpA. \(MS\)](#)

The court found that Mediaset evaded 7.3 million euros (\$9.6 million) of taxes in 2002-2003, while the company over the same period paid 567 million euros in taxes, the PDL said in a statement last month.

The billionaire ex-premier is also appealing convictions in separate cases on paying a minor for sex and illegal wiretapping. He has denied any wrongdoing, calling the allegations part of an attempt by prosecutors to destroy his political career.

Bond Yield

Italy’s 10-year bond yield fell 1 basis points to 4.36 percent as of 1:45 p.m. in Rome. The yield has risen about 66 basis points from a 2 1/2-year low on May 2 after Letta enlisted Berlusconi’s support and stitched together a three-party parliamentary majority. Mediaset, the best performer in Milan’s benchmark FTSE MIB stock index this year, fell 2.4 percent to 3.29 euros.

The five-judge panel yesterday sent the five-year ban from holding public office, imposed by a trial court in the original conviction in October, back to a lower court for review. That followed the request of Berlusconi’s prosecutor, who said on July 31 that the lower court erred and the ban should be just three years.

Berlusconi probably won’t be incarcerated for this case, according to Andrea Castaldo, a criminal lawyer and professor at the University of Salerno. The four-year prison sentence may be reduced to one year due to a law against prison overcrowding. His penalty will be probably be revised into community service or house arrest, due to extenuations including the leniency accorded to criminals over the age

of 70.

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