

Public Consultation on reduced VAT rates for electronically supplied publications

Fields marked with * are mandatory.

1 Objective of the consultation

Objective of the consultation

The objective of the consultation is to obtain the views of stakeholders on the VAT treatment of electronic publications (e-publications). Under current VAT rules, electronic publications must be taxed at the national standard rate while for printed publications Member States are allowed to apply reduced or even super-reduced and zero VAT rates. The European Commission is now considering reforming these rules; in particular, the Commission is assessing whether to grant Member States the option of extending to e-publications the more favourable VAT treatment allowed to printed publications. Replies to this questionnaire will be assessed by the European Commission as a part of the analysis of possible reform proposals to be unveiled at the end of 2016.

Target groups

Readers, authors, businesses (particularly those engaged in publishing, printing, or distributing books, newspapers and periodicals), retailers, trade/business/professional organisations, researchers, public authorities.

All questions are addressed to all stakeholders with the exception of two questions specifically addressed to the publishing industry, which relate to supplies of e-publications that include audio and video content and with the exception of one question to businesses in general that relates to administrative burden resulting from the option of applying a reduced VAT rate to e-publications.

Current VAT rules for publications (books, newspapers and periodicals)

Member States currently may tax printed books, newspapers and periodicals at a reduced VAT rate of at least 5%. On the basis of derogations from the VAT Directive, some Member States may even apply VAT rates lower than 5% (super-reduced rates) or exemptions with a right of deduction of VAT paid at the preceding stage (so-called zero rates) to certain printed publications.

E-publications (i.e. publications that are electronically supplied), in contrast, have to be taxed at the standard VAT rate (between 17% and 27%, depending on the Member State).

Modernising VAT rules

Since 1 January 2015, with the entry into force of new "place of supply" rules, VAT on all telecommunications, broadcasting and electronic services has been levied where the customer is based, whereas previously the VAT rates depended on where the supplier was located. Because of the new rules, suppliers can no longer benefit from being located in the Member State with the lowest VAT rates. This implies that an extension of reduced rates to e-publications could be envisaged without risk of introducing a distortion in the functioning of the Single Market.

For this reason, in the Action Plan on VAT ([Com \(2016\) 148 final](#)), the European Commission announced legislative proposals in 2016 to allow Member States the option of applying to electronically supplied publications the same VAT rates that Member States can currently apply to printed publications. The replies to this survey will be utilised as an input in the preparation of the Commission proposals.

Definition of terms for the purpose of this questionnaire:

The term **publications** covers books, newspapers and periodicals.

Electronic publications (e-publications) refer to books, newspapers and periodicals that are electronically supplied, i.e. provided as an electronic file that is downloadable on a reading device.

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Important notice on the publication of responses

Please note: In order to ensure a fair and transparent consultation process, only responses received through our online questionnaire will be taken into account.

Contributions received are intended for publication "as submitted" and this respondent by respondent and question by question on the Commission's websites. Below, you have the possibility to indicate whether you agree to the publication of your individual responses under your name or anonymously.

Furthermore, the European Commission will prepare a synopsis report summarising all responses received (including those by respondents not agreeing to publication of their individual responses).

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2.1 Do you agree to your individual contribution being published?

- Yes**, I consent to all of my answers being published **under my name**.
- Yes**, I consent to all of my answers being published **anonymously**.
- No**, I do not want my answers to be published.

*

2.2 I declare that **none of the information I provide in this consultation is subject to copyright restrictions**.

- Yes**
- No**

3

General Information on you as participant

*

3.1 Are you replying as a(n)/on behalf of ...

- Author
- Company/enterprise
- Organisation, trade/business/professional association, consultancy, law firm
- Member State or other Public authority
- Researcher, academic institution, think tank
- Reader
- Other

*

3.2 Please enter your name/the name of your company or organisation

Charity Tax Group

*

3.3 Please enter your e-mail address

info@charitytaxgroup.org.uk

*3.4 Where do you live or where is the headquarter of your company or organisation?

United Kingdom

*

3.5 Please indicate the main field (or fields) of economic activity of your enterprise, or the main field of economic activity your organisation represents.

- Publishing of books, newspapers, periodicals, music or video recordings
- Printing of books, newspapers, periodicals etc.
- Wholesale and retail sale of books, newspapers, periodicals, music and video recordings
- Other wholesale and retail trade
- Other

If other, please indicate:

*

3.6 Is your organisation, trade/business/professional association, consultancy, law firm enlisted in the [Transparency Register](#)?

- Yes
- No

*

Please indicate your Register ID number

40066704727-39

4 Books

The questions in this chapter aim at gathering your opinion about the application of reduced VAT rates to e-books.

26 out of 28 Member States apply a reduced VAT rate to printed books. These rates currently range between 0% and 12%.

E-books have to be taxed at the standard VAT rate, which lies between 17% and 27% depending on the Member State.

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4.1 Should Member States be allowed to apply a **reduced VAT rate** to e-books?

- Yes
- No
- Don't know

*

4.2 In your view, what would be the effects of reducing VAT rates for e-books on the consumer price for those e-books?

- Price goes down, by the amount the VAT is reduced.
- Price goes down, but by less than the amount the VAT is reduced.
- Price will remain the same, because sellers will not pass the VAT cut on to consumers.
- Don't know.

*

4.3 If the VAT cuts are not fully passed on to final consumers, profit margins for publishers would increase. In your view, what consequences would this have on the industry ? (Please check all that apply)

- The sector will invest in new content.
- Authors would negotiate higher royalties.
- Increased profitability will be used to cover operating losses but will not induce other changes.
- The sector will invest in fixed capital (e.g. modernising IT infrastructure /- hardware and software).
- Don't know.

*

4.4 Assuming that prices for e-books were to fall by 5-10%, what would be, in your opinion, the reaction of most consumers?

- Many consumers would switch from printed to e-books.
- Some consumers would switch from printed to e-books.
- Consumers would buy roughly the same amount of printed books, but buy more e-books.
- Consumers would not change their behaviour significantly.
- Don't know.

*

4.5 In your view, what would be the impact of reduced prices for e-books for the printing industry, pulp and paper industry, and book stores?

- No impact
- Reduced demand for print and reduced number of book stores
- Don't know

Do you have further comments on the questions in this section and in particular the economic impacts from a reduced rate on e-books or other impacts such as social, cultural, or educational impacts? (optional)

2000 character(s) maximum

For charities the economic impact of a reduced rate for electronic publication is different to commercial publishers. Charities use publications to tell people about their work or to inform the public in an area the charity is dedicated to (such as information about conservation provided by a charity that supports conservation). For this reason the charity needs to seek funds to enable it to provide the publication, and one of these is charges for the product. The lower the charges are, the greater the dissemination of the material. However, charities will also try to generate extra funds in this way to fund the other activities (such as, in the case of the conservation charity, research into conservation or maintaining conservation sites). A lower tax burden enables more resources to go into these activities.

Charities face a critical dilemma in the UK since the printed material has 0% tax, whereas electronic equivalents have 20% tax. In general, however, electronic delivery is more cost effective and more environmentally acceptable. This presents charities with a choice which they find invidious and confusing. Adoption of the reduced rate for such publications will close that gap and make a movement to electronic distribution easier to contemplate.

5 Definition of an e-book

The current VAT legislations does not further define what is a book. Member States can introduce national definitions in order to restrict the application of the reduced VAT rates, e.g. by granting the reduced VAT rate only to books with an International Standard Book Number (ISBN).

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5.1 The introduction of reduced rates might require a definition of an e-book in order to distinguish between written and audio/video content for VAT purposes. This could be done at Member State level, ensuring greater flexibility, but with the consequence of diverging definitions from one Member State to another. What is your opinion with regard to a definition of the term "**e-book**" for VAT purposes?

- There is a need to define the term in a uniform way at EU level.
- A broad definition of the term is sufficient at EU level.
- No definition is needed at EU level. Member States can implement specific national definitions of the term.
- A book is a book. No definition is needed at EU or national level.
- I have no opinion on this matter.

You might propose a definition of the term "e-book" to be used in EU-law or justify further why no definition is needed. (optional)

2000 character(s) maximum

We are supportive of the proposition that the definition of a book has always included e-books; it is just that they were not envisaged when the legislation was drafted. It is clear from discussions with charities and universities that the popular understanding of books is changing over time in the minds of consumers. We believe that this interpretive argument has not yet been properly considered and, based on the principle that the law is 'always speaking', should reflect these changes.

We do not see the need for a specific statutory definition. Instead we think a broad framework identifying key characteristics would be appropriate. Not producing a specific definition of e-books in the VAT system presents a number of advantages. It would also allow future changes and greater flexibility, in the result of further technological advances, future proofing the current reduced rates system.

We believe that in addition to a framework of characteristics, one possible future-proof definition would be the ISBN. This is an international system which allocates a unique identifier to all books published including e-books. The administration of this system is handled differently in different countries. For example, in the UK, the system is administered by a private entity - The Nielsen UK ISBN Agency. There is a similar unique numbering system for magazines and periodicals.

We recommends that a discretionary reduced rate be introduced with Member States given the choice as to whether to apply it. We feel that it is sufficient to simply add e-books to Annex III of the VAT Directive, without the need for further commentary. We would argue that the same applies to e-magazines, e-periodicals and e-newspapers. The provision in Article 98 (2) of the VAT Directive that "reduced rates shall not apply to the services referred to in point (k) of Article 56(1)" [which includes (k) electronically supplied services, such as those referred to in Annex II] should be withdrawn.

5.2 Can you give examples of e-books that predominantly consist of video content? (optional)

2000 character(s) maximum

6

Newspapers, periodicals

The questions in this chapter aim at gathering your opinion about the applications of reduced VAT rates for e-newspapers and e-periodicals.

26 out of 28 Member States apply a reduced VAT rates to printed newspapers and periodicals. These rates currently range between 0% and 15%.

E-newspapers and e-periodicals have to be taxed at the standard VAT rate, which lies between 17% and 27% depending on the Member State.

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6.1 Should Member States be allowed to apply a **reduced VAT rate** to e-newspapers and e-periodicals, too?

- Yes
- No
- Don't know

*

6.2 In your view, what would be the effects of reducing VAT rates on consumer price for e-newspapers and e-periodicals?

- Price goes down, by the amount the VAT is reduced.
- Price goes down, but by less than the amount the VAT is reduced.
- Price will remain the same.
- Don't know.

*

6.3 If the VAT cuts were not passed on (fully) to consumers, profit margins would increase. What would be the effect of this on the sector?

- The sector will invest in new content.
- Authors/journalists could negotiate higher compensation/wages.
- The sector will invest in fixed capital (e.g. modernising IT infrastructure /- hardware and software).
- Increased profitability will create less dependence on advertising revenue.
- Increased profitability will reduce operating losses but will have little other impact.
- Don't know.

*

6.4 Assuming that prices for e-newspapers and e-periodicals were to fall by 5-10%, what would be, in your opinion, the reaction of most consumers?

- Many consumers would switch from printed to e-newspapers/e-periodicals.
- Some consumers would switch from printed to e-newspapers/e-periodicals.
- Consumers would buy roughly the same amount of printed books, but buy more e-newspapers/e-periodicals.
- Consumers would not change their behaviour significantly.
- Don't know.

*

6.5 In your view, what would be the impact of reduced prices for e-newspapers/e-periodicals for the printing industry, pulp and paper industry, and newspaper stores?

- No impact
- Reduced demand for print and reduced number of newspaper stores
- Don't know

Do you have further comments to the questions in this section and in particular the impact of a reduced rate for e-newspapers and e-periodicals? (optional)

2000 character(s) maximum

See our comments in response to question 4.

The main output of a lot of charity backed research (particularly medical research) is new ideas and knowledge, which researchers are expected to publish as high-quality, peer-reviewed research articles, monographs and book chapters. Providing free, online access to these research documents is the most effective way of ensuring that the research we fund can be accessed, read and built upon. In turn, this will foster a richer research culture.

Libraries in the UK (many of which are charities) serve as a major repository of resources and historical knowledge. To meet growing need these libraries increasingly invest in digital reference material which comes with the additional cost of 20% VAT. Many libraries are also digitising a substantial proportion of their holdings and making the content freely available on the web.

We know that for one large charity alone, the cost of irrecoverable VAT from this exercise has been more than £10m so far. The imposition of VAT on research publications, reference materials and archives in digital format will have a serious impact on the amount of funding available to support research and maintain the resources required by researchers. Furthermore we ask that consideration is given to extending zero rating for the services and equipment used to digitise existing research archives otherwise these important records will remain out of reach to most researchers.

7 Definition of an e-newspaper or e-periodical

The current VAT legislation does not further define what is a newspaper or a periodical. Member States can introduce national definitions in order to restrict the application of the reduced VAT rates, e.g. by granting the reduced VAT rate only to newspapers and periodicals with an International Standard Serial Number (ISSN).

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7.1 The introduction of reduced rates might require a definition of an e-newspaper or an e-periodical in order to distinguish between written and audio/video content for VAT purposes. This could be done at Member State level, ensuring greater flexibility, but with the consequence of diverging definitions from one Member State to another. What is your opinion with regard to a definition of the terms "**e-newspaper**" and "**e-periodical**" for VAT purposes?

- There is a need to define the terms in a uniform way at EU level.
- A broad definition of the terms is sufficient at EU level.
- No definition is needed at EU level. Member States can implement specific national definitions of the term "e-book".
- A newspaper is a newspaper and a periodical is a periodical. No definitions are needed at EU or national level.
- I have no opinion on this matter.

In the following field, you can propose a definition of the terms "e-newspaper" and "e-periodical" to be used in EU-law or give reasons why no definition is needed. (optional)

2000 character(s) maximum

See our answer to question 5.1.

Despite our choice above we believe that the definition should explicitly include information sheets and newsletters to avoid any argument to the effect that newspapers need to be similar to those of the national presses or that a periodical has to be issued at strict time intervals.

7.2 Can you give examples of e-newspapers and e-publications that predominantly consist of audio and video content? (optional)

2000 character(s) maximum

8

Super-reduced and zero rates of VAT

For **certain printed publications**, 10 Member States were granted the applications of VAT rates lower than 5% (**super-reduced rates**) including exemptions with a deductions right of VAT at the preceding stage (so called **zero rates**).

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8.1 Should those 10 Member States which were granted the possibility to apply VAT rates lower than 5% (super-reduced rates and zero rates) abolish them and align the rates applied to printed publications and e-publications at the level of a reduced VAT rate?

- Yes
- No
- Don't know

*

8.2 Should all Member States be generally allowed to apply super-reduced or zero VAT rates to **printed publications**?

- Yes
- No
- Don't know

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8.3 Should Member States that are allowed to apply super-reduced or zero VAT rates to printed publications be also allowed to **apply the same rates to e-publications**?

- Yes
- No
- Don't know

9

Final remarks

9.1 Is there anything else you would like to bring to the attention of the European Commission?

2000 character(s) maximum

In relation to e-books, we think that a discretionary reduced rate should be introduced with Member States given the choice as to whether to apply it. There is an assumption in the consultation questions that a set definition of e-books is required in VAT terms. We challenge this interpretation, suggesting that the popular understanding of books is changing over time in the minds of consumers and that the law should be allowed to reflect these changes and to allow future changes as the result of further technological advances].

No reform attempts should seek to remove the invaluable existing zero rates on printed materials.

9.2 Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here.

Contact

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