

## Zero-rating of e-publications brought forward to 1 May 2020

30 Apr 2020 by Andrea Marshall, BUFDG Tax Specialist

The Chancellor has announced this afternoon that the zero-rating of e-publications, due to be introduced on 1 December 2020, has been brought forward and will now apply with effect from tomorrow, **1 May 2020**.

This is an exciting development for the HE sector, where VAT incurred on e-publications has often been a non-recoverable cost.

The following article provides analysis of the changes and the issues that universities and subsidiaries now need to consider.

What supplies are included within the zero-rate?

HMRC [has issued guidance of what is and is not included within the zero rated relief.](#)

Included within the definition of an e-publications are:

- books
- booklets
- brochures
- pamphlets
- leaflets
- newspapers
- journals and periodicals - including magazines
- children's picture and painting books

Charges for the lending of electronic publications are also eligible for zero-rating

The following supplies are **not**, however, eligible for zero rating:

- publications that are designed predominantly to be completed (except for children's picture and painting books)
- advertising
- audiobooks
- supplies of intellectual property in an electronic format
- plans or drawings for industrial, architectural, engineering, commercial or similar purposes
- e-readers
- software or apps

How will this change apply to universities and their subsidiaries?

These changes will impact on the VAT liability of supplies received by universities and their subsidiaries with a tax point (see below) on or after 1 May 2020.

In addition, where a university or subsidiary acts as a supplier itself (e.g. university presses making supplies to third parties) it will need to apply the new VAT rates to eligible supplies with a tax point on or after 1 May 2020.

### What are the proposed legislation changes?

It is proposed that Group 3 of Schedule 8 to the Value Added Tax Act 1994 will be amended by statutory instrument. VAT Notice 701/10 and the VBOOKS series of guidance will be updated by 31 July 2020. A [policy paper that sets out these changes has been issued](#).

### Will there be an actual reduction in the amount paid for e-publication licences?

There appears to be an assumption within the policy paper and [The News story, "VAT Scrapped on E-publications" on gov.uk](#) that savings will be passed onto consumers. However, it will be prudent for universities and their subsidiaries to check the terms of agreements with suppliers to establish if they are drafted on a VAT inclusive or exclusive basis, or even if they are silent on VAT.

Where the agreed contract figure is exclusive of VAT, the VAT savings should be passed onto the consumer.

In the instances where a university and/or its subsidiaries make charges for supplies of e-publications, the contract terms entered into with customers should be checked to ensure that the correct charge is made going forward.

Please note that tuition fees (that include an element of e-publication charges) will not be impacted by these changes.

### At what point will VAT no longer be due?

The change applies to supplies with a tax point on or after 1 May 2020. Where you pay or charge a monthly subscription on an ongoing basis, known as continuous supplies of services, the tax point is the earlier of the date of the invoice or receipt of payment. Further guidance on this can [be found in paragraph 14.3 of Public Notice 700](#).

### What if the supply is of items with different VAT liabilities?

Some licences cover a range of publications that from tomorrow will be eligible for zero-rating (such as newspapers, journals, etc) and licenses for elements that will still be subject to VAT (e.g. audio books, posters, etc.) There is a risk that the whole supply will still be subject to VAT. Universities and their subsidiaries may wish to liaise with suppliers on this point to establish if separate licenses are required for the different elements.

### Will this impact on the cost of supplies from overseas?

Where licences have been bought in from overseas, it has until now been necessary to apply the reverse charge (or self-charge) of VAT.

Going forward, the reverse charge adjustment will no longer be necessary. However, as we cross from April into May, careful consideration should be given to the tax point for reverse charge

supplies – this tends to be the date of payment, but further guidance [can be found in paragraph 15.12 of Public Notice 700.](#)

In addition, care needs to be taken to ensure that there are no elements of the supply from overseas that will still be subject to the reverse charge (e.g. audio book licences.)

### What is the impact on News Corp Claims?

The guidance issued today makes reference to the [Revenue and Customs Brief 1\(2020\) : VAT liability of digital publications](#) - Upper Tribunal in News Corp and Ireland Ltd issued on 19 February 2020.

For historic supplies received or reverse charges adjustments made up to and including 30 April 2020, it will still be necessary for suppliers and/or universities and their subsidiaries to submit protective claims, subject to the 4 year time limit.

### Has there been any clarification of how this will apply to “read and publish” agreements?

One area that will need careful consideration are “read and publish” agreements - where the costs of e-publication subscriptions are offset by publishing income. The issue is that the subscription element will be zero-rated, but the publishing element will be standard rated. BUFDG is currently in discussions with a publisher on this point and clarification will be provided, when available. In the meantime, we suggest that universities establish if they have any such contracts in place.

### What do you need to do next?

We suggest that you may wish to consider the following for both your university and its subsidiaries:

#### *Raising Awareness*

There are a variety of staff within a university or subsidiary that will need communication, guidance or training on these changes, including, for example:

- Procurement and library staff who negotiate contracts and place orders with suppliers;
- Finance staff who authorise and pay invoices, or oversee budgets for areas such as your library function; and
- Sales teams and sales ledger staff who negotiate with or raise invoices to customers.

#### *System changes*

There may some system automation that will need reviewing, for example;

- Procurement systems – where VAT is automatically added to orders based on type of cost or supplier, or where a reverse charge or self-charge of VAT is generated based on type of cost or supplier;
- Finance systems – for purchases, where a reverse charge or self-charge of VAT is automatically generated, or if there are in-built indicators against e-publishers or account codes so that you "expect" a VAT charge on supplies; and
- Finance system – for sales, where the VAT rate of supplies is automated.

### *Other areas*

There are some other areas that you may wish to review

- The wording of VAT clauses within contracts that are “live” with suppliers and/or customers;
- Single supplies that will now cover elements with different VAT liabilities;
- Checking that the zero-rate has been applied correctly by suppliers and on sales made to customers for supplies with a tax point on or after 1 May 2020;
- Checking that you have accounted for the reverse charge on payments with tax points on or before 30 April;
- Establishing whether you have any “read and publish” agreements in place; and
- Establishing whether you have any internal guidance and training material that will need updating.

If you have any further questions or comments, please contact [Andrea](#).