

# Public Consultation on reduced VAT rates for electronically supplied publications

Fields marked with \* are mandatory.

## 1 Objective of the consultation

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### **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.

## 2

## Important notice on the publication of responses

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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.

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### 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

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### 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

Nederlands Uitgeversverbond (NUV)

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3.3 Please enter your e-mail address

h.wolswinkel@ndpnieuwsmedia.nl

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

Netherlands

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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

3.5.1 What is the field of activity of your company/enterprise?

- Both printed and e-publications
- Only printed publications
- Only e-publications

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

- Yes
- No

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Please indicate your Register ID number

522616312801-02

## 4 Books

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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

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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.

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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*

Applying reduced VAT to books is justified by their social, economic and cultural value and is exactly the same for printed books as it is for e-books. The application of reduced VAT on books should be independent from the format and support.

Piracy on e-books is a large problem for publishers and authors (and no VAT is paid either). Lower prices for e-books due to a reduced VAT rate will make it possible for publishers to offer a financially better alternative to illegal downloading. In the end this also compensate for the loss in VAT due to lower rates as income will grow.

We cannot predict exactly the effects of the application of a reduced rate on e-books. Regarding the effects on prices, the experiences in France (reduced rate on e-books as of 2012) and Italy (as of 2015) show that the reduction of VAT on e-books resulted in lower prices. How much the reduction is reflected will differ from publisher to publisher. Each publisher has to decide where it devotes part of improved margins to: e.g. to invest in new content, to cover operating losses (but not exclusively), to invest in new technology or to reflect in lower consumer prices fully (the latter is also possible in combination with the other options, if the demand increases because of lower prices).

Reduced rates can be instrumental to offer the lower prices that consumers expect of digital publications. The exact behaviour of consumers is hard to predict. The data available on e-book price elasticity would suggest a clear increase in sales.

The degree of substitution of print books is harder to asses, with people increasingly using across multiple formats to read. We do not expect a large reduction in print sales, so the effect on printers will be marginal. Booksellers also sell e-books and many of them see an opportunity to take part in the digital market, which would be enhanced by reduced rates.

## 5 Definition of an e-book

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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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5.01 In comparison to printed books, e-books can include features such as audio, video, hypertext and customisation functions. Do you offer, or envisage to offer in the future, paid access (this could include subscription services) to e-books including audio and video content alongside text?

- We currently sell e-books with audio and video content alongside text.
- We currently do not sell e-books with audio and video content but think that the market may soon demand it.
- We do not envisage, in the foreseeable future, selling e-books with audio and video content alongside text.
- Not applicable

\*

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*

The Dutch Publishers Association calls for a simple adaptation of the Directive to apply to books provided via all kinds of non-physical formats and supports. The current practice in the Member States, including France, Luxembourg and Italy, has not caused any problems so far.

Trying to provide an exact definition of an e-book for fiscal purposes is undesirable, as technology keeps evolving and we do not know what a book might look like in the future, while still being a book. In order to avoid hindering technological developments by outdated tax legislation - as the Directive does at the moment - the legislator should be extremely reluctant to lock up a precise definition in the Directive. We now know how complicated a change of the VAT Directive is, even if it is just a wording in the Annex.

A simple adaptation of the Directive can be accompanied by interpretative guidelines. The ISBN - the standard identifier number for books - can function as a guiding principle for applying reduced VAT. All books in all formats typically have an ISBN assigned to them.

It is important to ensure that the notion of digital publications includes digital learning materials produced by publishers that replicate and also enhance the function of textbooks. In any case, educational digital content contains text, film, pictures and audio and is probably going to get even more complex, with further embedded services, but it is imperative not to have a too narrow definition allowing scroll down pure text only. The Dutch Publishers Association wants to stress that in the Netherlands schools, educational institutions and students will benefit from a VAT reduction for digital learning materials.

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

*2000 character(s) maximum*

6

Newspapers, periodicals

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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

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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*

We strongly believe that there should be no difference in VAT rate between digital news and magazine content on the one hand and printed content on the other. Their democratic and cultural value are exactly the same. Therefore we welcome the commitment of the European Commission to extend the possibility to apply reduced VAT rating also to the electronic versions of newspapers and periodicals.

The different tax treatment also does not reflect today's needs of consumers. Digital subscriptions are an important way in order to maintain readers: converting a subscription on the printed newspaper into a digital or partly digital subscription is becoming common practice, because it fits today's media habits better. For publishing houses it is an important way to uphold journalistic capacity and thus employment in the media sector. The current tax treatment induces a threshold for this development.

Consumers show a limited willingness to pay for digital publications. Publishers do steer down newspapers and magazines pricing at the lowest possible level, sometimes by cross-subsidizing their digital products by the revenues of the printed products. In the long term that will harm the sustainability of the press sector. Aligning the VAT for digital products to the rate of print products will improve this situation.

Another positive effect of reducing VAT is a very substantial decrease of administrative burden. As a consequence of different VAT rates for print and digital, the press sector had to make very detailed agreements with the Dutch Tax Authority with regard to 'bundled subscriptions'. Those subscriptions, which are very common in the Netherlands, consist of delivery of the printed newspaper on some weekdays and access to the digital equivalent on the other weekdays. In order to make correct tax payments possible, complicated calculations are required. Aligning the VAT rate would remove this administrative burden.

## 7 Definition of an e-newspaper or e-periodical

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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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7.01 In comparison to printed newspapers and periodicals, e-newspapers and e-periodicals can include features such as audio, video and hypertext. Do you offer, or envisage to offer in the future, paid access (this could include subscription services) to e-newspapers or e-periodicals, which include audio and video content alongside text?

- We currently offer paid services including audio and video content alongside text.
- We currently do not offer paid services including audio and video content but think that the market may soon demand it.
- We do not envisage, in the foreseeable future, offering paid services including audio and video content alongside text.
- Not applicable

\*

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*

Trying to provide an exact definition of an 'e-newspaper' and an 'e-periodical' for fiscal purposes is undesirable. In order to avoid hindering technological developments by outdated tax legislation - as the Directive does at the moment - the legislator should be extremely reluctant to lock up precise definitions in the Directive. We now know how complicated a change of the VAT Directive is, even if it is just a wording in the Annex.

The approach of the current Directive has not led to any issues of interpretation. The existing wording in Annex III could be amended to include the supply of the press on all physical and digital means of support. It should be up to the national legal systems of each Member State to define the terms.

Member States use various national definitions on the terms of newspapers and periodicals, whether in the print or the digital environment. Those definitions reflect national sensitivities and relate to, amongst others, the independence of the press, journalistic codes of conduct, regulatory bodies and advertising. It would be an impossible task to reflect the national sensitivities in a single European definition of the press.

Two other reasons underline that an European definition is not necessary. Firstly, almost all newspaper and magazine titles are mainly consumed in one Member State only, because of language and cultural reasons. Cross-border sales are very limited. Secondly, as of 1 January 2015 the country of destination determines the applicable VAT rate for electronic services. This eliminated possible risks for the Single Market, if any (due to limited cross-border sales).

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

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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

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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

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

*2000 character(s) maximum*

Today's democratic societies benefit from a strong, independent and varied media sector. It is therefore important that future legislation does not hinder the necessary developments in the publishing industry with outdated VAT legislation. The Dutch Publishers Association calls for a future proof legislative proposal. It needs to be clarified that e-publications are not only limited to the digital copies of published newspapers, books or periodicals, as mentioned under paragraph 1 of this consultation. In order to be future proof, e-publications should include any book, news and magazine content accessible through digital means. As an example: Dutch journalistic start-ups like 'De Correspondent' or 'Blendle' are eminently able to attract young readers via digital means. Given their value for Dutch society and democracy they should benefit from the same reduced VAT rate, although they do not meet the e-publication definition as mentioned under paragraph 1. Another example is the popular option of streaming e-books, instead of downloading the e-book files. Dutch publishers hope and expect that the European Commission will also keep track of tomorrow's media.

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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