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Publishers
Council

CONTRIBUTION FROM THE EUROPEAN PUBLISHERS COUNCIL (EPC)

ID number 4456380381-30

ON THE GREEN PAPER OF THE EUROPEAN COMMISSION:

ON THE FUTURE OF VAT

TOWARDS A SIMPLER, MORE ROBUST AND EFFICIENT VAT SYSTEM

31ST MAY 2011

The European Publishers Council (EPC) is a high level group of Chairmen and CEOs of Europe's leading media groups representing companies with newspapers, magazines, online publishing, journals, databases, books, broadcasting and radio. We have been communicating with Europe's legislators since 1991 on issues that affect freedom of expression, media diversity, democracy and the health and viability of media in the European Union. A list of our members is attached at Annex 1.

www.epceurope.org

Introduction

The EPC would like to thank the European Commission for their open invitation to comment on the issues raised in their Green Paper on the VAT system in Europe. Our contribution focuses on the rates of VAT that affect media and publishing activities.

In our view, this is not just a taxation issue - VAT is also about the future of Europe's information society and consumers' access to quality journalism, information, education and culture. We note that the Digital Agenda for Europe states clearly that the challenges of convergence between the online and the physical environment "should be addressed in all reviews of public policy, including tax matters."

This is a golden opportunity for the European Institutions and Members States to act decisively to safeguard the right of everyone to information and literature at the most accessible price recognising also the great potential of digital media and communication technologies for educational purposes, including tackling the problems of illiteracy and under-achievement.

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Value Added Tax and Publishers

In the Green Paper, the European Commission considers fundamental changes to the way Value Added Tax (VAT) is applied and collected throughout the Single Market. The problem is that this could lead to the imposition of new or higher charges than present on information, education, culture and, crucially, literacy itself. **Publishers of newspapers, periodicals, books, journals - and the digital press online, are concerned therefore to ensure that whatever changes are made must *benefit*, not *threaten*, our ability to communicate and learn.**

Member State Governments regard the printed word as vitally important for both literacy and culture and so tax printed publications at lower – including zero, rates of VAT than many other goods and services.

The European Commission's Green Paper notes some important factors:

1. *"...reduced rates applied by some Member States do not seem to disrupt the single market" and*
2. *"... there are still inconsistencies in the VAT rates applied to comparable products and services. For instance, Member States may apply a reduced VAT rate to certain cultural products but have to apply the standard rate to competing on-line services".*

The EPC Position on VAT Rates on the Press

In considering the application of VAT to the press – in print and online - the EPC would make two fundamental requests to the Commission:

1. ***Maintain existing reductions in VAT:*** Where reduced or zero rates apply to print publications, these rates must not be increased. To raise the rates on *print* publications would have a swift and damaging effect on some titles, reducing circulation and readership. This would in turn reduce profits and could put some titles out of business with the loss of jobs.
2. ***Remove the anomaly of charging standard rates of VAT on the digital press:*** Where reduced or zero rates already apply in print, Member States should have the possibility to apply these also to the digital press. This would help preserve the foundations of a well informed and democratic Europe; improve standards of literacy and help the press continue to play a vital role in the development of Europe's Information Society online as in print.

VAT in the context of the future for paid-for digital press

The media recognise better than anyone **that the internet is a catalyst of change on a scale unprecedented since the invention of the printing press.** The landscape is changing out of all recognition, new value chains are forming, new business models emerging. We see extraordinary opportunities for creativity and growth across the sector. If we get that right, then sustainable models for content online can emerge at scale. These must include paid models, so that revenue generating professional media can become part of everyone's online experience.

In advance of a fully-fledged paid-for digital press market, it is important to note that the creation of high quality media content will continue to a great extent to be subsidised by print revenues. This is why the maintenance of current VAT rates on printed media is crucial.

However, as the internet becomes the primary mechanism for distribution of content, these print-related revenues can only decline while the hidden subsidy that they provide for making available high-quality content on the network will steadily disappear.

Therefore it is essential that media companies are encouraged to develop paid-for digital press services to effect the migration of business models to the internet and mobile environment as speedily as possible to avoid an impoverished world of internet content – whether in information, news reporting and investigative journalism, in education or in entertainment.

Is illiteracy still a real problem?

There are other crucial and equally persuasive arguments for not handicapping the sources of information, education and culture through taxation. Illiteracy is a disability that we have a duty and the ability to improve radically. A tax on literacy is a long term lowering of a nation's tax yield.

In a society where **computer literacy** is essential to virtually everyone, the inability to read must be a disability that holds people back from good employment as well as denying them the ability to enjoy as full a life as the rest of us. We who read constantly as part of our professional and private lives may find it hard to envisage just how disadvantaged some of our compatriots really are. This is why the European Commission has launched in February this year a high-level expert group on literacy, chaired by Princess Laurentien of the Netherlands¹.

¹ IP/11/115: *Commission launches high-level expert group on literacy chaired by Princess Laurentien of the Netherlands*, 1 February 2011

Conclusion:

- The future of the European press depends on the ability of publishers to launch successful digital businesses alongside and in transition from their print publications.
- We recommend that the outcome of this consultation be that Member States should maintain existing reduced and zero rates on the press and also be permitted to extend their reduced VAT rates – including zero, to the digital press².
- This would bring consumer, cultural and educational benefits, as well as assisting the development of the media and publishing industry in pursuit of the EU Digital Agenda goals.

Brussels, 31st May 2011

Annex A: EPC members

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/115&format=HTML&aged=0&language=EN&guiLanguage=en>

² See also the Berlin Declaration www.berlindeclaration.eu and the CMBA position at <http://www.cmba-alliance.eu/> both co-signed by the European Publishers Council

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