Value added tax (VAT): rates applied to books, newspapers and periodicals

2016/0374(CNS) - 01/12/2016 - Legislative proposal

PURPOSE: to authorise the Member States to reduce the rates of value added tax applied to books, newspapers and periodicals.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Directive 2006/112/EC provides that Member States may apply reduced rates of value added tax (VAT) to publications on any means of physical support. However, a reduced VAT rate cannot be applied to electronically supplied publications, which have to be taxed at the standard VAT rate. In line with the Commission's Digital Single Market Strategy and in order to keep abreast of technological progress in a digital economy, Member States should be enabled to align the VAT rates for electronically supplied publications with lower VAT rates for publications on any means of physical support (minimum 15%).

In the Action Plan on VAT, the current rules on VAT rates do not fully take into account technological and economic developments with regard to e-books and electronic newspapers. It outlined that electronically supplied publications should be able to benefit from the same preferential VAT rate treatment as publications on any means of physical support.

Modernising VAT for the digital economy is also a key objective of the Digital Single Market Strategy.

IMPACT ASSESSMENT: the preferred option is the one which would enable Member States to apply reduced VAT rates lower than the current minimum of 5% or to grant exemptions with deductibility of the VAT paid at the preceding stage to the supply of publications, both on any means of physical support or electronically supplied.

It is estimated that this option could lead to a maximum decrease of VAT revenues for Member States by 2021 by EUR 4.7 billion annually, if all Member States decided to apply the current VAT rates for printed publications as well to e-publications.

CONTENT: the Commission is proposing to amend the VAT Directive in order to grant all Member States, **the possibility to apply the same VAT rates to electronically supplied publications as Member States currently apply to printed publications**, which include reduced (minimum 5%), super-reduced (less than 5%) and zero rates.

The supply of pure music and video content would continue to be taxed at the standard VAT rate, as would publications that predominantly consist of music and video content. Member States would have the discretion to specify the term "predominantly" in their national VAT law. This solution would also allow Member States to continue to apply a reduced rate for audio books, audio newspapers and periodicals for people with sight loss.