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Review of existing legislation on VAT reduced rates - Consultation Paper

The Swedish Newspaper Publishers' Association and The Swedish Magazine Publishers' Association are trade associations, representing newspaper and magazine media publishers in Sweden. Our members are active in print, as well as on tv, on the Internet and on other digital platforms.

We are pleased to have an opportunity to respond to the public consultation launched by the European Commission on the review of existing legislation on VAT reduced rates.

Swedish newspaper and magazine publishers have invested heavily in developing new business models, in order to respond to their readers' demands by providing news and information on websites, via applications for tablets and services for smart phones and mobile devices, as well as offering access to newspaper and magazine archives online.

We think that a sustainable press, available in print as well as in digital formats, has a fundamental role in preserving and encouraging democratic values. It is therefore essential that the economic and legal conditions promote their activities. The VAT system is here one key instrument.

Since long, the role of newspapers and magazines has been recognised in the taxation policy, by making it possible for Member States to apply a reduced rate. This must remain in that way, but it should not be limited to print, it must embrace newspapers and magazines on all platforms.

The current application of the standard VAT rate to the digital environment is an obstacle to publishers' investments in digital business models. It is also a barrier for citizens' access to professional news content in the digital environment.

In order to achieve the objectives of the EU Digital Agenda, and strengthen the competitiveness of the independent press sector in Europe, we therefore believe that

the possibility for Member States to apply lower VAT, should be foreseen for newspapers and magazines on all platforms.

In the following, we will focus our response to the questions asked under point 5 and 7 of the consultation.

5. Abolition of those reduced rates constituting an obstacle to proper functioning of the Internal Market

Q1 Are there any concrete situations that you are aware of whereby the application of a reduced rate on certain goods and services by one or more Member States is effectively resulting in material distortion of competition within the Single Market? Please explain and, if possible give an indication of the economic impact of the distortive effects.

The application of a reduced rate on newspapers and magazines do not result in any distortion of competition. The cross-border sales of Swedish newspapers and magazines are very marginal, mainly due to the linguistic barrier.

Publishers must also be as close as possible to their readers, as well as to their advertising market which is located at national, regional and local level. It should also be noted that the change of place of taxation for VAT in 2015 (from place of establishment to place of consumption) will ensure equal treatment of all players, including for the few cross-border activities in our sector.

7. Similar goods and services should be subject to the same VAT rate

In the Commission's Communication on the future of VAT published in December 2011, three guiding principles were set for the review of the current VAT structure.

The third principle stated that **similar goods and services should be subject to the same VAT rate** and that progress in technology should be taken into account in this respect, so that the challenge of convergence between on-line and physical environment is addressed.

In this context, the Commission's consultation document raised the issue of on-line publications compared to paper publications (books, newspapers, magazines) and audio books.

Q6 – Do you agree that those electronic services that would qualify for the reduced rate will have to be precisely defined in a uniform way at an EU level or do you consider that a broad definition in the VAT Directive would be sufficient?

Historically, newspapers and magazines have been included in Annex III of the Sixth VAT Directive because the EU institutions have always recognised their essential contribution to

European society and democracy. It has never been an issue within the directive to define what a newspaper or a magazine is.

We don't think that the possibility for Member States to apply a reduced rate depends on how a newspaper or a magazine should be defined: it depends on the recognition by EU and Member States of the essential role of newspapers or magazines on all platforms.

This recognition should not depend on questions of definition (and this is not the case in the current legislative approach on VAT) but has to be addressed by a simple technical change in the existing text of Annex III as follows:

Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (Annex III)

*(6) supply **on all physical and digital means of support**, including on loan by libraries, of books (including brochures, leaflets and similar printed matter, children's picture, drawing or colouring books, music printed or in manuscript form, maps and hydrographic or similar charts), newspapers and periodicals, other than material wholly or predominantly devoted to advertising;*

Q8 - Considering the need for a uniform and future proofed approach at EU level, what should be the definition of on-line newspapers and on-line periodicals in EU law?

There is no need to have a uniform definition of on-line newspapers or magazines at EU level: the alignment of the VAT regime from print to digital newspaper or magazine formats is more a political decision. A straightforward technical change in Annex III is all that is required to achieve this goal.

The definition of a newspaper or a magazine at national level is closely connected to the political, historical and cultural history of each Member State and would also have repercussions on other fundamental aspects of press (constitutional, legal and economic) which belongs to Member States' exclusive competence. Some Member States have specific national definition of newspapers and magazines (whether in print or in digital forms) in order to achieve certain objectives based on national press policy, legislation and constitutional principles. A European wide definition of an online newspaper or magazine could therefore challenge national definitions and have an unintended impact on other important public policy objectives (e.g press freedom, culture, media pluralism) which belongs to Member States' exclusive competence.

Our conclusion:

The role of newspapers and magazines, their reach and influence in our societies have never been so important in Europe. The high level of investment of publishers in digital offers and services has contributed to this positive development.

However, the current difference of VAT treatment between printed and digital newspaper and magazine formats represents a barrier to existing and future investment in the digital environments. Not only has it affected the competitiveness of the newspaper and magazine

publishing sector, but it does not take into account the evolution of the press in the new media environment.

EU and national decision makers should reflect this natural evolution in Annex III to the Sixth VAT Directive. This change is based on promoting public policy objectives. The question of the definition of a newspaper or a magazine should remain the exclusive competence of Member States.

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