

# Remissvar: The Green Paper on the future of VAT, COM (2010) 695

Sveriges Tidskrifter har ombetts inkomma med ett remissvar angående EU:s grönbok om mervärdesskattens framtid. Nedan följer remissvaret i sin helhet.

*To the European Commission*

## **The Green Paper on the future of VAT, COM (2010) 695**

The Swedish Magazine Publisher Association (Sveriges Tidskrifter) will, in our response to the Consultation on the Green Paper "On the future of VAT: Towards a simpler, more robust and efficient VAT-system", focus exclusively on the questions that are of relevance for our business sector.

### Introduction

Sveriges Tidskrifter is the trade association for the Swedish periodical press (magazines). We represent about 400 weeklies, monthlies, quarterlies etc – both consumer magazines and B2B. Our members are published and distributed on paper as well as online.

36 percent of all Swedes read a magazine on an average day, in print or online, and on an average week more than 60 percent of the Swedish population read a magazine. Magazines have a strong standing in the Swedish society as a trustworthy source of information, covering every possible aspect of the Swedish society – literature, sports, science, economics, fashion, politics, health, etc.

Today the VAT rate for printed magazines is 6 percent in Sweden. The standard VAT rate, and thus the VAT rate for digital publications, is 25 percent.

### Why a reduced VAT rate on magazines?

The essential role that the periodical press plays in a democratic society is well recognized by European legislators today. This is why magazines benefit from a reduced, super-reduced, or even a zero-rate VAT across Europe.

We want to underline that VAT should never be applied in a way where it creates obstacles for the possibilities – and responsibilities – of the periodical press to fulfill

its role for the democratic debate and the dissemination of information. European democracy is simply not conceivable without the existence of a free and strong professional press. Therefore we encourage EU decision makers not to erode the possibilities for Member States to apply a reduced VAT rate on reading, but rather adapt the current rate structure to the reality of the digital evolution allowing a reduced VAT rate on all platforms from where magazines are being published.

## The questions of the consultation

*Q 19 – Do you think that the current rates structure create major obstacles for the smooth functioning of the single market (distortion of competition), unequal treatment of comparable products, notably online services by comparison with products or services providing similar content or leads to major compliance costs for businesses? If yes, in what situations?*

The current rate structure does not reflect the reality of the technological neutral press of today. By not applying the same VAT rates to digital and offline publications, the current legislation is not consistent in its approach and treats similar products most unequally (in Sweden the rate for a digital magazine is more than four times higher than the rate for a printed magazine). Just as the information society as a whole, our sector is today experiencing a crucial restructuring phase. The digital revolution has created new needs; readers are shifting from print to online expecting their sources of reliable information to do the same. The magazine sector is investing massively in order to offer the readers what they request – quality content on new platforms. Although reaching a wider audience, online advertising revenues remain very low and magazines have not yet found a digital business model sustainable in the long run. At the moment most – if not all – magazines in Sweden are funding their online publications with the revenues from their printed ones.

Given this fact, it is obvious that in today's Information Society, the VAT system must be updated, so that technological developments and changed consumption patterns can be taken into account. The consumers choice, whether to read on- or offline, should not be dictated by VAT rates.

A technological neutral VAT rate would also be in line with the EU Digital Strategy, which states that "*Member States may apply a reduced VAT rate to certain cultural products but have to apply the standard rate to competing online services such as e-*

*books and newspapers. The "Digital Agenda for Europe" stipulates that the challenges of convergence between the online and the physical environment should be addressed in all reviews of public policy including tax matters".*

Further, it should be noted that an equal treatment for printed and digital magazines would reduce the administrative burden of publishing houses, as they today have to calculate different VAT rates for different formats.

*Q 20 – Would you prefer to have no reduced rates (or a very short list), which might enable Member States to apply a lower standard VAT rate? Or would you support a compulsory and uniformly applied reduced VAT rates list in the EU notably in order to address specific policy objectives as laid out in particular in "Europe 2020"?*

Last week the Swedish Parliament adopted the Swedish response to the Green Paper (written by the Parliaments tax committee and now to be carried out by the Swedish Government). In the response it is stated (our translation):

*"Today the VAT system is not in sync with the technical and economical development where you see an increased use of new techniques and an increased focus on services. The committee considers the implementation of the VAT system to come as a good opportunity for the commission to open up for the possibilities of the digital society. The VAT system of the future must deal with cross-border transactions via e.g. mobile phones or the Internet in a simple and efficient way. With a more simple and efficient system we foster the growth of the Internet economy and the job opportunities of the future.*

*When it comes to the market of books, newspapers, and magazines it is possible today to apply a reduced VAT rate on printed books of all formats as well as on audio books and e-books in the format of CDs. The same goes for printed newspapers and magazines. Digital books, i.e. e-books (text) and audio books (audio), are however not covered by the possibility for a reduced VAT rate. For these products, as well as for newspapers and magazines that are delivered online, each member state within the EU must apply the normal VAT rate of their country. The committee is of the opinion that within the field of free speech it is especially important that the same VAT rate can be applied on products that exist in both a traditional context and in a digital environment. It is the content that should be of relevance and not the form of publication or distribution. Such a way of thinking is also in line with the digital agenda*

*for Europe where convergence is advocated between the physical world and the online world, also in the matter of taxes."*

We fully agree. We believe that the current possibility for the Member States to apply a reduced rate on magazines must therefore be maintained and that it, furthermore, must be extended to all formats.

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Kerstin Neld

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