Public Affairs
Media Policy

REPORT

VAT rates applied to news media in EU Member States

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Abstract

A lowered value-added tax (VAT) rate is the most common form of indirect state subsidy available to the newspaper industry in the EU, with the great majority of Member States applying a reduced rate to print newspapers. These range from 2.1 % (France) to 13 % (Croatia), but in some countries newspapers are exempted from paying VAT entirely, while in others newspapers do not benefit from any reduction.

This report provides a general overview of the landscape in the EU. We hope that it will contribute to the ongoing global discussions concerning indirect press subsidies.

While the EU rules have allowed printed newspapers to benefit from reduced VAT rates, this regime does not cover digital publications, to which the standard rate applies. Yet in 2015, some Member States extended the reduced VAT rate to digital publications, resulting in the European Commission opening a procedure of infringement against them.

Late last year, the European Commission released a proposal that, if approved, would allow Member States to align VAT rates between print and digital publications.

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Project lead:
Elena Perotti

Researcher:
Ilaria Fevola

Editorial and research assistance:
Teemu Henriksson

Design/layout:
Ivan Cosic & Snezana Vukmirovic
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VAT as an indirect press subsidy

Press subsidies can be direct or indirect. Direct subsidies consist of financial support, and they can either subsidize the price of production, or that of circulation.

In almost every European country, newspapers from the private sector receive indirect support from governments. This may take the form of tax relief or tax exemptions, the most common type being a reduction in the VAT rate (Value Added Tax). However, the landscape varies considerably from country to country, so much so that it is difficult to find common trends and models.

Overall, in the great majority of EU Member States, printed newspapers and periodicals benefit from a reduced VAT rate, apart from Belgium, Denmark and the UK. In these countries the percentage amounts to zero, so the VAT rate is not applied at all.

The lowest VAT rate applied to newspapers can be found in France (2.1%), followed by Luxembourg (3%), Italy and Spain (4%), up to the highest applicable rate, which is 20% in Slovakia.

It is worth mentioning the case of Croatia, where the government has established a VAT rate of either 5% or 13%, depending on whether the newspaper's advertising content is less than, or greater than, 50%.

The applied VAT reduction generally varies also according to the amount of direct subsidies granted by the Member State. For example, where there is no governmental policy to grant direct aid to newspapers, they tend to benefit from increasingly reduced VAT rates, just like in the UK's case.

Recent legal developments on VAT in the EU

It should be remembered that European Union Member States share competence in the area of tax law with the EU, in view of harmonizing national legislations under Art 113 TFEU. The approval of directives on tax law, such as the **VAT Directive 2006/112**, requires a special legislative procedure under which the EU Council, after consulting the European Parliament, will decide by unanimity – which is naturally very difficult to reach.

The most recent developments in EU tax law regarding indirect support to the press have regarded the application of VAT reductions to printed and digital publications. According to the existing rules, printed newspapers benefit from a reduced VAT rate, which can vary from Member State to Member State as previously mentioned. But digital publications do not fall under the same regime, therefore the normal VAT rate is applied.

This idea has been constantly applied both by the European Commission and by the European Court of Justice (ECJ). Indeed, according to the VAT Directive, electronically supplied services – including electronically distributed publications – have to be taxed at the standard VAT rate (minimum 15%). On the other hand, Member States have the option to tax publications distributed physically at the reduced VAT rate (minimum 5%), and some Member States have been allowed to continue to apply VAT rates lower than the current minimum of 5% (super-reduced rates), including zero rates on certain printed publications.

In 2015, France and Luxembourg decided to apply the same VAT reduction to both the printed and digital versions of the same publications. The Commission swiftly opened a procedure of infringement against the two Member States (**Case C-479/13 Commission v. France, and C-502/13 Commission v. Luxembourg**), which were both found in violation of the VAT Directive and therefore condemned by the ECJ. The Court specifically ruled that Directive 2006/112 "*does not include in its scope the supply of electronic books*" (paragraph 29 of Case-479/13 Commission v. France), therefore "*it must be held that, by applying a reduced rate of VAT on the supply of digital books (or electronic books) in contrast with paper books, France and Luxembourg have failed to fulfil their obligations under Art 96 and 98 of the VAT Directive*". (See Press Release No 30/15)

The same view was reiterated by Advocate General Juliane Kokott in September 2016 (Case 390/15 Rzecznik Praw Obywatelskich RPO), where she found that the exclusion of electronically supplied digital books, newspapers and periodicals from the reduced VAT rate does not violate the principle of equal treatment, nor does it violate the VAT Directive. In her Opinion, the Advocate General points out that digital and printed publications belong to two different markets from a competition-law perspective, and there is no interchangeability between the two products, because the consumer's choice of one product does not necessarily exclude the other. She also mentions the fact that printed publications cost significantly more to produce than their digital counterparts do, therefore the higher VAT for digital publications is permitted to compensate the differing production costs. The Opinion is not binding, and the ECJ will be asked to decide on the case in the coming months.

Both the Commission and the ECJ left an open question: if digital publications do not fall under the VAT Directive, there is a lack of EU legislation on the matter. Therefore, notwithstanding the aforementioned ruling by the ECJ, the Commission later recognized the need to adopt some specific provisions that would directly address digital publications. It therefore launched a public consultation in August 2016 regarding the VAT treatment of digital publications in Europe, to better understand the current situation among Member States. Some observers argued that this consultation suggested that the Commission's ultimate intention was to reform VAT rules in order to apply the same favorable treatment both to printed and digital publications. This is in line with the VAT plans announced by the Commission in July 2016, where it expressed its will to reform the VAT rules to better conform to recent technological and economical developments. Modernizing VAT for the digital economy is also a key objective of the Digital Single Market Strategy.

In spite of the ECJ judgment against France and Luxembourg, some Member States, such as Italy and France, have continued to apply the same VAT rates both to printed and digital publications.

In late 2016, the European Commission ultimately addressed the unequal treatment of paper versus e-publications, including e-books and e-newspapers, for VAT purposes. On 1st December, it released a proposal for a new Council Directive amending Directive 2006/112/EC as regards rates of value added tax applied to books, newspapers and periodicals. The Commission acknowledges that the previous legal treatment has resulted in the VAT rate on e-publications being higher than the one on the corresponding printed version. Thus, digital publications have received markedly less favorable VAT treatment in most Member States. The proposal will allow Member States to align VAT rates for e-publications, currently taxed at the standard rate, to the more favorable regime currently in force for traditional printed publications across the EU. However, Member States will not be obliged to apply lower VAT rates to e-publications, and will continue to have full control over the budgetary implications.

The new VAT proposal suggests that the analogue and electronic copies of work could eventually be subject to the same treatment under EU law. Indeed, the principle of equal treatment between printed and digital publication will not be limited to the field of VAT rules.

TABLE OF VAT RATES FOR NEWSPAPERS

SOURCE: European Commission report on VAT rates applied in the Member States of the European Union, situation at 1st August 2016.

COUNTRY	VAT RATE %	COMMENTS
Austria	10	20% standard VAT applies to digital
Belgium	0 6 21	0% applies to printed daily and weekly newspapers 6% applies to magazines Standard rate applies to digital publications
Bulgaria	20	There is no VAT reduction for newspapers
Croatia	5 13	Daily printed newspapers issued by publishers having a status of media, excluding newspapers containing more than 50% advertising
Cyprus	5	19% standard VAT applies to digital
Czech Republic	10	21% standard VAT applies to digital
Denmark	0 25	0% VAT applies to printed publications 25% VAT applies to digital
Estonia	9 20	10% on newspapers, provided that they are sold on subscription for a period of at least one month 24% in all other cases and for digital subscriptions
Finland	10 24	10% on newspapers, provided that they are sold on subscription for a period of at least one month 24% in all other cases and for digital subscriptions
France	2.1 20	2.1% also applies to digital press 20% applies to newspapers containing mainly display advertising, private advertising or pornographic material
Germany	7	7% rate is applied to both single copy and subscription sales. 19% standard VAT applies to advertising and digital publications.
Greece	6 24	6% VAT applies to printed publications 24% VAT applies to digital
Hungary	5	27% standard VAT is applied to advertising and newsprint, as well as digital publications.

COUNTRY	VAT RATE %	COMMENTS
Ireland	9	23% standard VAT applies to digital
Italy	4 22	4% applies to newspapers and all digital publications such as newsletters, periodicals, etc. issued by electronic means and having an ISBN (International Standard Book Number) or ISSN (International Standard Serial Number) Excluded are pornographic newspapers, periodicals and catalogues different from those in the information library, sheet music and printed maps
Latvia	12	21% standard VAT applies to digital
Lithuania	9	21% standard VAT applies to digital
Luxembourg	3	17% standard VAT applies to digital
Malta	5	18% standard VAT applies to digital
Netherlands	6	21% standard VAT applies to digital
Poland	8 23	8% is applied to printed newspapers with an ISSN, excluding those where a minimum of 67% of the surface is devoted to advertisements (paid or not)
Portugal	6 23	 23% applies to newspapers containing mainly display advertising, private advertising or pornographic material
Romania	5	24% standard VAT applies to digital
Slovakia	20	There is no VAT reduction for newspapers
Slovenia	9.5	22% standard VAT applies to digital
Spain	4 21	4% applies to newspapers that get less than 75% of their revenue from advertising
Sweden	6	25% standard VAT applies to digital
United Kingdom	0	20% standard VAT applies to digital

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