



Seimas of the Republic of Lithuania
Committee of Culture
Committee on Social Affairs and Labour
Committee on Legal Affairs

COPY:

Government of the Republic of Lithuania
Ministry of Culture of the Republic of Lithuania

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Brussels, 3rd July 2017,

Dear Madam, dear Sir,

The Federation of European Publishers is concerned about the future of book publishing in Lithuania. Indeed, publishers from all over Europe would like to raise your attention on the negative consequences their colleagues in Lithuania will face if the regulations taxing royalties and copyright license agreements with health insurance and social security remain as such. Therefore, we respectfully would like to ask support the book sector and repeal this legislation. We would be happy to have follow-up conversations with you on those issues and how they are dealt with in other European countries if you so wish.

In order to be beneficial for the creative sector and specifically the publishing one, the tax environment requires stability and predictability.

We understand that that publishing sector in Lithuania is undergoing a complicated transformation period and this is made more difficult because of the forever changing tax conditions.

Together with the important changes in taxes and taxation plans (initiatives for taxing royalties and copyright license agreements, increase of VAT rate in 2009, or the plans to review all VAT exemptions in 2017) since 2009, the economic crisis in Lithuania considerably impeded the development of the publishing industry: the number of book titles decreased by 31% in 2009-2010 (from 4.6 thousand in 2008 to 3.2 thousand in 2010). Before the crisis, the circulation of approximately 8 million books per year had been levelled off; however, the economic downturn disturbed this balance: in 2008-2013, circulation decreased by 40%, from 7.3 million to 4.9 million copies. During the period of 2008-2015, the number of copies per capita decreased from 2.2 to 1.5 books, while an average circulation went down from 1.6 to 1.3 thousand copies. In Lithuania, there are almost 500 publishers, however active book market participants, which published 10 or more books, comprised 13% of all publishers (65 publishers) in 2015.

The regulations for taxing royalties and copyright license agreements with health insurance and social security have further harmed the market.



Such taxation in European countries would be considered to be distorting the nature of the relation publisher - author. Indeed, if the publisher has to pay the social security of his/her authors, does the authors becomes kind of employees of the publisher and therefore to whom belong the copyright in the work? What would happen if the author writes a new book for another publisher? Having publishers paying the health insurance and social security of authors is not a solution and this is why other European countries have not adopted similar legislation.

Authors of literature, photographers, illustrators must create without being bound by any employment relationships with exploiters of their works. The copyright licensing agreement permits the use of the work with conditions of fixed-terms, royalties, territory and etc. It is a voluntary agreement between two independent parties and has nothing to do with the relationship of employee and employer.

We understand that if these regulations are not repealed, many publishers in Lithuania will face the problems of financial stability and vitality assurance (most publishers are small or medium enterprises). This will affect the entire sector and endanger cultural diversity. We urge you to consider our arguments and to listen our Lithuanian colleagues

Yours sincerely,

Henrique Mota

Henrique Mota
President