

Reduced VAT rate on digital books: a sensible fight

The European Commission (EC) has decided to refer France to the Court of Justice of the European Union following an infringement procedure launched on the 3rd of July 2012 against this country which applies a reduced VAT rate on e-books since the 1st of January 2012 (5.5% since the 1st of January 2013). However, such a decision, which is a regular step in the procedure, was expected as the European Commission is playing its role of guardian of the Treaties.

Under European law, an e-book is not regarded as a book but as an electronically provided service. Books benefit from a reduced VAT rate and services do not. This is absurd. Especially as the list of products which can benefit from a reduced VAT rate includes goods and services, such as audiovisual services. According to this approach, the reader using an e-reader or a digital tablet would not read books anymore but only consume online services. However reading is still reading, no matter the medium. Like any book, an e-book is a work of the mind: it is defined by the content and not by the medium.

The EC is sensitive to these arguments. On the 8th of October 2012, the EC launched a consultation on reduced VAT rates, in particular for e-books, which could lead to a necessary modification of the Directive. Like many book stakeholders, SNE answered at the beginning of January 2013 that the definition of books in the European Directive should change to include e-books of which a definition was proposed.

Decisions about fiscal matters are made by unanimous agreement between the 27 Member States, so the latter have, more than the EC, the power to make the decision.

Through a technical modification, the aim is to end the absurd fiscal discrimination between printed books and e-books, to fight against piracy by developing an attractive offer of e-books for consumers and to encourage reading, no matter the medium.

USA, Japan and South Korea, where the digital book markets are the most developed, apply a lower or equal VAT on e-books compared to printed books.

The application of reduced VAT rates has produced no distortions whatsoever within the Single Market, due to the importance of linguistic areas and the application of the destination principle, which will be extended to e-books in 2015.

About French Publishers Association (Syndicat National de l'Édition) :

The French Publishers Association (SNE) is France's trade association of book publishers. It represents approximately 600 member companies whose combined business endeavors account for the bulk of French publishing. The SNE's missions include to advocate publishers' interests, to support creativity by defending freedom to publish and promoting the respect of intellectual property rights, to promote and to defend the fixed book price, and to promote literacy.

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