

VAT/GST/Sales Tax Rate: Global survey on books & electronic publications Update 2011



Introduction

For the second consecutive year, the International Publishers Association (IPA), along with PwC¹, carried out a global survey on the applicability of VAT/GST/Sales Tax² on printed books and electronic publications³. The survey covers 88 countries around the globe. PwC contributed data for 81 countries. This was complimented by information provided by publishers and publishers associations.

Whereas it was the objective of the first global VAT survey to learn more about the availability and use of special tax rates⁴ for paper and e-publications in general, this second survey attempts to assess the extent to which the tax treatment of e-publications is aligned with a given special tax treatment for printed publications.

Just like for last year's survey, IPA and PwC collected answers to the following questions from their contacts in 88 countries:

- What is the standard VAT/GST/Sales Tax rate?
- Does any special treatment (*reduced rates or exemptions*⁵) exist in a given country, and if so do they apply to books, and/or electronic publications?
- If a special treatment (*reduced rates or exemption*) applies, does it apply to all types of books, including electronic publications?
- If the special treatment (*reduced rate or the exemption*) only applies to specific types of books/electronic publications, for what types of works does this rate or exemption apply?

A comparison of the survey results of the two years allowed IPA and PwC to identify certain trends in the change of VAT rates.

Key Findings

- Globally, and in particular in Europe, standard VAT rates are on the rise. Between the two surveys the average regular VAT rate has risen. Twelve EU Member States (*out of 27*) have increased their standard VAT rates. The average standard rate increase in these countries was at 2.48 %.
- Special VAT/GST/Sales Tax treatment for publications remains the norm, not the exception, among the countries with VAT/GST/Sales Tax regimes. The large majority (*more than 86%*) of the countries surveyed, apply a favourable tax regime for paper books. The average VAT rate for printed books has remained relatively stable. Of the twelve EU Members States that have increased their standard VAT rates, only half (*six*) increased also their VAT book rate. The average increase was also lower than that increase of the standard rate (*2.00% vs. 2.48% for the standard rate*).
- Among the special tax rates, the 0% rate and tax exemptions are by far the most widely used measures. 21 out of the 88 countries (*24%*) apply a 0% or VAT/GST/Sales Tax exemption for all books.
- All major publishing markets surveyed (*France, Germany, Italy, Japan, Korea, Spain, UK*) provide for reduced rates or exemptions at least for paper books. Please note that the US has been excluded from this survey, its complex web of national, state and county sales taxes being beyond its scope.

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² VAT – Value Added Tax, GST – Goods and Service Tax

³ Electronic publications include both publications supplied to physical support like CDs and supplied without material support

⁴ Rates – VAT/GST/Sales tax

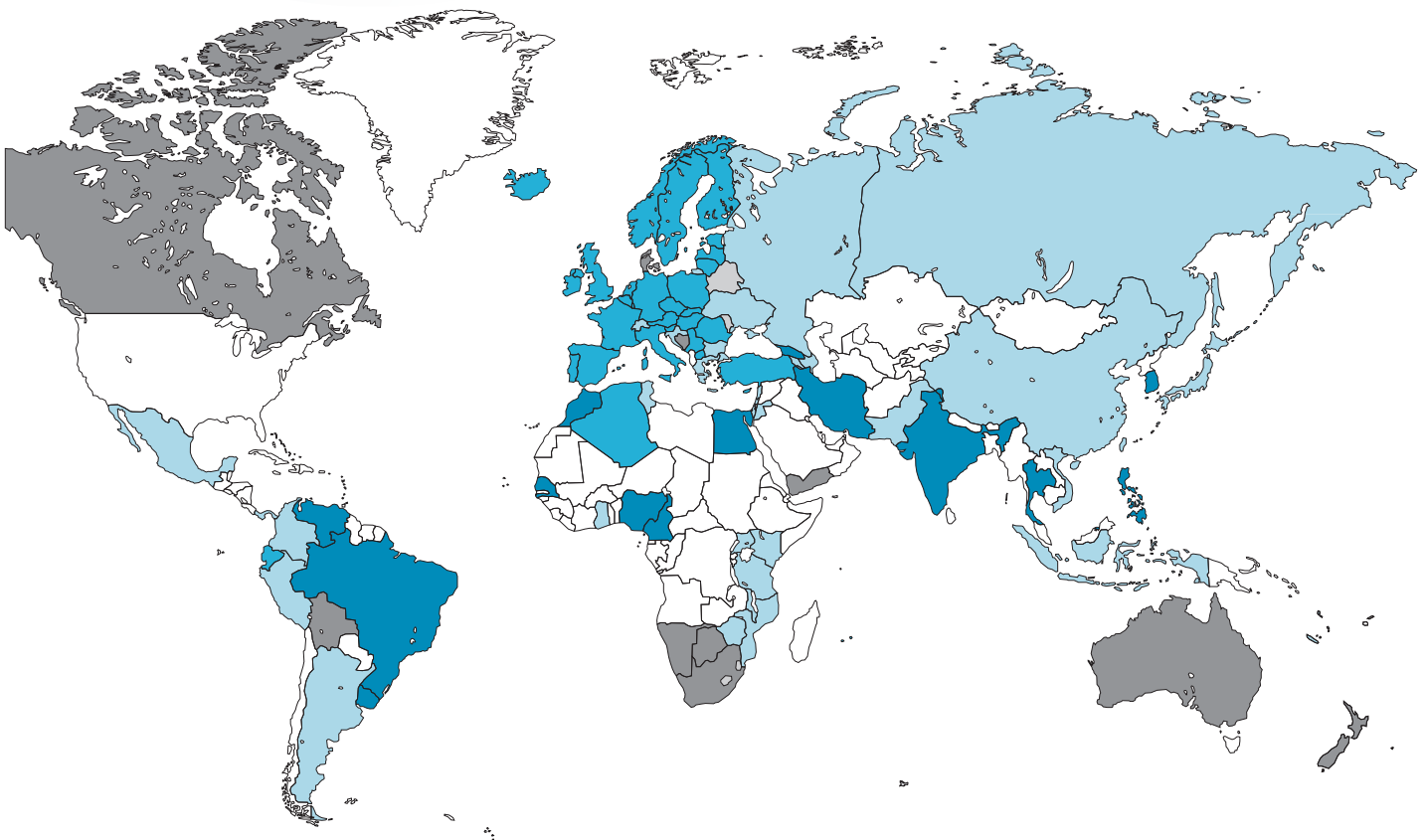
⁵ Exemption means where the supplier of the books does not charge any tax, however if the seller incurs any VAT/GST on his purchases then the VAT/GST cannot be credited against any output VAT/GST and the VAT/GST becomes a cost. In case of zero rated supplies, the supplier does not charge any VAT/GST on his sales, however any VAT/GST incurred on his purchases is available as credit which can be set-off and hence is no cost to the seller.

- Specific regulations of VAT/GST/Sales Tax on e-publications are gaining further ground. Yet, much progress remains to be made for countries to adopt a real non-discriminatory, consistent tax regime for paper and electronic publications. Korea, which boasts the world's 8th largest publishing industry, should serve as a model in this respect.

The results for paper books and e-publications in the 88 countries can be summarised as follows (the figures between brackets show the evolution in numbers of countries since the first VAT survey):

CATEGORY	VAT/GST/SALES TAX CLASSIFICATION	NO OF COUNTRIES	
		PAPER BOOKS	E-PUBLICATIONS
I	Exemption for all	14 (-1/2010)	7 (+1/2010)
II	Reduced rate for all	32 (-1/2010)	3 (=2010)
III	Reduced rate or exemption – limitations apply	31 (+5/2010)	27 (+9/2010)
IV	No reduced rate or exemption – standard rate applies	11 (-2/2010)	39 (-12/2010)
V	Treatment of (e-) publications not known	0 (-1/2010)	12 (+2/2010)

The map below provides an overview of the tax regimes applicable to paper books.



The results for paper books show a great stability. Despite a context where standard VAT rates are on the rise worldwide, paper books continue to enjoy a reduced VAT rate or are VAT exempt, sometimes with limitations, in more than 86 % of the countries surveyed.

E-Books and VAT/GST

On the e-publications front, a trend is noticeable. Whereas in 2010, close to 58% of the countries surveyed provided no exemption or reduced rates for e-publications, this figure fell by more than 10% to less than 47% in early 2011.

Still, in too many countries the discriminatory tax treatment of paper and e-books continues. Mostly, no concession applies to electronic publications although the International VAT/GST Guidelines of the OECD⁶ recommend a non-discrimination policy.

In the EU, a recent amendment to the EU Tax Directive⁷ now allows the application of reduced rates to “*books on all physical means of support*”, e.g. e-publications sold on CD-ROM or USB sticks, therefore partly abolishing the discriminatory treatment. However, other e-book sales including book downloads remain excluded and cannot benefit from a reduced tax rate. Still, it is a welcome development that an increasing number of EU countries (*8 EU Members [out of 27] + Norway and Iceland*) makes use of the new flexibilities. Moreover, legislative developments in France and Spain also aim at abandoning the illogical and antiquated distinction between e-books on physical media and books for download.

Generally, any discriminatory treatment of paper and e-books (*or a discriminatory treatment of different types of e-books*) means that no incentives are given to readers, publishers and their authors to experiment with new media. This is likely to hold back the development of the e-book market generally. In a market where publishers are under pressure from retailers to reduce the sales price, and from authors to increase royalties, the application of the standard VAT rate adds additional financial pressure. How does this sit with numerous government initiatives to promote the move into digital content? For example in a number of countries educational reform initiatives frequently involve the introduction of digital technology into classrooms and learning. Due to the imbalanced tax regime there is often a significant financial incentive for schools to continue with paper text books. Also, for many readers with disabilities, the electronic format of a book may be the only format allowing them to read a book.

Some countries are heading in the right direction: Georgia and Serbia started extending their reduced or zero rates on books to all e-publications in 2010 and also some major publishing markets lead the way in applying rates consistently, e.g. Japan and Korea.

Conclusion

Reduced VAT/GST rates remain the norm for printed books. The recent debates about VAT reform have left the special place for books untouched: in virtually all VAT reforms books are consistently confirmed to be among the goods and services that merit a special, reduced VAT rate or exemption.

There is a clear trend towards inclusion of e-books in special VAT/GST regimes. A consistent treatment for all types of books is the direction towards which we are heading and the most logical way to achieve this is to reduce VAT on e-publications. The practical issues that enable special rates have been resolved in the pioneering countries. The rate applied to all e-publications, irrespective of the physical carrier, should match the rate for printed books to create a level playing field for all publications.

⁶ <http://www.oecd.org/dataoecd/16/36/36177871.pdf>

⁷ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

COUNTRY	STANDARD RATE (%)	SPECIAL TREATMENT FOR PRINTED BOOKS?	SCOPE OF SPECIAL TREATMENT	CATEGORY	SPECIAL TREATMENT OF E-PUBLICATIONS?	SCOPE OF SPECIAL TREATMENT	CATEGORY
ASIA/ PACIFIC							
1.Australia	10	No	NA	IV	No	NA	IV
2. China	13	Yes, exempt or 2 or 13%	Limitations apply	III	Yes, 13%	Limitations apply	III
3.Fiji	15	Yes, exempt or 0%	Limitations apply	III	No	NA	IV
4.India	13.5	Yes, exempt (Delhi)	All books	I	Yes, exempt (Delhi)	All e-publications (Delhi)	I
5.Indonesia	10	Yes, exempt	Limitations apply	III	No	NA	IV
6.Iran	1.5	Yes, exempt	All books	I	Unclear	Unclear	V
7.Japan	5	Yes, exempt or 5 %	Limitations apply	III	Yes, out of scope	Limitations apply	III
8.Korea (South)	10	Yes, exempt	All books	I	Yes, exempt	All e-publications	I
9.New Zealand	15	No	NA	IV	No	NA	IV
10.Pakistan	17	No	Limitations apply	III	No	NA	IV
11.Philippines	12	Yes, exempt	All books	I	Unclear	Unclear	V
12.Singapore	7	No	NA	IV	No	NA	IV
13.Taiwan	5	Yes, exempt	Limitations apply	III	No	NA	IV
14.Thailand	10	Yes, exempt	All books	I	Yes, exempt	Limitations apply	III
15.Vietnam	10	Yes, exempt, or 5 %	Limitations apply	III	Yes, exempt, or 5%	Limitations apply	III
EUROPE & CAUCASUS							
16.Armenia*	20	Yes, exempt	Limitations apply	III	No	NA	IV
17.Austria	20	Yes, 10%	All books	II	No	NA	IV
18.Azerbaijan	18	Yes, exempt	Limitations apply	III	No	NA	IV
19.Belgium	21	Yes, 6%	All books	II	No	NA	IV
20.Bosnia*	17	No	NA	IV	No	NA	IV
21.Bulgaria	20	Yes, exempt	Limitations apply	III	No	NA	IV
22.Croatia	23	Yes, 0%	Limitations apply	III	Yes, 0%	All e-publications	II
23.Cyprus	15	Yes, 5%	All books	II	No	NA	IV
24.Czech Republic	20	Yes, 10%	All books	II	No	NA	IV
25.Denmark	25	No	NA	IV	No	NA	IV
26.Estonia	20	Yes, 9% (or 0 %)	All books	II	No	NA	IV
27.Finland	23	Yes, 9%	All books	II	No	NA	IV
28.France	19.6	Yes, 5.5%	All books	II	Yes, 5.5%	Limitations apply	III
29.Georgia*	18	Yes, exempt	All books	I	Yes, exempt	All e-publications	I
30.Germany	19	Yes, 7%	All books	II	No	NA	IV
31.Greece	23	Yes, 6.5%	Limitations apply	III	No	NA	IV
32.Hungary	25	Yes, 5%	All books	II	Yes, 5 %	Limitations apply	III
33.Iceland	25.5	Yes, 7%	All books	II	Yes, 7%	Limitations apply1	III

COUNTRY	STANDARD RATE (%)	SPECIAL TREATMENT FOR PRINTED BOOKS?	SCOPE OF SPECIAL TREATMENT	CATEGORY	SPECIAL TREATMENT OF E-PUBLICATIONS?	SCOPE OF SPECIAL TREATMENT	CATEGORY
34.Ireland	21	Yes, 0%	All books	II	No	NA	IV
35.Italy	20	Yes, 4%	All books	II	No	NA	IV
36.Latvia	22	Yes, 12%	All books	II	No	NA	IV
37.Lithuania	21	Yes, 9%	All books	II	No	NA	IV
38.Luxembourg	15	Yes, 3%	All books	II	Yes, 3 %	Limitations apply	III
39.Macedonia*	18	Yes, 5%	All books	II	No	NA	IV
40.Malta	18	Yes, 5%	All books	II	No	NA	IV
41.Netherlands	19	Yes, 6%	All books	II	Yes, 6 %	Limitations Apply	III
42.Norway	25	Yes, 0%	All books	II	Yes, 0%	Limitations apply	III
43.Poland	23	Yes, 5% (from 1 st May 2011)	All books	II	Yes, 5 % (from 1 st May 2011)	Limitations apply	III
44.Portugal	23	Yes, 6%	All books	II	Yes, 6 %	Limitations apply	III
45.Romania	24	Yes, 9%	All books	II	Yes, 9 %	Limitations apply	III
46.Russia	18	Yes, 10%	Limitations apply	III	No	NA	IV
47.Serbia*	18	Yes, 8 %	All books	II	Yes, 8 %	All e-publications	II
48.Slovakia	20	Yes, 10%	All books	II	No	NA	IV
49.Slovenia	20	Yes, 8.5%	All books	II	Yes, 8.5 %	Limitations Apply	III
50.Spain	18	Yes, 4%	All books	II	Yes, 4 %	Limitations Apply	III
51.Sweden	25	Yes, 6%	All books	II	Yes, 6%3	Limitations apply	III
52.Switzerland	8	Yes, 2.5%	Limitations apply	III	No	NA	IV
53.Turkey	18	Yes, 8%	All books	II	Yes, 8 %	Limitations apply	III
54.Ukraine	20	Yes, exempt	Limitations apply	III	Yes, exempt	Limitations apply	III
55.United Kingdom	20	Yes, 0%	All books	II	No	NA	IV
MENA							
56.Algeria	17	Yes, 7%	All books	II	No	NA	IV
57.Egypt		Yes, exempt	All books	I	Yes, out of scope	All e-publications	I
58.Israel	16	Yes, exempt	Limitations apply	III	No	NA	IV
59.Jordan	16	Yes, exempt	Limitations apply	III	Unclear	Unclear	V
60.Lebanon	10	Yes, exempt or 0%	Limitations apply	III	No	NA	IV
61.Morocco	20	Yes, exempt	All books	I	Yes, exempt	Limitations apply	III
62.Tunisia	18	Yes, exempt	Limitations apply	III	No	NA	IV
63.Yemen	5	No	NA	IV	No	NA	IV
AFRICA							
64.Botswana	12	No	NA	IV	Unclear	Unclear	V
65.Cameroon	19.25	Yes, exempt	All books	I	Yes, exempt	All e-publications	I
66.Ghana	12.5	Yes, exempt or 0%	Limitations apply	III	Yes, 0 % or exempt	All e-publications	I
67.Kenya	16	Yes, exempt or 0%	Limitations apply	III	Yes, exempt or out of scope	Limitations apply	III
68.Malawi	16.5	Yes, exempt or 0%	Limitations apply	III	Yes, 0% or exempt	Limitations apply	III

COUNTRY	STANDARD RATE (%)	SPECIAL TREATMENT FOR PRINTED BOOKS?	SCOPE OF SPECIAL TREATMENT	CATEGORY	SPECIAL TREATMENT OF E-PUBLICATIONS?	SCOPE OF SPECIAL TREATMENT	CATEGORY
69.Mauritius	15	Yes, 0%	All books	II	Yes, 0%	All e-publications	II
70.Mozambique	17	Yes, exempt	Limitations apply	III	Unclear	Unclear	V
71.Namibia	15	NA		IV	No	NA	IV
72.Nigeria	5	Yes, exempt	All books	I	Unclear	Unclear	V
73.Senegal	18	Yes, exempt	All books	I	Yes, exempt	All e-publications	I
74.South Africa	14	No	NA	IV	Yes, 0%	Limitations apply	III
75.Tanzania	18	Yes, exempt or 0%	Limitations apply	III	Unclear	Unclear	V
76.Uganda	18	Yes, 0%	Limitations apply	III	No	NA	IV
77.Zimbabwe	15	Yes, exempt or 0%	Limitations apply	III	Unclear	Unclear	V
LATIN AMERICA							
78.Argentina	21	Yes, exempt	Limitations apply	III	Unclear	Unclear	V
79.Bolivia	13	No	NA	IV	No	NA	IV
80.Brazil	18	Yes, exempt	All books	I	Unclear	Unclear	V
81.Colombia*	16	Yes, exempt	Limitations apply	III	Yes, exempt	Limitations apply	III
82.Ecuador	12	Yes, 0%	All books	II	Yes, 0%	Limitations apply	III
83.Mexico	15	Yes, exempt or 0%	Limitations apply	III	Unclear	Unclear	V
84.Panama	7	Yes, exempt	Limitations apply	III	Yes, exempt	Limitations apply	III
85.Peru	19	Yes, exempt	Limitations apply	III	Yes, 0%	Limitations apply	III
86.Uruguay	22	Yes, exempt	All books	I	Yes, exempt	Limitations apply	III
87.Venezuela	12	Yes, exempt	All books	I	Unclear	Unclear	V
NORTH AMERICA							
88.Canada* (federal level) 2009-10	5% GST or 13% HST	No	NA	IV	No	NA	IV

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