

VAT/GST/Sales Tax Rate: Global survey on books and electronic publications





Introduction

The International Publishers Association (IPA) along with PricewaterhouseCoopers Belgium and the Global PricewaterhouseCoopers Indirect Taxes Network¹ have carried out a global survey on the applicability of VAT/GST/Sales Tax² on printed books and selected electronic publications, including audio books. The survey covered 88 countries around the globe, of which data for 53 countries are provided by the PwC network while the rest is provided by IPA.

The data relating to the rates³ for paper books and electronic publications⁴ have been collated and analysed separately. The survey has been conducted in September 2009.

Objective of the first global VAT/GST/Sales Tax survey on (electronic) publications

The objective of the first global VAT survey is to learn how widespread special rates for publications are and to identify how each country treats paper and electronic publications under their VAT/GST/Sales Tax legislation. The following data have been collected:

- What is the standard VAT/GST/Sales Tax rate?
- Does any special treatment (reduced rates or exemptions⁵) exist in a given country, and if so do they apply to books, and/or electronic publications?
- If a special treatment (reduced rates or exemptions) applies, does it apply to all types of books/electronic publications?
- If the special treatment (reduced rate or the exemption) only applies to specific type of books/electronic publications, for what types of works does this rate or exemption apply?

¹For more information visit us at www.pwc.com or www.globalvatonline.pwc.com

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

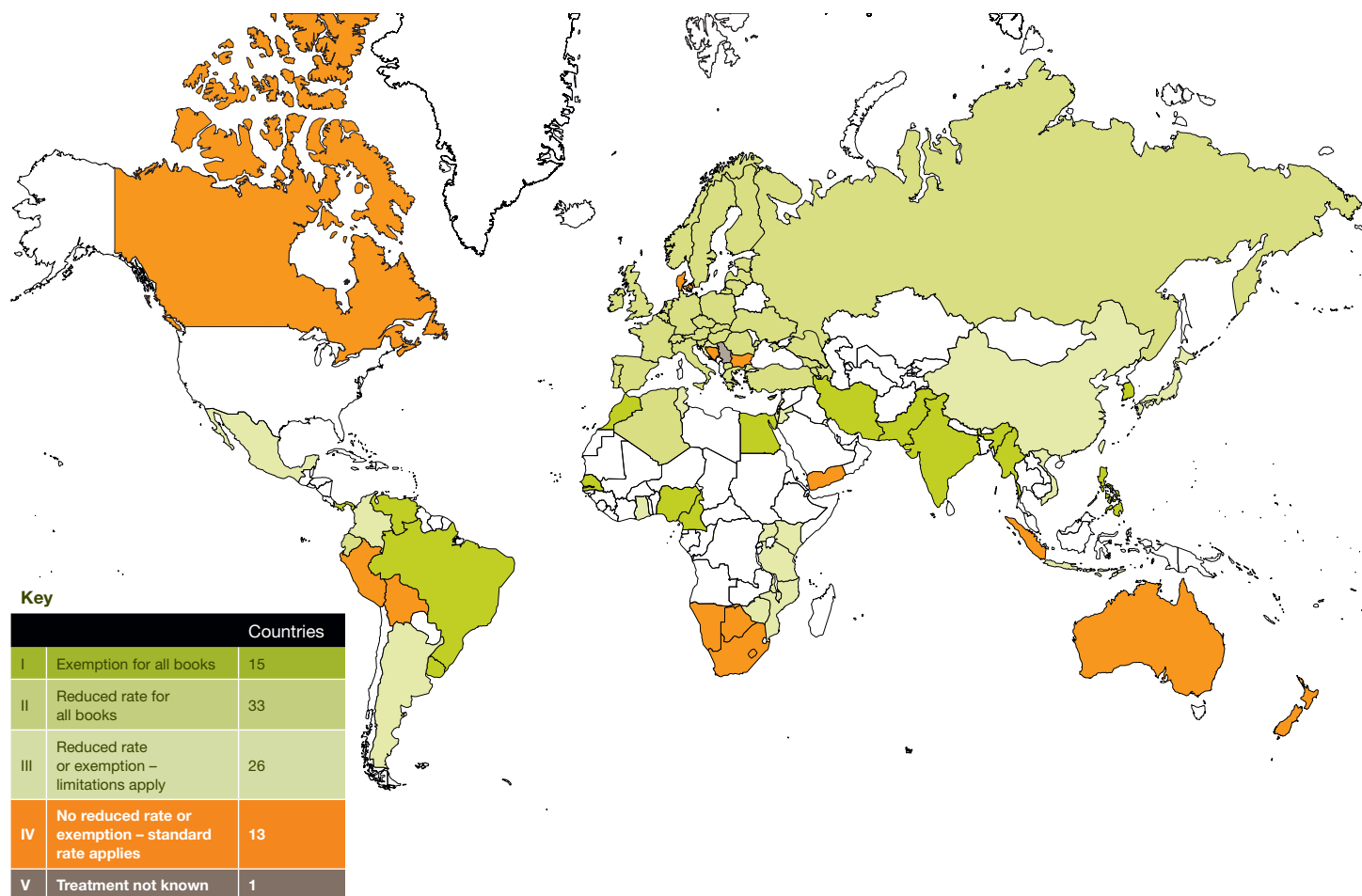
³Rates – VAT/GST/Sales Tax

⁴Electronic publications include both publications supplied on physical carrier like CDs and supplied without material support

⁵Exemption 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.



Global survey on VAT/GST/Sales Tax rates for books and electronic publications – result books



| Country | Standard rate | Special treatment for books? | Scope of special treatment | Category |
|---------------------|---------------|------------------------------|----------------------------|----------|
| Asia/Pacific | | | | |
| Australia* | 10% | No | NA | IV |
| China | 17% | Yes, exempt or 2% or 13% | limitations apply | III |
| Fiji | 12.5% | Yes, exempt or 0% | limitations apply | III |
| India | 12.5% | Yes, exempt | all books | I |
| Indonesia | 10% | Yes, exempt | limitations apply | III |
| Iran | 1.5% | Yes, exempt | all books | I |
| Japan | 5% | Yes, exempt | limitations apply | III |
| Korea (South) | 10% | Yes, exempt | all books | I |
| New Zealand | 12.5% | No | NA | IV |
| Pakistan | 16% | Yes, exempt | all books | I |
| Philippines | 12% | Yes, exempt | all books | I |
| Singapore | 7% | No | NA | IV |
| Taiwan | 5% | Yes, exempt | limitations apply | III |
| Thailand* | 7% | Yes, exempt | all books | I |
| Vietnam | 10% | Yes, exempt or 5% | limitations apply | III |



| Country | Standard rate | Special treatment for books? | Scope of special treatment | Category |
|----------------------------|---------------|------------------------------|----------------------------|----------|
| Europe and Caucasus | | | | |
| Armenia* | 20% | Yes, exempt | limitations apply | III |
| Austria* | 20% | Yes, 10% | all books | II |
| Azerbaijan | 18% | Yes, exempt | limitations apply | III |
| Belgium | 21% | Yes, 6% | all books | II |
| Bosnia* | 17% | No | NA | IV |
| Bulgaria* | 20% | No | NA | IV |
| Croatia | 22% | Yes, 0% | limitations apply | III |
| Cyprus* | 15% | Yes, 5% | all books | II |
| Czech Republic* | 19% | Yes, 9% | all books | II |
| Denmark* | 25% | No | NA | IV |
| Estonia* | 18% | Yes, 9% | all books | II |
| Finland* | 22% | Yes, 8% | all books | II |
| France* | 19.6% | Yes, 5.5% | all books | II |
| Georgia* | 18% | Yes, 0% | all books | II |
| Germany* | 19% | Yes, 7% | all books | II |
| Greece* | 19% | Yes, 4.5% | all books | II |
| Hungary* | 20% | Yes, 5% | all books | II |
| Iceland | 24.5% | Yes, 7% | all books | II |
| Ireland* | 21.5% | Yes, 0% | all books | II |
| Italy* | 20% | Yes, 4% | all books | II |
| Latvia* | 21% | Yes, 10% | all books | II |
| Lithuania* | 21% | Yes, 9% | all books | II |
| Luxembourg* | 15% | Yes, 3% | all books | II |
| Macedonia* | 18% | Yes, 5% | all books | II |
| Malta* | 18% | Yes, 5% | all books | II |
| Netherlands* | 19% | Yes, 6% | all books | II |
| Norway | 25% | Yes, 0% | all books | II |
| Poland* | 22% | Yes, 0% | all books | II |
| Portugal* | 20% | Yes, 5% | all books | II |
| Romania* | 19% | Yes, 9% | all books | II |
| Russia | 18% | Yes, 10% | limitations apply | III |
| Serbia* | 18% | Unclear | Unclear | V |
| Slovakia* | 19% | Yes, 10% | all books | II |
| Slovenia* | 20% | Yes, 8.5% | all books | II |
| Spain* | 16% | Yes, 4% | all books | II |
| Sweden* | 25% | Yes, 6% | all books | II |
| Switzerland | 7.6% | Yes, 2.4% | limitations apply | III |
| Turkey | 18% | Yes, 8% | all books | II |
| Ukraine | 20% | Yes, exempt | limitations apply | III |
| United Kingdom* | 15% | Yes, 0% | all books | II |



| Country | Standard rate | Special treatment for books? | Scope of special treatment | Category |
|--|----------------------------|------------------------------|----------------------------|----------|
| Middle East and Northern Africa | | | | |
| Algeria | 17% | Yes, 7% | all books | II |
| Egypt | FU new VAT Law (postponed) | Yes, exempt | all books | I |
| Israel | 16.5% | Yes, exempt | limitations apply | III |
| Jordan | 16% | Yes, exempt | limitations apply | III |
| Lebanon | 10% | Yes, exempt or 0% | limitations apply | III |
| Morocco | 20% | Yes, exempt | all books | I |
| Tunisia | 18% | Yes, exempt | limitations apply | III |
| Yemen | GST 5% | No | NA | IV |
| Africa | | | | |
| Botswana | 10% | No | NA | IV |
| Cameroon | 17.5% | Yes, exempt | all books | I |
| Ghana | 12.5% | Yes, exempt or 0% | limitations apply | III |
| Kenya | 16% | Yes, exempt or 0% | limitations apply | III |
| Malawi | 16.5% | Yes, exempt or 0% | limitations apply | III |
| Mauritius | 15% | Yes, 0% | all books | II |
| Mozambique | 17% | Yes, exempt | limitations apply | III |
| Namibia | 15% | No | NA | IV |
| Nigeria | 5% | Yes, exempt | all books | I |
| Senegal | 18% | Yes, exempt | all books | I |
| South Africa | 14% | No | NA | IV |
| Tanzania | 18% | Yes, exempt or 0% | limitations apply | III |
| Uganda | 18% | Yes, 0% | limitations apply | III |
| Zimbabwe | 15% | Yes, exempt or 0% | limitations apply | III |
| Latin America | | | | |
| Argentina | 21% | Yes, exempt | limitations apply | III |
| Bolivia | 13% | No | NA | IV |
| Brazil | 18% | Yes, exempt | all books | I |
| Colombia* | 16% | Yes, exempt | limitations apply | III |
| Ecuador | 12% | Yes, 0% | all books | II |
| Mexico | 15% | Yes, exempt or 0% | limitations apply | III |
| Panama | 5% | Yes, exempt | all books | I |
| Peru | 19% | No | NA | IV |
| Uruguay | 22% | Yes, exempt | all books | I |
| Venezuela | 12% | Yes, exempt | all books | I |
| North America | | | | |
| Canada (federal level)* | 5% GST or 13% HST | No | NA | IV |

Rates – VAT/GST/Sales Tax

0% (zero rate): input VAT/GST/Sales Tax is deductible

Exemption: input VAT/GST/Sales Tax is non-deductible

Note:

This report has been jointly prepared by PwC and IPA. PwC has based itself on the study of VAT laws and on the information available as from June 15, 2009 until October 1, 2009. Any change or amendment in the law or relevant regulations would necessitate a review of our comments in this table. The information provided for 35 countries marked with (*) is under the responsibility of IPA, all other countries are under the responsibility of PwC. PwC accepts no liability and disclaims all responsibility for the consequences of you or anyone else, acting or refraining to act, in reliance on the content of the latter information or for any decision based on it.



Key Findings

The survey has shown some surprising facts on the use of special VAT rates and exemptions for paper books and selected electronic publications:

- Globally, special VAT/GST/Sales Tax treatment for publications is the norm, not the exception, among the countries with VAT/GST/Sales Tax regimes. The large majority (84%) of the countries surveyed, established a favourable tax regime for paper books.
- Among the special tax treatment tools, the 0% rate or exemption are by far the most widely used measures. 22 out of the 88 countries (25%) 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. The correlation between favourable tax regimes for books, and the strength and success of a national publishing industry is evident, and causality needs to be further explored.
- Specific regulation of VAT/GST/Sales Tax on publications in electronic formats is still developing, but VAT/GST/Sales Tax regimes are currently changing as reading moves from paper to digital media.

Paper books and VAT/GST/Sales Tax rates

| Category | VAT/GST/ Sales tax classification | No. of countries |
|--------------|--|------------------|
| I | Exemption for all books | 15 |
| II | Reduced rate for all books | 33 |
| III | Reduced rate or exemption – limitations apply | 26 |
| IV | No reduced rate or exemption – standard rate applies | 13 |
| V | Treatment of publications not known | 1 |
| Total | | 88 |

The results for paper books in the 88 countries can be summarised as follows:

VAT/GST/Sales Tax rates and electronic publications

The intent of reduced VAT/GST/Sales Tax rates has always been to increase the social benefit of reading, not the promotion of printing. On account of the global IT revolution and developments in technology, today's books are not just printed on paper. The availability of books in electronic/audio format is expanding rapidly. This market is expected to shift markedly in the years to come. The shift from paper to electronic media is encouraged by a number of government policies including the promotion of IT in schools, the transition of government communication to electronic formats and the encouragement of distance education and lifelong learning.

**Key**

| Countries | | |
|-----------|---|----|
| I | Exemption for all electronic publications or out of scope for VAT/GST | 6 |
| II | Reduced rate for all electronic publications | 3 |
| III | Reduced rate or exemption – limitations apply | 18 |
| IV | No reduced rate or exemption – standard rate applies | 51 |
| V | Treatment not known | 10 |

| Country | Standard rate | Special treatment for electronic publications | Scope of special treatment | Category |
|----------------------------|---------------|---|-------------------------------------|----------|
| Asia/Pacific | | | | |
| Australia* | 10% | No | NA | IV |
| China | 17% | Yes, 13% | all electronic publications | II |
| Fiji | 12.5% | No | NA | IV |
| India | 12.5% | Yes, exempt (Delhi) | all electronic publications (Delhi) | I |
| Indonesia | 10% | No | NA | IV |
| Iran | 1.5% | Unclear | Unclear | V |
| Japan | 5% | Yes, out of scope | limitations apply | III |
| Korea (South) | 10% | Yes, exempt | all electronic publications | I |
| New Zealand | 12.5% | No | NA | IV |
| Pakistan | 16% | No | NA | IV |
| Philippines | 12% | Unclear | Unclear | V |
| Singapore | 7% | No | NA | IV |
| Taiwan | 5% | No | NA | IV |
| Thailand* | 7% | Yes, exempt | limitations apply | III |
| Vietnam | 10% | Yes, exempt or 5% | limitations apply | III |
| Europe and Caucasus | | | | |
| Armenia* | 20% | No | NA | IV |
| Austria* | 20% | Yes, 10% | limitations apply | III |
| Azerbaijan | 18% | No | NA | IV |
| Belgium | 21% | No | NA | IV |
| Bosnia* | 17% | No | NA | IV |
| Bulgaria* | 20% | No | NA | IV |
| Croatia | 22% | Yes, 0% | all electronic publications | II |
| Cyprus* | 15% | No | NA | IV |
| Czech Republic* | 19% | No | NA | IV |
| Denmark* | 25% | No | NA | IV |
| Estonia* | 18% | No | NA | IV |
| Finland* | 22% | No | NA | IV |



| Country | Standard rate | Special treatment for electronic publications | Scope of special treatment | Category |
|--|----------------------------|---|-----------------------------|----------|
| France* | 19.6% | Yes, 5.5% | limitations apply | III |
| Georgia* | 18% | No | No | IV |
| Germany* | 19% | No | NA | IV |
| Greece* | 19% | No | NA | IV |
| Hungary* | 20% | No | NA | IV |
| Iceland | 24.5% | Yes, 7% | limitations apply | III |
| Ireland* | 21.5% | No | NA | IV |
| Italy* | 20% | No | NA | IV |
| Latvia* | 21% | No | NA | IV |
| Lithuania* | 21% | No | NA | IV |
| Luxembourg* | 15% | No | NA | IV |
| Macedonia* | 18% | No | NA | IV |
| Malta* | 18% | No | NA | IV |
| Netherlands* | 19% | No | NA | IV |
| Norway | 25% | Yes, 0% | limitations apply | III |
| Poland* | 22% | No | NA | IV |
| Portugal* | 20% | No | NA | IV |
| Romania* | 19% | No | NA | IV |
| Russia | 18% | No | NA | IV |
| Serbia* | 18% | No | NA | IV |
| Slovakia* | 19% | No | NA | IV |
| Slovenia* | 20% | No | NA | IV |
| Spain* | 16% | No | NA | IV |
| Sweden* | 25% | Yes, 6% | limitations apply | III |
| Switzerland | 7.6% | No | NA | IV |
| Turkey | 18% | Yes, 8% | limitations apply | III |
| Ukraine | 20% | Yes, exempt | limitations apply | III |
| United Kingdom* | 15% | No | NA | IV |
| Middle East and Northern Africa | | | | |
| Algeria | 17% | No | NA | IV |
| Egypt | FU new VAT Law (postponed) | Yes, out of scope | all electronic publications | I |
| Israel | 16.5% | No | NA | IV |
| Jordan | 16% | Unclear | Unclear | V |
| Lebanon | 10% | No | NA | IV |
| Morocco | 20% | Yes, exempt | limitations apply | III |
| Tunisia | 18% | No | NA | IV |
| Yemen | GST 5% | No | NA | IV |



| Country | Standard rate | Special treatment for electronic publications | Scope of special treatment | Category |
|-------------------------|-------------------|---|-----------------------------|----------|
| Africa | | | | |
| Botswana | 10% | Unclear | Unclear | V |
| Cameroon | 17.5% | Yes, exempt | all electronic publications | I |
| Ghana | 12.5% | Yes, exempt | all electronic publications | I |
| Kenya | 16% | Yes, exempt or out of scope | limitations apply | III |
| Malawi | 16.5% | Yes, 0% or exempt | limitations apply | III |
| Mauritius | 15% | Yes, 0% | all electronic publications | II |
| Mozambique | 17% | Unclear | Unclear | V |
| Namibia | 15% | No | NA | IV |
| Nigeria | 5% | Unclear | Unclear | V |
| Senegal | 18% | Yes, exempt | all electronic publications | I |
| South Africa | 14% | Yes, 0% | limitations apply | III |
| Tanzania | 18% | Unclear | Unclear | V |
| Uganda | 18% | No | NA | IV |
| Zimbabwe | 15% | No | NA | IV |
| Latin America | | | | |
| Argentina | 21% | Unclear | Unclear | V |
| Bolivia | 13% | No | NA | IV |
| Brazil | 18% | Yes, exempt | limitations apply | III |
| Colombia* | 16% | Yes, exempt | limitations apply | III |
| Ecuador | 12% | No | NA | IV |
| Mexico | 15% | Unclear | Unclear | V |
| Panama | 5% | Yes, exempt | limitations apply | III |
| Peru | 19% | No | NA | IV |
| Uruguay | 22% | Yes, exempt | limitations apply | III |
| Venezuela | 12% | Unclear | Unclear | V |
| North America | | | | |
| Canada (federal level)* | 5% GST or 13% HST | No | NA | IV |

Rates – VAT/GST/Sales Tax

Out of scope: input VAT/GST/Sales Tax is non-deductible, the supply is not addressed by the VAT/GST/Sales Tax law

0% (zero rate): input VAT/GST/Sales Tax is deductible

Exemption: input VAT/GST/Sales Tax is non-deductible

Note:

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Is the VAT/GST/Sales Tax treatment of electronic publications consistent with these policy aims? To know how VAT/GST/Sales Tax contributes to this shift, we have also analysed the rates applied to electronic publications globally. The results are surprising. Remarkably, even though electronic publications stimulate the use of technology, the equal treatment with printed books is only gradually taking hold.

The survey results show that:

| Category | VAT/GST/ Sales tax classification | No. of countries | |
|--------------|--|-------------------------|-------------|
| | | Electronic publications | Paper books |
| I | Exemption for all | 6 | 15 |
| II | Reduced rate for all | 3 | 33 |
| III | Reduced rate or exemption – limitations apply | 18 | 26 |
| IV | No reduced rate or exemption – standard rate applies | 51 | 13 |
| V | Treatment of (e-) publications not known | 10 | 1 |
| Total | | 88 | 88 |

Almost 70% of countries do not explicitly provide for any exemption or reduced rate for electronic publications. In fact, they are not even given the same treatment as paper books. Even in Europe, there is no consistent approach to equal treatment yet, although this may change in the near future (see below). If we look at the major publishing markets outside Europe also, reduced rates or exemptions are not widely spread. However, there are some major publishing markets that are leading the way in applying rates consistently, e.g. Japan and Korea, which treat them like paper books. In Japan, electronic publications are taxable at 5%, while, in Korea, there is full exemption for all books, meaning also for electronic publications.

Korea is one of the few countries that already applies an exemption both for paper books and electronic publications, and this since 1996. The Korean government first introduced a VAT exemption for certain electronic publications as a derivative from the VAT exemption rule for books and similar products. The scope of the exemption rule was expanded for two reasons: electronic publications were expected to be common practice in the Information Age, and the Korean government found it necessary to widen eligibility for VAT exemption in favour of electronic publications. Consequently, the Korean government provided for VAT exemption for books, newspapers and electronic publications that meet certain standards set out in a practice note issued by the Ministry of Culture, Sports and Tourism. These criteria have not extended the VAT exemption in Korea to all electronic media, as music, films and games do not qualify for the VAT exemption. So this government initiative can be said to be driven by a conscious policy in support of books and reading.

Higher VAT/GST/Sales Tax rate for electronic publications

In countries like Norway and Turkey, digital products sold through the web are considered as services. They are chargeable at the full rate of VAT, which is 25% in Norway and 18% in Turkey. In Switzerland, a reduced VAT rate of 2.4% applies only if a book and a CD are sold as a package and provided that the value of the book is higher than that of the CD. If not, a higher rate of 7.6% applies.

Thus it can be concluded that there is discrimination in the rates of taxes on books – both paper and electronic – in most countries. There are no concessions for electronic publications, although the OECD's guidelines⁶ and benchmarks recommend a non-discrimination policy.

Some good news for publishers has recently come out of the EU Council of Economic and Finance Ministers who adopted a Directive⁷ allowing the EU Member States to apply reduced rates to books “delivered on all physical means of support”. This includes audio books and other electronic publications sold. Each of the 27 EU Member States can now introduce a non-discriminatory, consistent tax regime for paper and electronic publications. It will be important to monitor in the next few months if countries will indeed start changing the treatment of electronic publications, as this medium becomes a more important reading medium.



Conclusions

A consistent treatment for all types of books should be promoted. The rate applied to electronic publications should match the rate for printed books to create a level playing field for all publications. This must certainly be the case, where the digital format, irrespective of the physical carrier, actually is designed to be read. Such criteria provide a clear dividing line to multimedia products that provide a wholly different experience.

⁶ OECD Consumption tax guidance series – www.oecd.org

⁷ Council Directive 2009/47/EC of 5 May 2009 amending the earlier Directive 2006/112/EC as regards reduced rates of VAT, source: Official journal of the European Union

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