

The case for minimizing the Japanese Consumption Tax (JCT) for e-books and journals

The IPA understands that there is a proposal to introduce and then raise the rate of the Japanese Consumption Tax (JCT) on the provision of cross-border services through the Internet. This will affect publications such as e-books and journals in Japan.

The IPA has consistently advocated a shift to a zero rate of VAT/GST on all books and journals, globally. Therefore, we would strongly urge against accepting the JCT proposal as it stands. However, if for whatever reasons a zero rate is impossible, then the IPA recommends the lowest possible rate for any consumption tax on books and reading.

Our reasoning is that the medium- and long-term social, cultural and economic advantages of minimizing or zero-rating published output far outweigh the minor inconvenience of creating another 'special case'. In fact, we unapologetically embrace the notion that books and journals are a special kind of commodity and that they should be treated as such. The fact that many countries already apply reduced rates of VAT/GST to physical books is a clear acknowledgement of the strategic importance of books (notably, but by no means only, in education). Those countries that have not already done so should take the next step and zero rate books and journals or at least minimize their tax rates.

We believe a zero or minimal JCT rate to be the best way to support reading, education and a thriving knowledge economy in Japan. And a zero or minimal JCT rate will do so even-handedly, across the board. Many government policies that support writing or reading require bias — benefitting certain works over others. Zero rating or minimizing JCT however, supports *all* writing and *all* reading, ensuring that governments do not interfere with the selection of which writing gets the most benefit, and empowering readers' choices instead.

Books and journals are the engines of knowledge acquisition and transfer, and the digital economy of the future depends on their flourishing. The circulation of books and journals, however, is particularly sensitive to price and they are therefore especially vulnerable to the imposition of a JCT as proposed. Taxing books restricts their circulation, which is of concern to developing countries trying to bridge a knowledge deficit, but should also worry developed countries, like Japan, trying to maintain their competitive advantage.

In the IPA's view, these arguments stand, whether a book or journal exists in hard copy or is digital.

In order to support the knowledge economy, to encourage reading, and to promote the benefits of life-long education, the IPA recommends zero-rating JCT for books and journals no matter what their format is and how they are accessed. If that is not possible, then we recommend minimizing the consumption tax rate as much as possible.

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