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# CMBA

CreativeMediaBusinessAlliance

Brussels, 31 May 2011

## **POSITION PAPER ON THE FUTURE OF VAT (EC Green Paper COM(2010) 695)**

The Creative and Media Business Alliance (CMBA) is an informal grouping gathering Europe's top media and creative businesses and industry associations. It was launched in November 2004 to give the sector a strong and united voice at the level of the European Union. The companies we are representing invest creative efforts, time and financial resources in developing a wide range of broadcasting, games, music, film, book, magazine and newspaper offers, on a wide range of platforms. We therefore appreciate the opportunity given by the European Commission to contribute to its consultation on the future of VAT.

### **VAT and the societal role of creative media businesses**

The creative media businesses that we represent play a central role by bringing the widest possible palette of news, information, creative and entertainment products and services to European citizens every day, at European, national, regional and local level. In this framework, our comments refer to the "VAT Rates" Section of the Green Paper and, more specifically, to the variation applied between full rates, reduced rates and zero-level rates in the case of cultural goods and services.

We regard as essential to maintain existing zero and reduced rates of VAT that currently apply to some creative and media products, but also to apply these to all creative and cultural products. Moreover, the reduced rates should apply both to offline and online cultural and media products.

Indeed, the application of zero or reduced rates has proven to be a very effective and efficient competition-neutral economic policy instrument to promote cultural and economic policy objectives – i.e. the promotion of both offline and online consumption with resulting increased economic benefits for both businesses and governments. This in turn encourages informed democratic debate and engaged citizenship, while contributing to cultural diversity and the lifelong learning of European citizens.

**Question 19: "Do you think that the current rates structure creates major obstacles for the smooth functioning of the single market (distortion of competition), unequal treatment of comparable products, notably online services by comparison with products and services providing similar content or leads to major compliance costs for businesses? If yes, in what situations?"**

The CMBA supports the assessment of the Green Paper that "...reduced rates applied by some Member States do not seem to disrupt the single market" when they constitute policy instruments meant to achieve specific societal goals, such as the promotion of culture and education through increased consumption of creative media products and services. As a

matter of fact, by not applying the reduced VAT rates to all creative works, both online and offline, current legislation is not consistent in its approach and does not treat similar products equally. This represents a major obstacle for the smooth functioning of the single market and, most importantly, for the wide availability of creative and cultural goods and services to European citizens. In this context, we agree with the EC's statement that "... there are still inconsistencies in the VAT rates applied to comparable products and services. For instance, Member States may apply a reduced VAT rate to certain cultural products but have to apply the standard rate to competing on-line services".

We welcome the EU's objective of promoting the development of e-commerce and we therefore call for a coherent approach to VAT in the European Union. Concretely, we consider that it makes no economic or indeed policy sense that reduced or zero VAT rates may be enjoyed by consumers purchasing cultural goods in a shop, but that these reduced VAT rates cannot be enjoyed by the same consumer when buying the same content online. We would therefore like to encourage the Commission to promote the uptake of e-commerce, by proposing to the Member States the possibility of extending existing zero and reduced VAT rates to creative media goods and services online.

Extending the lowest possible VAT rates to content online would enable creative content providers and their e-commerce partners to present a more competitive offer to European citizens. The possibility to apply zero or reduced rates should be available for all cultural, creative and media works. Indeed, we consider this fiscal policy instrument to be at its most effective level when it applies to all creative and media products and services, in a technology-neutral and platform-neutral manner.

In view of the above, the CMBA would like to see the future VAT strategy of the European Union designed along the following lines:

- A generalization of the possibility for Member States to apply reduced VAT rates on all creative goods and services.
- An extension to the online world of the zero or reduced VAT rates for cultural products and media.

The suggested approach of applying the reduced VAT rates to all creative works both offline and online would also provide a good incentive for consumers to shop online, promote e-commerce and hence increase Member States' VAT revenues. Excluding electronically supplied creative content and media from reduced VAT rates does not only discourage the creation of innovative business models but also makes attaining a 'vibrant digital market' – one of the Commission's main goals in its Digital Agenda – harder to achieve in a competitive global market.

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We thank you for your attention and remain at your disposal should you have any questions.

Contact: [secretariat@cmba-alliance.eu](mailto:secretariat@cmba-alliance.eu)

Website: <http://www.cmba-alliance.eu/>