



VAT alert

Zero-rating for e-publications brought forward to 1 May 2020

30 April 2020

Summary

The Government has today announced that the proposed introduction – later this year - of a VAT zero-rate for e-books and other electronic publications is to be brought forward to 1 May 2020.

The move will potentially slash the cost of e-books and newspapers making reading more accessible as people stay at home during the coronavirus lockdown

Plans to scrap VAT on e-books and e-newspapers have been significantly fast-tracked in a boost to readers and publishers during the coronavirus outbreak, the Chancellor announced today.

Chancellor of the Exchequer Rish Sunak said “the zero rate of VAT will now apply to all e-publications from tomorrow (1 May 2020) – seven months ahead of schedule – potentially slashing the cost of a £12 e-book by £2 and e-newspapers subscriptions by up to £25 a year”.

Announcement by the Government 30th April 2020

In a surprise move, the Government has announced today that the planned introduction of a zero-rate for e-books and e-publications such as digital newspapers is to be brought forward by 7 months to 1 May 2020 (ie tomorrow).

The Government has stated that this move will slash the cost of reading and make it more accessible during the coronavirus lockdown period.

This will come as welcome news to publishers and readers alike.

The Government has been under pressure for many years to treat digital publications in the same way for VAT purposes as for printed books and newspapers. The UK had resisted such a move on the basis that under EU law, the supply of a digital publication was not regarded as a supply of goods but as a supply of services. However, a couple of years ago, the EU relaxes its approach and allowed Member States to implement reduced rates if they chose to.

The UK announced at this year’s Budget that it intended to change the law and allow for the zero-rate to apply to digital publications. However, this was intended to be introduced later in the year.

HMRC also lost a case taken to the First-tier Tax Tribunal by News Corp. The Tribunal found that the law implementing VAT in 1973 did not even contemplate applying the zero-rate to digital publications as they did not exist as such at that time. However, the law must be regarded as ‘always speaking’ which means that it should be adapted to take account of social and technological changes. If this approach was adopted in the case of digital newspapers – which are an exact digital representation of the printed version, one can see that the zero-rate which applies to printed newspapers should also apply to digital versions of the same publication.

HMRC has appealed that decision and the matter is due to be heard before the Upper Tribunal in due course. It seems that HMRC intends to fight any application of the zero rate to retrospective supplies but is quite prepared to accept that the zero-rate will apply prospectively.

Comment – this is welcome news for publishers and readers going forward. We shall see what the Upper Tribunal says about the retrospective situation in due course. Publishers should amend their VAT accounting systems with immediate effect to take account of the new rate of VAT from tomorrow.

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