



VAT alert Belgium

No agreement on e-publications reduced VAT rate proposal

During the 16 June 2017 Ecofin meeting, EU Member States failed to reach an agreement on the European Commission's proposal to allow Member State introduction of reduced VAT rates on electronic publications, bringing them in line with VAT rates applicable to their printed equivalents.

European Court of Justice viewpoint

In a recent case (RPO, C-390/15 dd. 7 March 2017), the European Court of Justice decided that the exclusion of electronically supplied books and other electronic publications (such as newspapers and periodicals) from the reduced VAT rate does not infringe the principle of equal treatment. According to this judgment, comparable situations are not treated differently unless such treatment is objectively justified.

According to the Court, the differing treatment between publications supplied by electronic means and printed publications can be justified.

European Commission proposal

Following the ECJ's judgment, which excludes e-publications from the reduced VAT rate, the European Commission's proposal aims at ending the discrimination between e-publications and their paper versions. The proposal was already discussed and largely agreed upon by the European Parliament in the beginning of June. During the Ecofin

meeting, the proposal was however blocked by the Czech Republic for political reasons.

Since unanimity is required to adopt the proposal, it is at this stage very uncertain how and when this proposal will progress.

Impact?

In July 2016, the Belgian parliament approved a resolution to introduce a reduced VAT rate for electronic publications into Belgian legislation, only once European legislation would be changed to allow this. As long as there is no alignment at European level, any further steps are therefore blocked.

The difficulties that arise in trying to have this change effectively adopted are not a good sign for the broader changes included in the proposal published by the European Commission in December 2016. The proposal's objective is to modernise VAT for cross-border B2C e-commerce.

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