

E-publications – VAT Update for PPA Members

The VAT treatment of e-publications had been expected to change with effect from 1 December 2020 after a summer consultation. However on 30 April 2020, the government announced that it was bringing the changes forward, to start from 1 May 2020. This update summarises what we know, and what has not yet been clarified by the government.

How has the change been implemented?

The government has implemented the change by statutory instrument with immediate effect (so the change does not depend on a Finance Bill being passed).

The key change made to the law is shown underlined in the Appendix.

What is now zero-rated?

Electronically supplied books, booklets, brochures, pamphlets, leaflets, newspapers, journal, periodicals, children's picture books and painting books, excluding any that are wholly or predominantly to advertising or audio/video content. The government has clarified that "predominantly" in this context means that the content constitutes more than 50% of the publication.

What does "electronically supplied" mean?

The government has left this to be interpreted sensibly and anything distributed by internet or email will be included. The government has also confirmed that electronic lending schemes fall within the new zero-rating category.

Must there be a paper / physical version of the digital product to benefit from the new rules?

No. A publication could be distributed entirely digitally and benefit from the new rules, as long as it falls within the categories of zero-rated publication.

Must my publication have a particular regularity / frequency to be zero-rated?

No. The applicable definition for printed matter is quite broad, so if it would be zero-rated if printed and sent physically to your customers, then it should also be zero-rated if distributed digitally.

For example, some publications distribute daily update emails / digests *in addition to* their more conventional weekly or monthly editions. The emails should also fall within the category of zero-rating.

Are audiobooks now zero-rated?

No. Government policy remains for audiobooks to be standard-rated, however they are supplied.

What about other bundled services e.g. access to a website or digital archive?

Currently, a number of publishers provide bundled supplies of print and digital products (and potentially other goods / services). The VAT treatment of these supplies can be complex and will often require individual consideration.

The government has not provided specific guidance on the VAT treatment of the sorts of supplies which might be bundled by publishers. Because businesses are having to apply these new rules to digital services which sometimes don't have a

direct printed equivalent, there will inevitably be some uncertainty until the government puts out more guidance.

In our view, a website which is simply an archive of the publication ought to be zero-rated (as the website is simply a digital portal to multiple publications). However websites that go beyond a pure archive function may need to be considered in more detail to see if they can be said to be similar to more conventional publications.

There is no specific guidance on whether access to a rolling news site counts as a digital newspaper yet. While the two might serve a similar function, a rolling news site is a service with a different quality. The approach of HMRC in the recent *News Corp UK and Ireland Ltd* legal cases strongly suggests that they consider a rolling news site is not sufficiently similar to a newspaper.

[HMRC provides guidance](#) on the circumstances in which it requires bundled supplies to be treated as a single supply or multiple supplies (with a corresponding apportionment of the VAT treatment).

What about hardware or software used to access publications?

E-readers, and e-reader apps, are software that should be sold as standard-rated. They are not e-publications in their own right.

What guidance is available?

The government has provided some commentary on the VAT changes for e-publications in this guidance note:

<https://www.gov.uk/guidance/zero-rate-of-vat-for-electronic-publications>

However this guidance is currently quite limited.

How does this affect my pricing and invoicing?

If your VAT liabilities are reduced by the new rules, how that impacts pricing in respect of existing contracted customers will depend on your contract terms. If your prices are expressed to be exclusive of VAT then the contract price will reduce to reflect your reduced VAT liability and the VAT saving is effectively passed on to the customer. If they are inclusive of VAT then the price you are entitled to charge does not change, but you will by default keep the VAT saving). In either case you will need to change your VAT invoices to reflect the new position.

Does this announcement affect the historic VAT position?

No, the government is only changing the law with effect from 1 May 2020 onwards. The government's position on the historic treatment of e-publications, and in particular the impact of the *News Corp UK and Ireland Ltd* challenge to that treatment, remains as set out in their bulletin of February 2020 [which can be found here](#).

Is there anything else to be aware of?

The VAT rules are complex and any planning intended to mitigate VAT liabilities must be undertaken extremely carefully. In particular, e-publications are subject to existing anti-avoidance rules around artificial separation of connected supplies which already applies to supplies of printed publications.

If in doubt about your position you should seek professional advice.

APPENDIX

Categories of zero-rated publication

Group 3, Sch 8, Value Added Tax Act 1994 (as amended)

Items

1 Books, booklets, brochures, pamphlets and leaflets.

2 Newspapers, journals and periodicals.

3 Children's picture books and painting books.

4 Music (printed, duplicated or manuscript).

5 Maps, charts and topographical plans.

6 Covers, cases and other articles supplied with items 1 to 5 and not separately accounted for.

7 The publications listed in Items 1 to 3 when supplied electronically, but excluding publications which—

(a) are wholly or predominantly devoted to advertising, or

(b) consist wholly or predominantly of audio or video content.

[Recent change is shown underlined]