



19 | 2014

KMLZ VAT NEWSLETTER

Taxation of printed subscriptions combined with epaper

1. Additional access to epaper and ebook

Publishers now offer their customers not only subscriptions to the printed version of newspapers and magazines, but also access to the electronic version of the various products. In return for this combination, the customer either pays a lump sum or additional consideration is agreed for the epaper or ebook. In this respect, the customer often pays the (regular) unit price for the printed subscription whereas a rebate is granted for the added epaper (i.e. the prices for the epaper, in combination with the printed subscription, is lower than if the customer had only purchased the electronic product).

The Bavarian local tax authorities have issued a notification dated June 12, 2014 regarding the proportioning of the consideration for the combination of printed subscriptions with epapers.

Access to epaper not regarded as ancillary service to print subscription

The provision of access to epapers or ebooks in addition to the subscription of a printed version of the same product are regarded as separate services. Therefore, the consideration paid has to be separately apportioned between the printed product and the epaper or ebook. Printed newspapers and books are taxed with the reduced VAT rate, whereas access to epapers or ebooks has to be taxed with the standard VAT rate.

2. No uniform single service

According to the local tax authorities, the provision of printed newspapers or printed books combined with electronic access to the epapers or ebooks cannot be regarded as a uniform single service. In fact, the services have to be evaluated separately from each other.

3. No ancillary service

The additional access to the electronic version of a printed product cannot be regarded as ancillary to the main service "provision of a printed product". The access to the epaper or ebook serves a separate purpose, from the perspective of the customer and is not only purchased as a means by which to better enjoy the main service. As an example of the separate purpose of the electronic access, the Bavarian local tax authorities state that access to the epaper or ebook allows all family members to use the media at the same time regardless of the existing geographical conditions.



Contact: Eveline Beer
Lawyer, Certified tax consultant
Phone: +49 (0)89 / 217 50 12 - 35
eveline.beer@kmlz.de

Consequently, access to an epaper or an eBook, in addition to the printed newspaper or the printed book, has to be regarded as a separate electronically provided service.

4. Consideration

4.1 Additional consideration agreed for access to the electronic product

If the customer pays separate consideration for the additional access to an epaper or an ebook, this separate payment is regarded as consideration for the electronically provided service.

If the publisher grants a rebate with regard to the access to the electronic product, this rebate is not treated as being a reduction of the total purchase price for the combined product. Rather, the reduced price is regarded as consideration for the electronically provided service.

4.2 Consideration in the case of a lump sum payment

If a lump sum is agreed for the printed subscription or the printed book combined with access to the epaper or ebook, the total lump sum has to be separately apportioned between the provided services. In this respect, the proportion of the unit purchase prices for the printed product and the electronic product has to be considered (sec. 10.1 para 11 German VAT Circular). However, other methods may also apply, provided they lead to reasonable results.

5. VAT rate

Generally, the provision of printed newspapers or printed books is subject to the reduced VAT rate of currently 7%. However, access to epapers or ebooks has to be taxed with the standard VAT rate of currently 19%.