

No Value In Added Tax on Journals

John Davies

The issue of a 'single Europe' is now very much at the centre of the political stage. It will remain there until the Euroelections in June 1989, and after. Of all current topics for debate, the introduction of fiscal harmony throughout Europe is likely to attract most attention.

The question of value added tax arose during the 1987 General Election. Mrs Thatcher gave assurances that the United Kingdom Government would defend zero rating for taxation as far as food, fuel and children's clothing were concerned. Ominously, books and journals, which have traditionally been zero-rated, were excluded from the list. Repeated attempts in Parliament to secure their inclusion have met with non-committal responses, apart from the oblique reference by Lord Beaverbrook that the Government had 'no plans at the present time' to impose value added tax on books and journals.

Within Europe, the United Kingdom, Ireland, Italy and Portugal impose no tax on books and journals. Belgium, France, Germany, Greece, Luxembourg, the Netherlands and Spain exact a tax of between 4 and 7 per cent. Denmark levies a tax at the full standard rate of 22 per cent. Greece and Spain were required to impose a tax on entry to the Community, and there are worrying signs that Portugal is under similar pressure.

The retiring European Commissioner, Lord Cockfield, has placed before the Council of Ministers of the European Parliament a draft directive that there should be two bands of taxation in Europe, a lower band of between 4 and 9 per cent for special goods, and a standard rate of

between 14 and 20 per cent. Books and journals would fall into the first category.

The proposal is being hotly contested by a number of governments, including that of the United Kingdom, which is pursuing Mrs Thatcher's election statement and is, in any event, opposed to the principle of national tax rates set by the European Commission. Under the normal procedures the directive is now being considered by the Parliament and its Committee, who must give a favourable opinion to enable the proposals to go ahead. The matter should go to the plenary session of the European Parliament during 1989. A final decision by the Council of Ministers is not expected until the second half of 1989, at the earliest.

The British book and journal trade has campaigned vigorously against such a tax, both in 1984-85 and 1986-88. Posters, bookmarks and briefing sheets have been distributed through bookshops. Petitions have been raised of over 250,000 signatures. Academic and educational organisations have expressed strong opposition, and over 120 Members of Parliament have signed an early Day Motion in the House of Commons, many of them Government supporters.

The British Government is known to favour indirect, as opposed to direct, taxation and to have a mounting balance of payments problem caused by the purchase of imported goods. In these circumstances, the extension of value added tax might seem attractive. However, the yield on books and journals would be infinitesimal in relation to the balance of payments deficit and would make no impact on the import situation as so many of the books and journals purchased in this country are produced in Britain. There is thus no real fiscal argument behind the measure and the damages inflicted would outweigh the gains.

A group of Oxford economists, reporting in 1984, came to the clear conclusion that taxation on books and journals would lead to fewer of them being bought and a consequent rise in prices. This is borne out by experience in Spain, where the imposition of the 6 per cent tax rate led to a 22 per cent decrease in sales in one year, and in Ireland, where the effects of the tax were so



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damaging that it was quickly removed by the Government.

Local authorities can reclaim value added tax on all goods, but students and the libraries of higher education cannot. They have to bear the full price. Extension of this type of exemption to universities would not be the answer. It would be cumbersome and would not stop costs rising. Nor is it possible to differentiate between 'popular' and 'quality' journals. There are far too many journals that can be read both for entertainment and for research, and in any case popular books are essential to establishing the habit of reading. The only way of maintaining a reasonable price for books and journals is to continue the application of zero rating in the United Kingdom.

It is particularly important that this artificial rise in the price of serial publications be resisted, since the escalating cost of learned journals is already giving considerable cause for concern. The main reasons for this are the development of new journals for new disciplines and the decline in subscriptions to existing journals which have led to lower print runs and higher prices. Any further increase in the price of scholarly periodicals at this time would be catastrophic.

Beyond this, a tax on learned information is totally unacceptable in social terms. In the 17th century, one of the most risible of taxes was introduced. It was a tax on windows, a tax on light. A tax on books and journals would be similarly reprehensible. It would be a tax on enlightenment, knowledge, culture and education. It would block the flow of learning and of new ideas.

In the political context a quandary may arise for those who believe in the ideal of a united Europe, who want to aid its progress, who do not see themselves as flag-waving nationalists, who wish to support initiatives from the Commission towards European unity. Surely they should favour the harmonisation of taxation bands. They can do so, and still retain zero rating.

A proposal now before the European Parliament advocates that the lower band of taxation should be 0 to 6 per cent (as opposed to Lord Cockfield's 4 to 9 per cent). This proposal would

have the effect of harmonizing taxation while retaining zero rating on books. It has the enthusiastic support of the British publishing trade.

The "Don't Tax Reading" campaign can claim a number of notable supporters throughout history. In 1860, William Gladstone referred to a "tax on literature and education which has long stood in evil odour". At a later date, Ian Macleod reaffirmed "the general principle of avoiding a tax on knowledge". The author and philosopher Professor Umberto Eco, who is chairing the current campaign in Europe, goes further and strikes a vital, positive note. He sees a united Europe as an ideal vehicle for enshrining the principle that knowledge should be left untaxed. "It would be lamentable if Europe, the source of Western civilization, were not to take this opportunity of giving this lead to the world."

No taxation on food for the body. No taxation on food for the mind. Those must be our watchwords, and it is essential, that over the coming months, academics, teachers, educationalists, publishers, librarians, subscription agents, booksellers and book lovers apply as much pressure as possible on those in Government to that end. Write to the Chancellor of the Exchequer and the Treasury. Write to Members of the European Parliament. Write to Members of the British Parliament. Make the case for books and journals. Whenever possible, use your journals as vehicles to convey this message.

As Jean-Baptiste Colbert wrote: "The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing". It must be made very clear to those who rule us that there are few feathers on this goose, and that, if attempts are made to pluck it, the hissing will be hard to bear.

Further information on the "Don't Tax Reading" campaign organized by the European Committee Against Taxing Books may be obtained from The Publishers Association, 19 Bedford Square, London, WC1B 3HJ.