



THE SWEDISH
PUBLISHERS'
ASSOCIATION

Reduced VAT on books (and magazines) in Sweden

January 1, 2002, the VAT rate on books and magazines in Sweden was reduced from 25% to 6%. The reduction had been preceded by a period of intense lobbying by the book publishing industry and its professional organization.

Already when VAT was introduced in Sweden in 1960, books were included in the group of goods and services selected for taxation. Newspapers were exempt, and it was only after a long debate that it was decided not to give books the same preferential treatment. Initially, the VAT rate was low, only 4%. The explanatory statement for the decision contained an express provision for a re-opened discussion should VAT levels rise drastically. However, the question was not addressed again, and today the general VAT rate in Sweden is 25%. There are two reduced levels of taxation in use. For food and provisions the rate is 12%, and 6% is the rate used for newspapers, magazines, books and most kinds of cultural events.

The book publishing industry never let the question of equal treatment with newspapers be forgotten. We always maintained that the printed word, in any form, should be subject to the same taxation. Consequently, the industry and its professional organization have in different ways pursued this question all through the years since 1960, and strenuously advocated a reduction of the VAT on books, in particular during the three years prior to the reduction.

The most important arguments are, apart from the basic standpoint of equal treatment of the printed word, that book prices will go down and sales will increase, which will in turn facilitate the work of increasing and broadening reading, and that Sweden in an international perspective impeded the book as a vehicle by the high level of taxation.

We knew, through research initiated by ourselves, that the book is a price sensitive commodity, and that if the level of taxation was reduced by 15.2% (i.e. the VAT reduced from 25% to 6%) sales should increase to the same degree. That translates into a price sensitivity of -1 .

We now have the actual results of the Swedish reduction of VAT on books. Sales increased strongly in the first 18 months, in 2002 by 20% to booksellers and wholesalers. Sales are levelling off in 2003, but remain high. Book prices were lowered to the full extent of the VAT reduction. Surveys, both made by us and by SCB (Statistics Sweden) on behalf of the Swedish government, show that the VAT reduction has been fully passed on to the consumer. As for increased and broadened reading, we believe, as many others, that this will in all probability be a positive effect attributable to the VAT reduction—at least in a longer perspective.

Book prices are unregulated in Sweden, and there is an unrestricted freedom of establishment for booksellers. We believe these are contributing factors to the positive effect of the VAT reduction. Books are easily accessible. They are available not only in bookshops, but also at supermarkets, through Internet mail order, in special paperback outlets, etc. Prices are relatively low, thanks to a low VAT and a free market with many participants and stiff competition. Book publishing in Sweden has both breadth and depth. At present, the Swedish publishing industry is doing well, but this may quickly change should the business climate be altered for the worse. The book publishing industry is vulnerable, active as it is in sharp competition with other industries vying for the time and attention of the consumer.

A low VAT on books has tremendously positive effects on cultural policy and the freedom of expression, and it has strengthened and vitalized the position of books in Sweden. The Swedish reduction of the VAT on books is a very clear example of how a rate reduction can lead both to lower prices and higher sales. The entire food chain, as it were, benefits from the reduction—from the writers and the publishers to the sellers and the consumers.

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