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No reduced rate VAT on online library service

The Supreme Tax Court has held that the provision of an online library service for public library users is an electronic service subject to standard rate VAT.

A database manager established a digital library of copyright works for the benefit of public libraries and their users. Users were able to access the material for review (through a reader) or download. The database manager charged each library on the basis of its selection of material; the library made no additional charge to its users over and above its standard membership fees. The database manager claimed entitlement to the reduced rate of VAT under the printed matter provision of the VAT Directive, but the tax office demanded standard rate VAT on the provision of an on-line service.

The Supreme Tax Court has confirmed the position of the tax office, relying on ECJ precedents. The service was not the sale of printed matter (books), nor was it the transfer of a copyright. Rather it was the grant of a right to public libraries to allow their own users access to selected works stored on the database. This “electronic loan” was an electronic service, rather than a sale or permanent transfer with the right to grant sub-licences.

Supreme Tax Court judgment V R 43/13 of December 3, 2015 published on February 10, 2016

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