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Mr Michael Noonan TD  
Minister for Finance  
Department of Finance  
Government Buildings  
Upper Merrion Street  
Dublin 2

3 July 2015

**Re: Reduction of VAT Rate on Magazines to ZERO %**

Dear Minister Noonan

I am writing to you on behalf of the board and members of Magazines Ireland, the association of Irish magazine publishers, urging you to reduce the VAT rate on magazines to 0 % in the Budget 2016 to be announced in October.

Whilst recognising that the recession has impacted on virtually all elements of the economy the magazine sector has suffered disproportionately with increased competition from other jurisdictions; reductions in discretionary income; migration online; circulation declines and ever diminishing advertising revenue, all combining to a devastating degree.

Furthermore in the last few years our members have been hit with huge increases across the entire cost base including paper, printing, distribution and postage. For example An Post has increased its rates for posting out magazines to subscribers - an increase of 12% and 16% (depending on weight) in March 2012; a further increase of 13% and 8% in July 2014 and from July 1, 2015 yet another increase of 6% has come into effect.

The proximity of the UK market with its plethora of titles flooding the Irish magazine market provides an on-going threat to our sector requiring constant innovation and flexibility from our members. Margins have been decreasing to an alarming degree and publishers find themselves at a tipping point between survival and closure. Magazines Ireland members are still feeling real financial strain, struggling to stay in business and to keep employment levels at their current level.

At European level, legislators have long recognised the essential role that the press plays in democratic society. This has been reflected in the VAT rates applied to printed press, which are generally seen as a sustainable contribution to wider public policy objectives.

Reducing the VAT on magazines and periodicals to 0% would be a positive move for the industry and would reflect the emphasis and support of Government and policy makers towards the sector. There is a benefit for society as a whole. It is our view that reduced VAT rates for printed editions would help to ease consumer access to the press and contribute greatly to public policy goals, while helping to guarantee a strong independent and vibrant press sector.

Many of our European neighbours enjoy more attractive rates of VAT on magazines. Our nearest neighbour, the UK enjoy a 0 % VAT rate, in recognition of the need for citizens to have greater access to the printed word and also the contribution magazines make to literacy levels. UK publishers operating in a VAT free environment have significant advantages over indigenous Irish publishers. Our ability to compete with the might and deep pockets of UK publishers in our own marketplace is being undermined by our own government.

Furthermore printed and digital magazine formats are treated differently for VAT purposes across Europe. In Ireland, VAT on digital magazines is charged at 23% compared to the current 9% on printed magazines. We believe that the lack of alignment in the Irish market between the digital and print formats represents a barrier to existing and future investment in the digital environment. Not only has it affected the competitiveness of the magazine publishing sector, but it does not take into account the evolution of the new media environment.

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However, the Directive 2006/112 on VAT prevents Member States from applying to digital press the same rates that apply to printed press. Instead, Member States are obliged to apply a standard VAT rate to all digital press offers in all formats and on all platforms.

Our colleagues in the European Magazine Media Association (EMMA) are urging the European Commission to present without further delay a legislative proposal allowing Member States to apply to digital press the same VAT rates that currently apply to printed press. This could be done in the context of the Commission's forthcoming work programme to achieve a Digital Single Market in Europe. Lowering the VAT rate on digital press would promote the access of European citizens to authoritative and independent press content on all platforms.

Both magazine and newspaper publishers regard this change as essential to remove a major obstacle to the further economic development and competitiveness of the digital press market in Europe generally. Lowering the VAT rate on digital press would promote the access of European citizens to authoritative and independent press content on all platforms, which plays such a crucial role in European and Irish democracy. It would also ensure a fiscal policy adapted to the challenges of the digital economy, while respecting our democratic values and the expectations of citizens for a diverse, independent and vibrant press sector in Europe.

Magazines Ireland believes that the application of VAT should be platform neutral and rates applied to printed magazines should apply equally to digital editions in order to deliver platform neutrality. Our concern is that as younger people increasingly chose to read on screen rather than print the continued application of 23% VAT will act as a barrier to developing literacy.

Magazines play a vital role in the educational and cultural life of the nation. Irish magazine brands are hugely important from a cultural and social point of view. In a market flooded with imported titles, Irish magazines not only reflect the unique culture of Irish society but they also have provided the training ground for young writers such as Colm Toibin, Maeve Binchy, Joseph

O'Connor- all of whom started their careers in magazines. Ireland needs to maintain the indigenous character of Irish magazines (and indeed other media outlets) and their role within our overall societal and cultural identity. Magazines have an important role to play in educating and informing its audiences on a whole range of issues and in contributing to higher literacy levels in society. We feel that the recognition of the special position of Irish magazines in the cultural, educational and economic life of the country should be formally recognised.

The health of the Irish magazine industry is crucial to the recovery of the Irish economy:

- Magazines Ireland represents 38 Irish publishers producing over 178 magazines including consumer, business to business and contract publications.
- Irish Magazine publishers contribute between €153 and €198 million annually to the Irish economy with €55-€74 million in taxation.
- 7 out of 10 adults read a magazine regularly which is the equivalent of 2.5million people.
- Over 750 people are directly employed in the sector with a further 2,874 jobs such as freelance journalists, photographers and models, reliant on the sector.

A 0% VAT rate would benefit not only the magazine sector but also all industries in and linked to this sector – printing companies, magazine distribution companies, wholesalers and retailers. It would also have an immense impact on our suppliers, workers, and the communities within which they operate. It would undoubtedly lead to growth and further job creation in our sector, but also in all the sectors that it supports. The ripple effect of a 0% VAT rate is far reaching as many of our trade partners know to their benefit.

In supporting VAT at 0% and aligning the rate for digital and print formats, you would be sending a strong signal of the importance which the government attaches to the magazine industry and the contribution it can make to economic recovery.

The challenges facing the magazine industry are numerous. The global magazine market has seen radical transformation in recent years. That transformation is ongoing and requires investment to maintain circulation and employment levels.

Circulation figures for Irish magazines have decreased by 24.64% in the period 2007 vs 2014 according to the Audit Bureau of Circulation (ABC). The industry needs time to rebuild its print circulations and to develop its strategy for digital editions. We are asking that you consider reducing the VAT rate applicable to magazines to 0% to assist with the industry's survival.

A 0% VAT rate would help to sustain an industry under threat, protect employment, encourage more people to read magazines, support local communities and assist in improving education and literacy levels.

We urge you to address this issue and to reduce the VAT rate on magazines to 0% on Budget Day.

Yours sincerely

Grace Aungier  
Chief Executive

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