

May 9, 2008

FIAPF – International Federation of Film Producers Associations

IVF – International Video Federation

MPA – Motion Picture Association

**SUBMISSION IN RESPONSE TO THE  
COMMISSION'S 2008 PUBLIC CONSULTATION ON  
THE REVIEW OF EXISTING LEGISLATION ON VAT REDUCED RATES**

The International Federation of Film Producers Associations (FIAPF) is a trade organisation dedicated to the defence and promotion of the legal, economic and creative interests of film and audiovisual producers throughout the world. FIAPF members are 25 national producers' organisations from 23 countries across the globe.

The International Video Federation provides national video associations with international representation of their members' interests as companies involved in all areas of the audiovisual industry as well as entities dedicated to, and specialized in, the distribution of audiovisual content on physical carriers and/or over digital networks, including the Internet.

The Motion Picture Association (MPA) is a trade association that represents six major international producers and distributors of films, home entertainment and television programmes. The MPA's members comprise: Buena Vista International, Inc., Paramount Pictures Corporation, Sony Pictures Releasing International Corporation, Twentieth Century Fox International Corporation, Universal International Films, Inc., Warner Bros. Pictures International, a division of Warner Bros. Pictures Inc.

**EXECUTIVE SUMMARY**

Audiovisual content on DVDs should be included in the list of goods and services to which reduced VAT rates may be applied to eliminate the current incoherent treatment of cultural products and services. The discrepancy between the treatment of video products and other cultural products and services, including cinema admissions and pay TV services, should be corrected.

DVD has made films and educational programming for the widest variety of tastes easily available in a high quality, reliable, convenient and collectible format. DVD has benefited both the European consumer and the European audiovisual and cinema sectors in enriching European audiovisual culture.

Yet DVD is subject to a heavy fiscal burden, limiting its full potential as a purveyor of the widest choice of audiovisual content, at low prices, to the European consumer.

We strongly support the generalised application of reduced value-added tax rates to all cultural goods and services, in order to put an end to the current discrepancy between VAT applied in the online environment as opposed to the offline world. Indeed, today the EU VAT regime discriminates against electronic products and impacts negatively on the launch of new creative services online.

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## **INTRODUCTION**

EU VAT legislation lists the cultural goods and services which may benefit from preferential VAT rates. The omission of DVDs from that list constitutes unwarranted discrimination. If cinema tickets and pay TV services may (and do in many Member States) benefit from low VAT rates, it is difficult to see why DVDs, a highly effective and democratic means of disseminating the same cultural content, should be penalised.

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## **POSITIVE IMPACT ON PRODUCTION**

Financing film production in Europe, always a challenge, is hampered by the downturn in investments by broadcasters, traditionally a major source of film production funding. European film creativity more than ever needs a buoyant DVD/online market in order to fund itself on a more ambitious scale and to sustain and create new jobs. Lower VAT would improve returns on investment on many European films and bring much needed financing to the development of European cinema.

In the low margin business of DVD retail/online delivery, with high consumer price sensitivity, high VAT rates reduce net revenues returned to the film community for reinvestment in new films. Lower VAT rates would boost volume sales across a variety of titles and give video publishers a strong incentive to take greater risks on new European films.

A reduction in VAT would stimulate more diversified production. Such catalyzing effect would solidify the fragile fabric of the small/medium-size enterprises characteristic of the sector in Europe. DVD/online distribution sustains European cinema, facilitates new forms of production finance and stimulates renewed consumer interest in feature films. It has provided an important market for European film heritage, film and television drama, documentaries, children's programmes and comedy.

## **POSITIVE IMPACT ON EMPLOYMENT**

Employment in the total European audiovisual sector is high and stems from the activities of authors and composers, actors, directors, producers, technical film staff, film distributors, exhibitors, video publishers, DVD authoring and manufacturing facilities, as well as rental, retail outlets and new online distribution methods. Indirectly, the industry also includes Europeans employed in the press, radio, television, and advertising sectors. A reduction in VAT would promote the creation of skilled jobs and support employment in the creative and related industries.

## **POSITIVE IMPACT ON CONSUMERS**

DVD/online distribution are the most diverse media for dissemination of film culture. DVD/online distribution have fostered a new, cine-literate generation, nurturing new audiovisual creators. At the same time, DVD/online distribution makes an important contribution to education and makes minority-interest films and programmes easily available, thus fostering cultural diversity. And, by providing a wide range of entertainment, cultural and educational programmes that are both easily accessible and affordable, it helps combat social exclusion.

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## **CONCLUSION**

The case for reduced VAT for DVD is as compelling as it is for the other cultural products currently benefiting from reduced rates. Out of Europe's 235 million TV households, 142 million, or 61 %, own one or more DVD players. Applying high VAT rates to DVDs penalises parts of the population, especially young people, whose main access to culture is through video. Reducing VAT on DVDs would consequently improve access to cultural goods for many population groups. It is expected that online distribution will further enhance this evolution.

Member States should have the option to apply lower VAT rates to audiovisual content distributed on DVDs and online. Lower VAT rates would stimulate cultural diversity and film education through making a more abundant choice of titles available to all consumers at lower prices.

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