



Ms Irena DEGUTIENĖ
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Seimas
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Sent by email: Irena.Degutiene@Irs.ltg

17 May 2010

Dear Ms Degutiene,

**International Book Publishing Conference in the Seimas on 13 May 2010
Growing International Concern for Change of VAT Regulations for Books**

Last week, the International Publishers Association (IPA) and the Lithuanian Publishers Association, with support of the UN World Intellectual Property Organisations (WIPO) and a number of Lithuanian organisations, had the opportunity to hold an international conference in Vilnius on “The future of the Baltic Book and Copyright” in the building of the Seimas. I am writing to sincerely thank you for facilitating this important event, attended by more than 100 stakeholders from the entire Baltic region.

One of the key issues discussed by the conference delegates was the planned increase of VAT on books in Lithuania from 9% to 21% from 1 January 2011. Following a number of presentations, delegates reached consensus that the planned VAT increase would severely damage – if not destroy - the book culture in Lithuania, and that forces need to be mobilised to reverse the related decision. The arguments against a higher VAT rate are not only economic and fiscal but also political and cultural:

Economic: As a result of increased book prices, consumers buy less books. Booksellers, publishers and all other related industries (printing, paper etc) will see a decline in revenues. The terrible economic consequences of a significant VAT increase on books were illustrated by the experience in Latvia, where a similar policy decision last year led to such a disastrous reduction of book sales (more than 40%!) that the decision was quickly reversed to allow at least a partial recovery of the book trade. This experience mirrors that of Spain in the 1980s where similar measures lead to a net reduction of fiscal revenue due to the dramatic impact on publishing and book selling.

Fiscal: As a result of the decreased income of booksellers, publishers and related industries, their taxable revenue is reduced, thereby resulting in lesser tax income for the state. The tax income losses of the state in this field are not outweighed by corresponding gains in tax

revenue gained through the increased VAT rate (similar experiences have been made in Latvia, Spain and Sweden).

Cultural: The increased VAT puts publishing and bookselling in Lithuania at risk. Taxing books out of the reach of readers puts unlikely short-term fiscal gain ahead of long-term economic prosperity. Figuratively spoken: you are eating the seeds needed for future harvests. Where the readership is weakened, book shops close, and publishers are less likely to have the means to publish expensive translations, or to cater niche markets. Bibliodiversity is at stake – and with this potentially the preservation of the Lithuanian language.

Political: Literacy is more than a cultural luxury - it is the fundament of life-long learning and advancement in the knowledge economy. Literacy is inextricably linked to reading habits, which in turn depend on the availability, diversity and attractiveness of the books on offer. Publishers and book shops are therefore not only important economic factors, they are an element of society's strategic educational and cultural infrastructure. Increased book prices puts books out of reach – and in the long run deprive publishers of the possibility to invest in the books their readers want.

I hope you and other politicians in the Seimas, will speak to those who attended the conference to learn more about the detailed arguments why IPA together with authors, booksellers, librarians and teachers oppose an increase on VAT on books and other publications.

IPA hereby formally asks you discuss with the Lithuanian Publishers Association the concerns about the increase of VAT on books and to discuss with colleagues in the Seimas how this potentially disastrous regulation can be adjusted.

I am happy to further elaborate the arguments contained in this letter at any time of your convenience. I also attach, for your information, a copy of a submission that IPA made to the Prime Minister of Lithuania in February 2009.

Yours sincerely,



Jens Bammel
Secretary General

CC:
Prime Minister Andrius Kubilius
Lietuvos Leidėjų Asociacija (with authorisation to publish)