



**GIART**



representing the  
recording industry  
worldwide



**ICMP/CIEM**

**IMPA**

Brussels, 9 September 2003

Dear Minister,

**Re: Revision of Annex H of the 6th VAT Directive (1977)**

The European music sector is calling on you to take into account the potential economic and cultural benefits of granting a VAT reduction on sound recordings, in the course of forthcoming discussions at the informal meeting of Economic and Finance Ministers in Stresa on 12-13 September. It was with great concern that the music sector learnt of the European Commission's failure to include sound recordings among the products eligible for a reduced rate in its initial proposal reviewing Annex H of the 6<sup>th</sup> VAT Directive (1977). This despite all the evidence of the positive impact such a measure would have for EU consumers, the entire music sector and European culture.

We now urge you to take this opportunity to end the blatant cultural discrimination against music by including sound recordings among the products eligible for a reduced VAT rate. Member States have a vital role to play in ensuring that the EU fulfils its obligations to promote culture and cultural diversity in relation to music. The Commission's position undermines the ability of Member States to determine their own VAT rates within the context of EU harmonisation requirements.

Music plays a vital role in European culture and the sector employs, directly and indirectly, some 600,000 people. Yet sound recordings are unfairly treated in comparison to other cultural products and services that currently benefit from reduced VAT rates such as books, magazines and newspapers as well as tickets for cinemas, theatres and concerts. VAT rates on sound recordings in the EU currently range from 15% in Luxembourg to 25% in Denmark and Sweden, whereas other cultural products benefit from reduced rates upwards of 5%. We are therefore counting on you to rectify this anomaly.

Record companies and entertainment retailers have given a public undertaking to maximise the benefits to consumers of any VAT reduction. Lowering VAT on sound recordings would benefit consumers who would have greater access to the incredible range of music in Europe, from classical to avant-garde and niche genres. Furthermore, consumer research conducted by the research agency Martin Hamblin GfK in five EU countries in December 2001<sup>1</sup> indicates that increased sales could compensate governments for any loss of revenue resulting from a VAT reduction on sound recordings within a period of several years.

The undersigned organisations are members of a VAT Coalition comprising authors, composers, music publishers, artists, artist managers, independent and major record companies, entertainment retailers and collective management societies. The Coalition was set up to represent the consolidated view of the European music sector in the context of the revision of the Directive 77/388/CEE and the application of reduced VAT rates.

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<sup>1</sup> Five-country survey re : VAT on Recorded Music in Europe, Martin-Hamblin GfK, December 2002

Our position has the backing of a huge number of artists across Europe. Over 1,300 European artists and composers have signed petitions calling for an end to the illogical situation where sound recordings are classed at standard VAT rates while other cultural products benefit from reduced rates. Many feel that the current VAT regime fails to recognise the cultural role of musical artists. Signatories include Elton John, Roberto Alagna, Pierre Boulez, Patrick Bruel, Johnny Hallyday, Carla Bruni, Andrea Bocelli, Cecilia Bartoli, Eros Ramazzotti, Chris de Burgh, Nana Mouskouri, Axelle Red, Julio Iglesias and Anne-Sophie Mutter. The full list of artists supporting this campaign can be seen at [www.givemusicabreak.com](http://www.givemusicabreak.com)

We trust that you will give this matter your immediate attention.

Yours sincerely,

Jean-François Michel, EMO  
Lucy C. Cronin, GERA-Europe  
Véronique Desbrosses, GESAC  
Francesca Greco - GIART  
Jenny Vacher-Desvernais, ICMP/CIEM  
Frances Moore, IFPI  
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