

THE GUARDIAN UK

VAT ruling on Times digital edition could save News UK millions

Rupert Murdoch's firm satisfies tax tribunal that subscriptions should be zero-rated

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Rupert Murdoch's newspaper group could be set for a substantial financial windfall after successfully arguing that the Times' digital edition is effectively a print newspaper because its website is rarely updated.

The ruling by a tax tribunal could potentially save [News UK](#) enormous sums in the future and allow the company to claim back tens of millions of pounds from the government in overpayment of VAT.

[Newspapers](#), books and some other printed products have historically been zero-rated for the purpose of value-added tax because their consumption is considered to benefit the public.

News UK has fought a long-running legal challenge against the decision to charge VAT at 20% on the online editions of the Times and Sunday Times, arguing that because the tablet edition and website are [only updated four times a day](#) they meet the legal definition of a newspaper.

The segment of law giving newspapers their zero-rated VAT status was written in 1972, long before anyone had to consider whether it was possible to be a digital newspaper, forcing lawyers to come up with a definition.

The upper tax tribunal ruling stated it is "an essential characteristic of a newspaper that it is produced in periodic editions", with the Times' occasionally updated website and tablet edition meeting the definition, while constantly updated outlets such as the BBC News and Guardian websites do not.

The decision overturned an earlier verdict that had ruled the zero-rating applied only to physical products. HM Revenue and Customs is considering whether to take the case to the court of appeal.

Philip Munn, a tax partner at the accountants RSM, said the ruling could set a precedent for other parts of the economy: "Over the last few years people have been switching from printed matter to digital, so this ruling could have quite profound effects on a number of other products which enjoy zero-rating when they are provided in hard copy, such as books and maps."

Newspaper publishers have long argued that the government should change the law to explicitly remove taxes on online subscriptions to news outlets, a recommendation backed by last year's

Cairncross review on the future of journalism. Book publishers have run a parallel campaign against what they have called the “reading tax” on online editions of their books.

The Times and Sunday Times now have 300,000 digital-only paid subscribers. If all pay the headline price of £26 a month to read the online editions, then the potential tax savings under the ruling could be worth as much as £15m a year.

News UK could also seek to claim back tens of millions of pounds in wrongly paid VAT on subscriptions dating back to September 2010, shortly after the Times decided to put almost all of its content behind a paywall and charge readers for access.

The money would come at a welcome time for the Times, which has recently laid off senior staff and merged some elements of the daily news outlet and its previously separate Sunday sister newspaper.

The wider News UK business is also having to deal with the legacy costs of phone hacking at the News of the World while investing in its radio outlets. The company is considering rebranding talkRadio as Times Radio. On Monday it confirmed it had offloaded the online video advertising company Unruly, which it had bought in 2015, at a substantial discount.