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## PRESS RELEASE 02/02

### **Judgment of the EFTA Court in Case E-1/01 *Einarsson v Icelandic State***

In an advisory opinion delivered today, the EFTA Court held that a national provision of an EEA State providing that books in the language of that EEA State are subject to a lower value-added tax (VAT) than books in foreign languages is incompatible with the prohibition against discriminatory internal taxation in Article 14 of the EEA Agreement. The advisory opinion is given in response to a request made by the Reykjavík District Court in a case pending before it between Mr. Hörður Einarsson and the Icelandic State.

The dispute before the Reykjavík District Court concerns a provision of the Icelandic VAT Act providing that books in Icelandic are subject to a lower VAT rate (14 per cent) than books in other languages (24.5 per cent).

Mr. Einarsson, an Icelandic national living in Iceland, has on several occasions purchased books in foreign languages from abroad for his personal use. VAT has been charged at the higher rate of 24.5 per cent in accordance with the VAT Act. Mr. Einarsson complained to the Icelandic authorities of the application of the higher VAT rate to books in foreign languages, but his complaint was rejected. Mr. Einarsson then brought proceedings against the Icelandic State before the Reykjavík District Court questioning the compatibility of the Icelandic VAT system for books with the EEA Agreement, and the Reykjavík District Court decided to submit a request for an advisory opinion to the EFTA Court.

The EFTA Court found that books in Icelandic and books in foreign languages are at least in partial competition with each other, and that the different VAT rates constitute indirect protection of domestic products within the meaning of Article 14 EEA. The EFTA Court did not accept the submissions of the Icelandic State that the different VAT rates are justified on grounds relating to the public interest of enhancing the position of the national language. The EFTA Court acknowledged that support for the national language is a cultural goal of high priority, but found no basis in the EEA Agreement for justifying an exemption from Article 14 on those grounds. The EFTA Court concluded that a national provision such as that of the Icelandic VAT Act is incompatible with Article 14 EEA.

The full text of the judgment may be found on the Internet at: [www.efta.int](http://www.efta.int).

The EFTA Court is composed of the Judges Thór Vilhjálmsson (President), Carl Baudenbacher and Per Tresselt.

This press release is not an official document. Please note that the Court may not comment on the case.