

Commissioner Neelie Kroes
Commissioner for the Digital Agenda
European Commission
Rue de la Loi, 200
B – 1049 Brussels

Brussels, 25 July 2014.

Dear Commissioner,

We are writing to express our serious concerns with the new tax on advertising revenues imposed by the Hungarian government, and to call on you to clarify as a matter of urgency that such measures cannot be compatible with Member States' obligations to uphold media freedom and pluralism.

As you are aware, the tax, adopted in an emergency procedure of the Hungarian Parliament, imposes a special tax on revenue from the publication of advertisements inter alia in audiovisual media services and print media predominantly in Hungarian or distributed in Hungary. The tax is sharply progressive, rising to 40% levied on net revenues of the media businesses concerned. Such a punitive level of taxation will have a drastic economic impact on the profitability of many of the media companies concerned, and this in a market where the financial situation of most Hungarian media is already very difficult, due to the weak Hungarian economy.

We will restrict ourselves to the impact of the tax on media freedom.

The tax has two consequences which we would like to emphasise. The first is that it constitutes a clear interference with the democratic function of the media. As the report of the High Level Group on Media Freedom and Pluralism makes clear, there is a linkage between the functioning of European democracies and a free, independent and pluralistic media sector. But a pluralistic media sector is impossible without a functioning, competitive advertising market. Advertising income from many different companies and institutions enable media companies to invest in independent news reporting. Independence means: being independent from state subsidies or from single advertising clients. Media companies cannot be expected to carry out their role of holding public and state institutions to account if they are subjected to capricious, unpredictable and disproportionate financial penalties on this scale.

Secondly, we believe that this tax may be an attempt to encourage non-national owners to leave the Hungarian market, in clear contravention of the basic principles of the single European market.

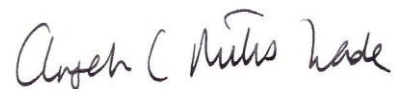
As you know from your work with the EU Media Futures Forum, European media companies are seizing the opportunities of the digital age with a plethora of innovative new services to complement our existing linear offers. Online or offline, there is ample evidence that European citizens enjoy locally-produced content, whether entertainment, sport or news. The European media and content business is a global success story, yet it is one whose financial sustainability will be imperilled if EU Member States believe they can levy such punitive taxes.

We hope that you will be able in these final months of your mandate to make a clear and unambiguous statement that Europe cannot tolerate such a brutal assault on the core values of the European Union, as enshrined in the Charter of Fundamental Rights.

We will be copying this letter to MEPs who have expressed an interested in media freedom issues, and to selected journalists.

A handwritten signature in blue ink, appearing to read 'Ross Biggam', with a long horizontal stroke extending to the right.

Ross Biggam
Director General, ACT

A handwritten signature in black ink, appearing to read 'Angela Mills Wade', written in a cursive style.

Angela Mills Wade
Executive Director, EPC