

Towards a **Global Ad Tax** – Advertisement in a Political Economy and Political Ecology Framework

ISIS Summit Vienna 2015

THE INFORMATION SOCIETY AT THE CROSSROADS
Response and Responsibility of the Sciences of Information

The 5th ICTs & Society Conference:

The Internet and Social Media at a Crossroads:

Capitalism or Commonism? Perspectives for Critical Political Economy and Critical
Theory.

Vienna University of Technology.

Vienna, Austria June 3-7, 2015.

Josef Baum, University of Vienna

+43 664 1142298 josef.baum@univie.ac.at

Josef Baum (约瑟夫·鲍姆)

University of Vienna (奥地利维也纳大学)

Interdisciplinary senior researcher (跨学科高级研究员)

Economist and Geographer (经济学与地理学)

Dr. rer. soc. oec., Dr. rer. Nat. (社会与自然科学双博士)

Department of East Asian Studies, University of Vienna

Institute of Geography and Regional Studies, University of Vienna (任教于
维也纳大学东亚研究系、地理与区域研究学院)

电子邮箱: josef.baum@univie.ac.at

个人主页: <http://www.josefbaum.at>

Focus on Industrial, Regional and Ecological Economy, China

<http://www.josefbaum.at>

+43 664 1142298

Overview of presentation

- Socio-ecological background for Regulation of ads
- Oligopoly theory as economic background for ads
- Existing ad taxes and fiscal ad tax issues
- Statistics on ads are ads
- Fiscal (ad) tax issues and labour theory (on digital work):

Key point: Localisation of liability to pay taxes =
= where is the place of value (added) production

➔ Basis for the implementation

- For the inclusion of digital advertising into ad taxes
- For a global ad tax



Starting points for engagement to ad taxes:

- Business models of Facebook, Google & Co based on ads
- Tax evasion models of Facebook, Google & Co
- 1968 and post-1968 vocabulary: „**Consumer idiots**“
- Regulation of structure of consumption relevant for **socio-ecological transformation**
- **Reform** demands and single measures can **mobilise for** and **promote** fundamental changes beyond capitalism

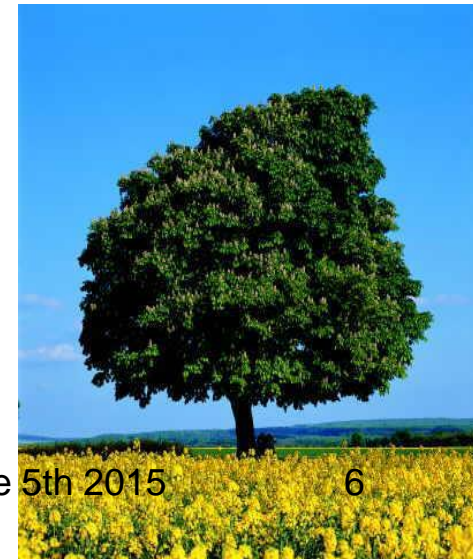


Starting points for engagement to ad taxes:

- Business models of Facebook, Google & Co based on ads
- Tax evasion models of Facebook, Google & Co
- 1968 and post-1968 vocabulary: „**Consumer idiots**“
- Regulation of structure of consumption relevant for **socio-ecological transformation**
- **Reform** demands and single measures can **mobilise for** and **promote** fundamental changes beyond capitalism



- Since long there has been a fundamental discussion about **sustainable consumption**, about its relevance and limitations.
- In a broader context the discussion on **consumer sovereignty** (Scitovsky 1962) versus the shaping of preferences by marketing and the ad industry basically is an old issue
- E. g. Mander (2012) pinpointed a **“privatization of consciousness”** and the imprinting of the individual
- beginning with children
- Well-known various **power relations** in respect to media and advertising.



2 questions

- **taxation of advertising reasonable?**

8 European countries still have some taxation of some advertising on local or regional levels; weak regulation, erosion tendency

- **taxation of online advertising feasible**

No online advertising identified

➔ Transnational solutions



Ad Tax in Austria

- Since 1921 ad taxes (30 % in “Red Vienna” on the level of municipalities

- Inconsistencies by different norms, double taxation, tax competition, downward spiral in tax rates, increasing legal procedures

→ 2000 after jurisdiction new law on the level of the federal state - but tax revenues then distributed mainly to municipalities; halving of the ad tax rate to 5 %,
And extension to ads from foreign TV-stations

Ad tax revenue is 110 €mln =(only 0.1 % of total tax revenue



We have already some tools in Austria:

Media Quarter **Marx already exists in Vienna**



With Marx Palace and Marx Restaurant



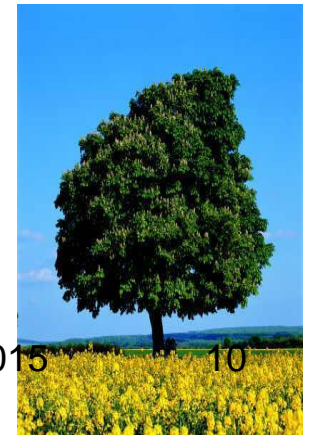
Principles of the judicature of the Constitutional Court of Austria

Inconsistencies by different norms in municipalities → increasing legal procedures, law suits at the constitutional court of Austria

One challenge: some practical principle for distributing ad tax revenues

One result: **Not the location of the media or advertising firm is relevant but the location of the TV-sets – where ad is „received“**

→ extension to ads from foreign TV-stations - with Austrian specific ads



Ad Tax in Austria – current problems

- Decreasing tax revenue in real terms
- Ads Shifting to online ad (=digital ad)
=Shifting to foreign based companies

- Short term:
→Inclusion of online ad

- Middle term
→Transnational solutions



Ad Tax in Austria – new power relations

For many years hard battles in Austria:

Newspaper publishers + private (foreign) TV groups

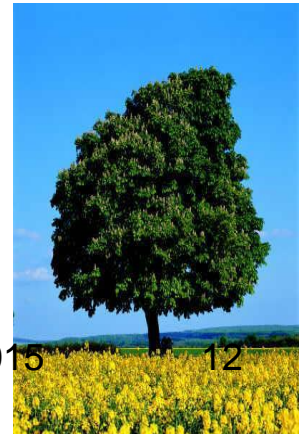
versus

Public Austrian broadcasting (ORF)

**On restricting of Public Austrian broadcasting
(advertising; online services) to promote private business**

And altogether for abolishment of ad tax

New situation since April 2015



Ad Tax in Austria – new power relations (2)

For many years hard battles in Austria:

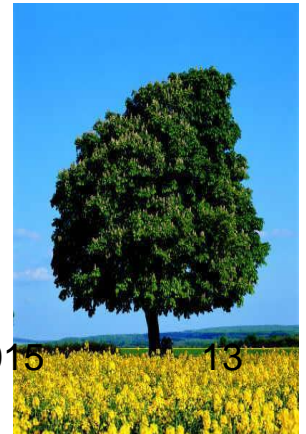
New situation since April 2015

Common front of **Newspaper publishers** + **Public Austrian broadcasting (ORF)** including + private (foreign) TV groups

Against

Google & Co

Now together for lowering of ad tax but extension to digital ad tax



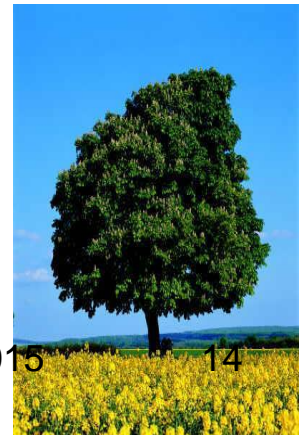
Solution for the inclusion of online ad

If only Austrian based companies would be taxed:

- Some relocation of companies to other countries is probable
- SME would be hit stronger because their ability to is lower relocate
- The big and strongly dominating firms (Google & co) are not hit.

→ So a feasible solution has to include the foreign based companies which are using ads that are “received” by Austrian “consumers”

But how to meet foreign based companies?



Technically no basic problems

Taxable base are the money flows for digital ad tax

Accounting for digital ad tax by

- Fixed costs
- CPM (cost per „mille“ - 1000 impressions)
- CPC (cost per click)
- CPE (cost per engagement; interactions)
- CPV (cost per view, videos)
- CPO (Cost per Order;
- CPA (Cost per Action, realized business cases)

territorial attribution by IP-adresses



→ Statistics on ads

mostly are ads

“Top ten” ad markets

US\$m, current prices. Currency conversion at 2013 average rates.

2014		Adspend	2017		Adspend
1	USA	176,006	1	USA	197,536
2	China	45,491	2	China	62,076
3	Japan	44,520	3	Japan	47,842
4	Germany	24,597	4	UK	26,475
5	UK	22,525	5	Germany	25,540
6	Brazil	16,686	6	Brazil	20,015
7	France	13,086	7	South Korea	14,918
8	Australia	12,317	8	Australia	13,060
9	South Korea	11,670	9	France	12,985
10	Canada	11,159	10	Argentina	12,545

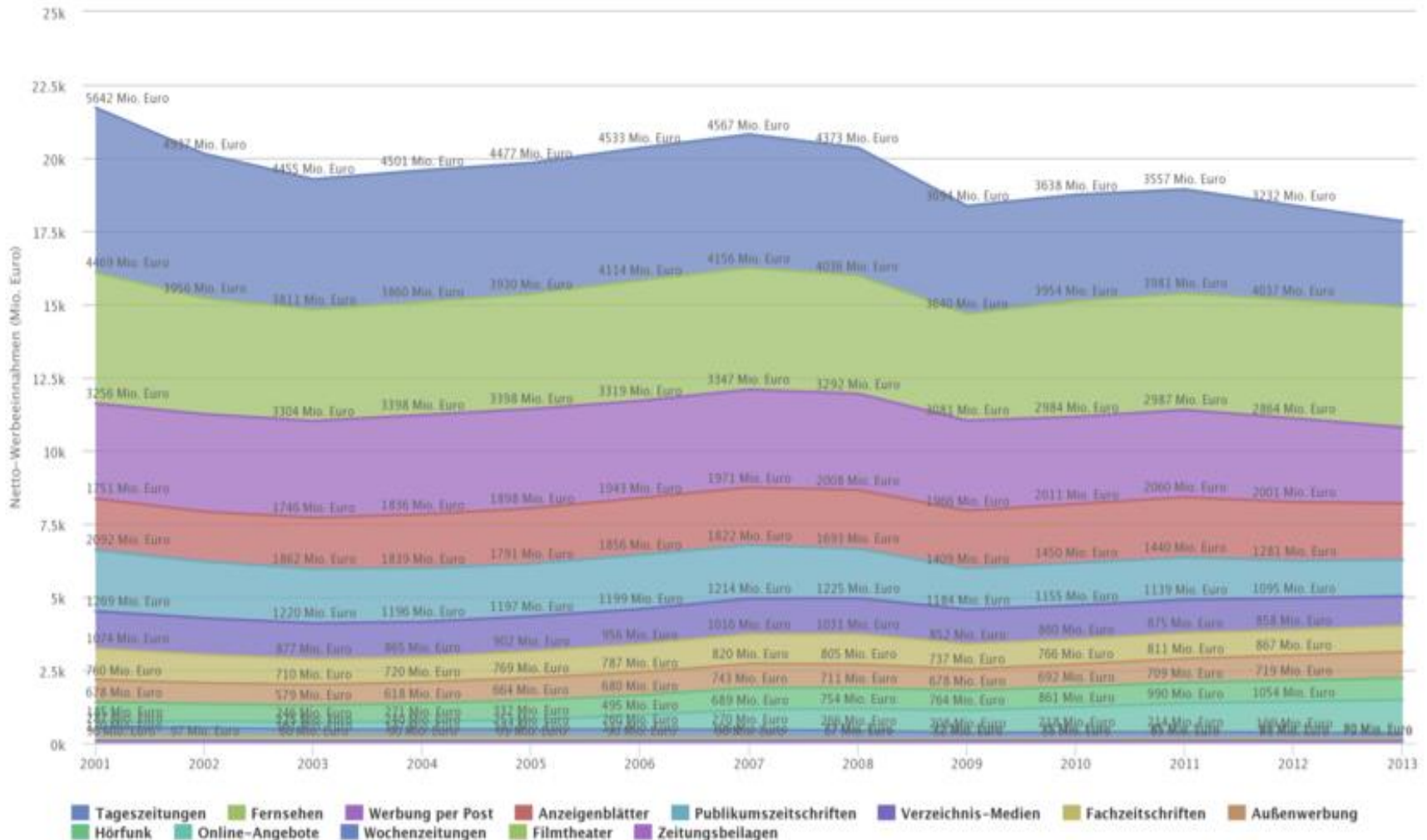
Source: ZenithOptimedia

Recorded Revenues for Advertisements in Germany 2001-2013

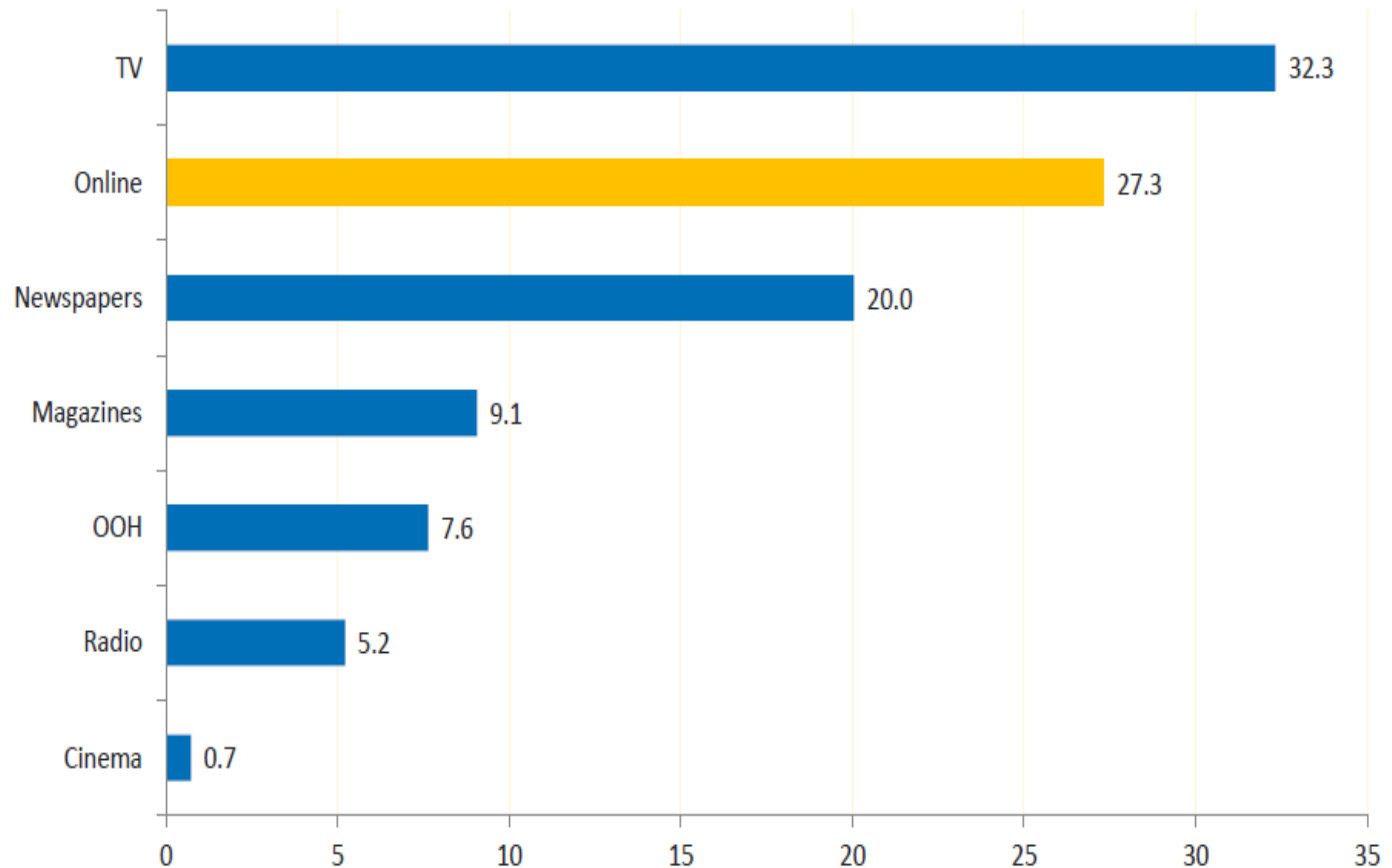
Newspaper, TV, outdoor, per postal delivery,...online

Netto-Werbeinnahmen erfassbarer Werbeträger in Deutschland

Quelle: ZAW-Statistik

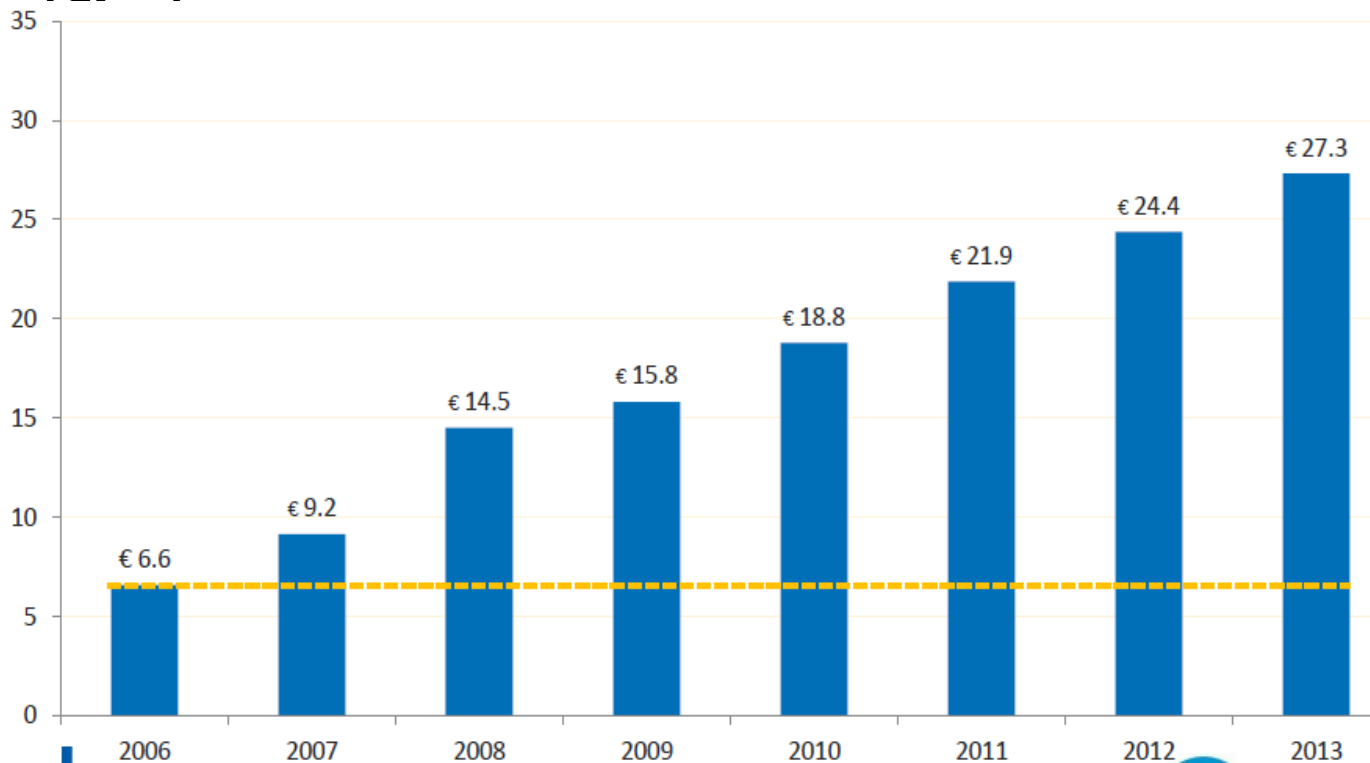


Ad spend by category in Europe in 2013 (€bn)



IAB Europe (July 2014): AdEx Benchmark 2013

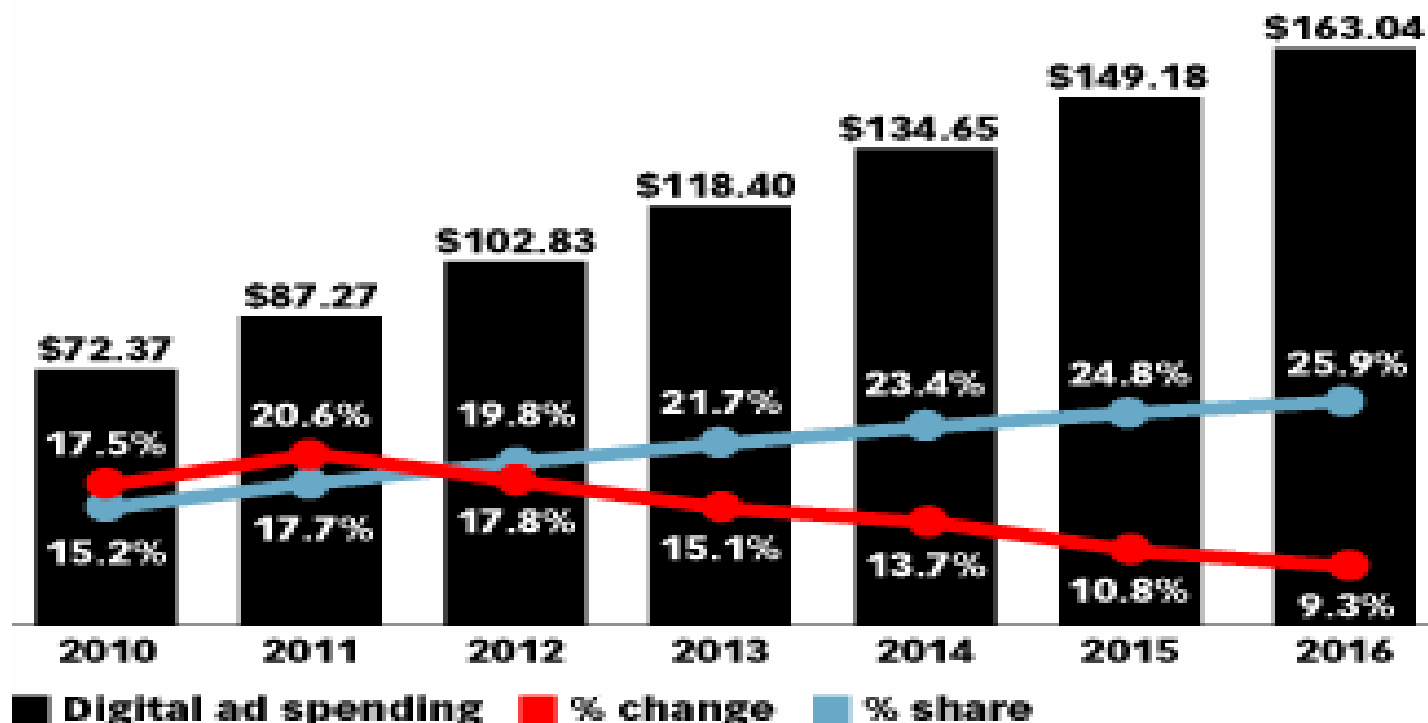
Digital Advertisement expenses in Europe



IAB Europe (July 2014): AdEx Benchmark 2013

Digital Ad Spending Worldwide, 2010-2016

billions, % change and % of total media ad spending



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising

Source: eMarketer, Dec 2012

148475

www.eMarketer.com

Background in oligopoly theory

- Joan Robinson, E. H. Chamberlin in the 30ies:
“monopolistic competition”

Struggle between oligopolies in saturated markets:

Product differentiation – branding – more of the same

→ **advertisement** as

1. consequence of oligopolisation and
2. as further promotion of oligopolisation
3. Investments in market barriers – and not in innovation

→ Implicates

- stagnative tendencies
- anti-innovative tendencies

Compatible with Marxist theory

- Growing public awareness on big scale corporate tax evasion
- OECD: „**BEPS**“ (base erosion, profit shifting)
- Tax evasion of big internet companies in VAT and corporate taxes much, much more important than ad taxes
- some common basic problems at general tackling tax evasion and particularly taxing (digital) ads
- Governments under pressure to act – some current initiatives

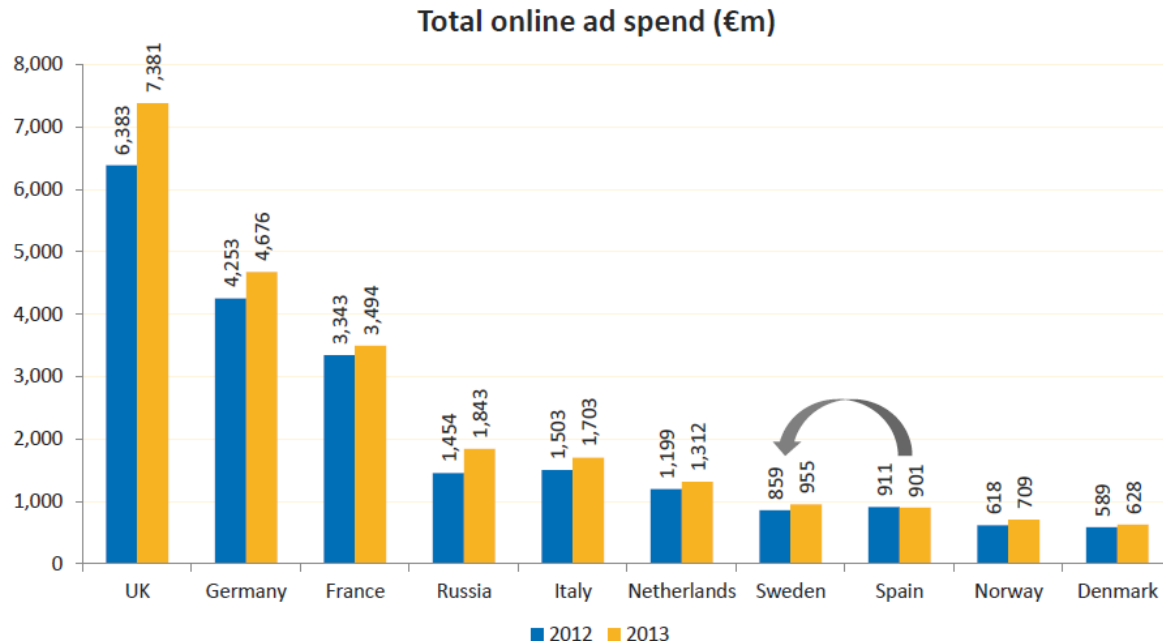
Hungary

In the context of the nationalist Orban agenda

- June 2014 law on ad tax
- **PROGRESSIVE** tax rates between 0, 1, 10, 20, 30 und 40 %
- Practically against biggest European media corporation RTL
- struggles RTL, EU, Orban government

Now Agreement for ad tax with 5% rate - similar to Austria +some Hungarian control on RTL in H

Online advertisements 2012 and 2013 in various countries (€mln)



GB: “Diverted Profit Tax“

- To overcome “Irish Double”- tax avoiding structures by Google &Co
- In force since April 2015
- Directed on corporate income taxes- but advertisement as business model in the focus – similar to possible ad tax
- New territorial principle on liability to pay tax**

“A radical departure from the principle that the UK will not tax the profits of foreign companies doing business with UK clients/ customers, unless those companies have a UK ‘permanent establishment’“

“For the first time companies outside the UK could be subject to UK tax merely for doing business with the UK”.

Comments from a tax consultant office

**Key point: Localisation of liability to pay taxes =
= where is the place of value (added) production**

➤ **Convergence of**

- 1. Smythe + Fuchs concepts on audience work and digital labour**
- 2. Principles of the judicature of the constitutional court of Austria**
- 3. Basics of the „Diverted Profit Tax“ (GB, in force since April 2015)**

➔ **Basis for the implementation**

- **For the inclusion of digital advertising into ad taxes**
- **For a global ad tax**

Small project on ad tax with focus on Austria done just now

Bigger transnational research project hopefully will be designed and submitted to some funds in the next months (including China)

Does anybody wants to contribute and join ?

josef.baum@univie.ac.at

**THERE IS NOTHING
MORE PRACTICAL THAN
A GOOD THEORY**

~EINSTEIN