

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

josef.baum@univie.ac.at

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
- 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

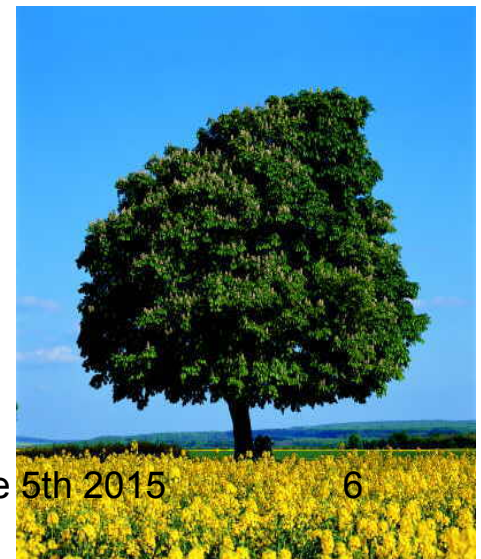


Starting points for engagement to ad taxes:

- 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

No online advertising identified

➔ Transnational solutions



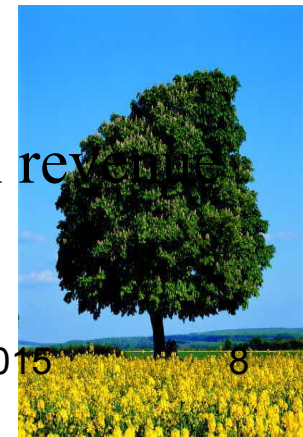
Ad Tax in Austria

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

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

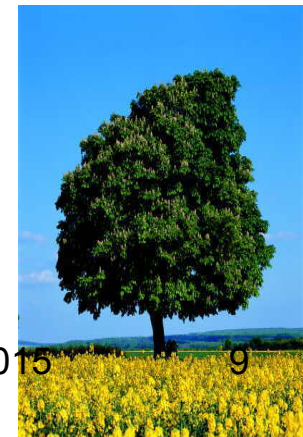


Ad Tax in Austria – current problems

- 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

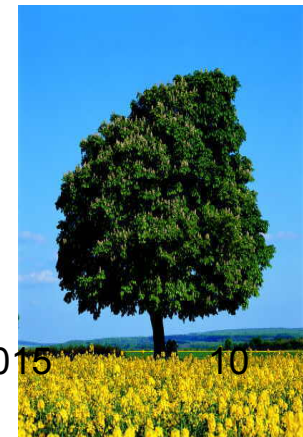


Solution for the inclusion of online ad

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 relocate is lower
- 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”



Principles of the judicature of the constitutional court of Austria

Inconsistencies by different norms in municipalities →
increasing legal procedures



→ 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 |

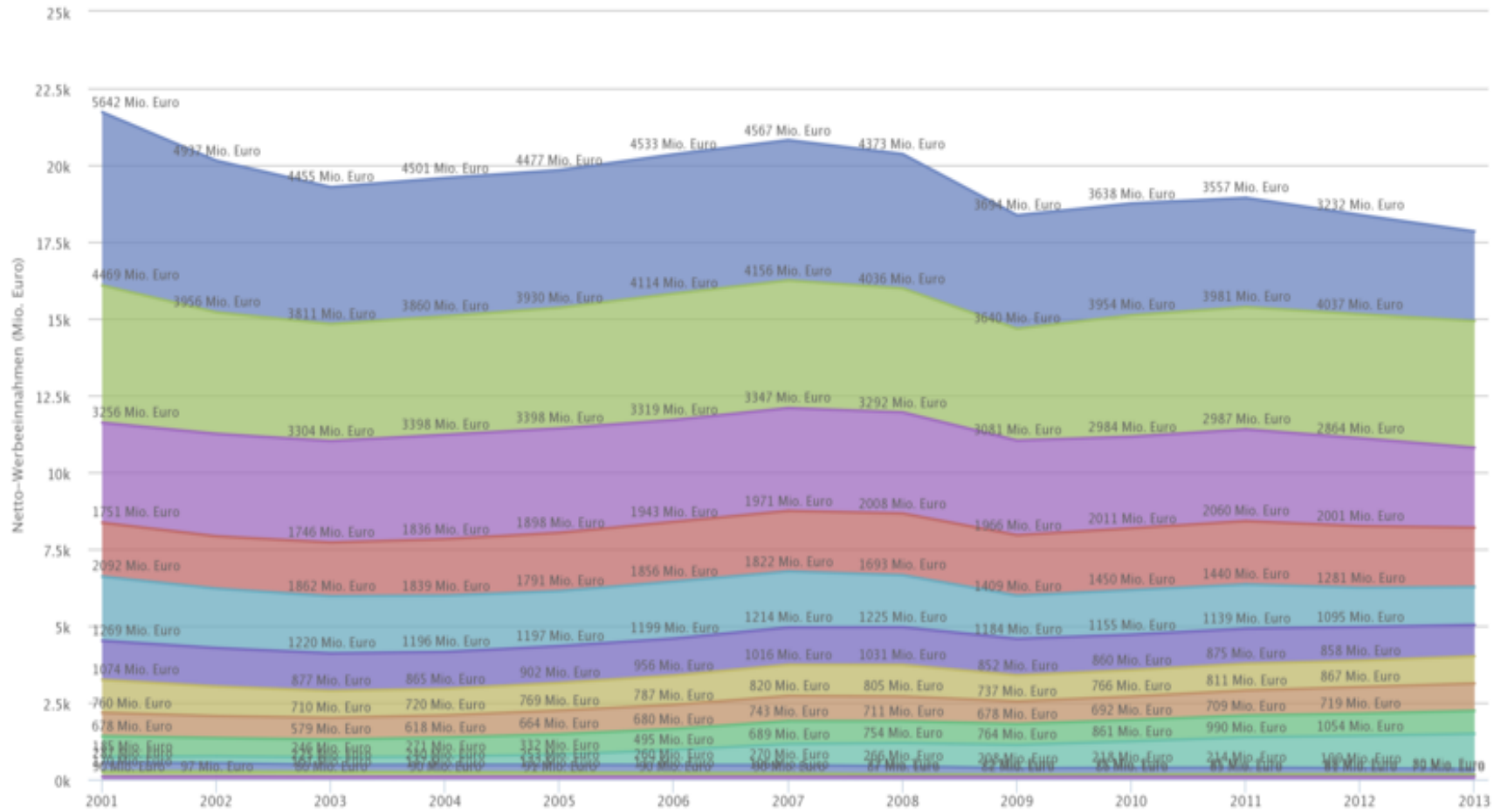
Source: ZenithOptimedia

Recorded Revenues for Advertisements in Germany 2001-2013

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

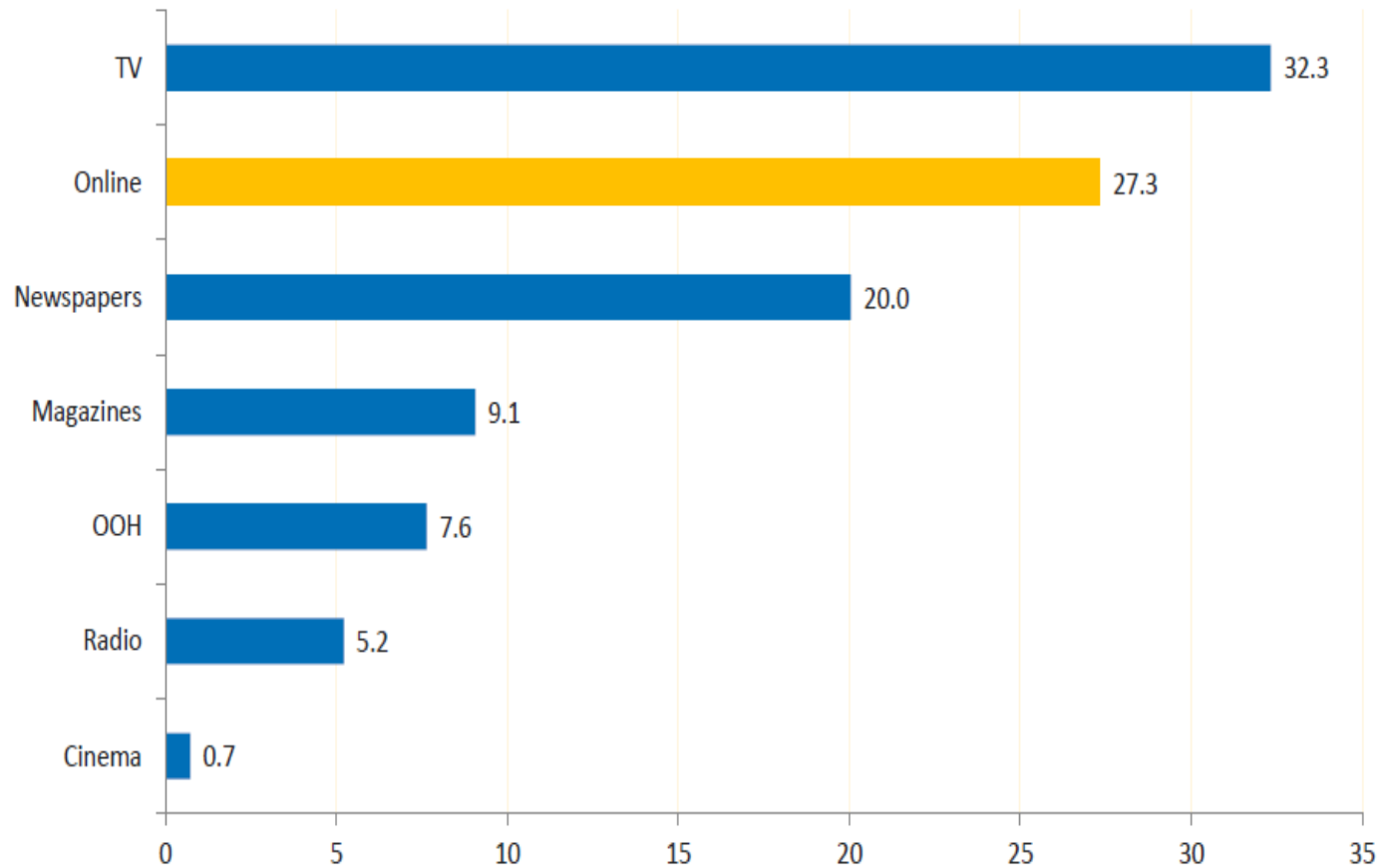
Netto-Werbeinnahmen erfassbarer Werbeträger in Deutschland

Quelle: ZAW-Statistik



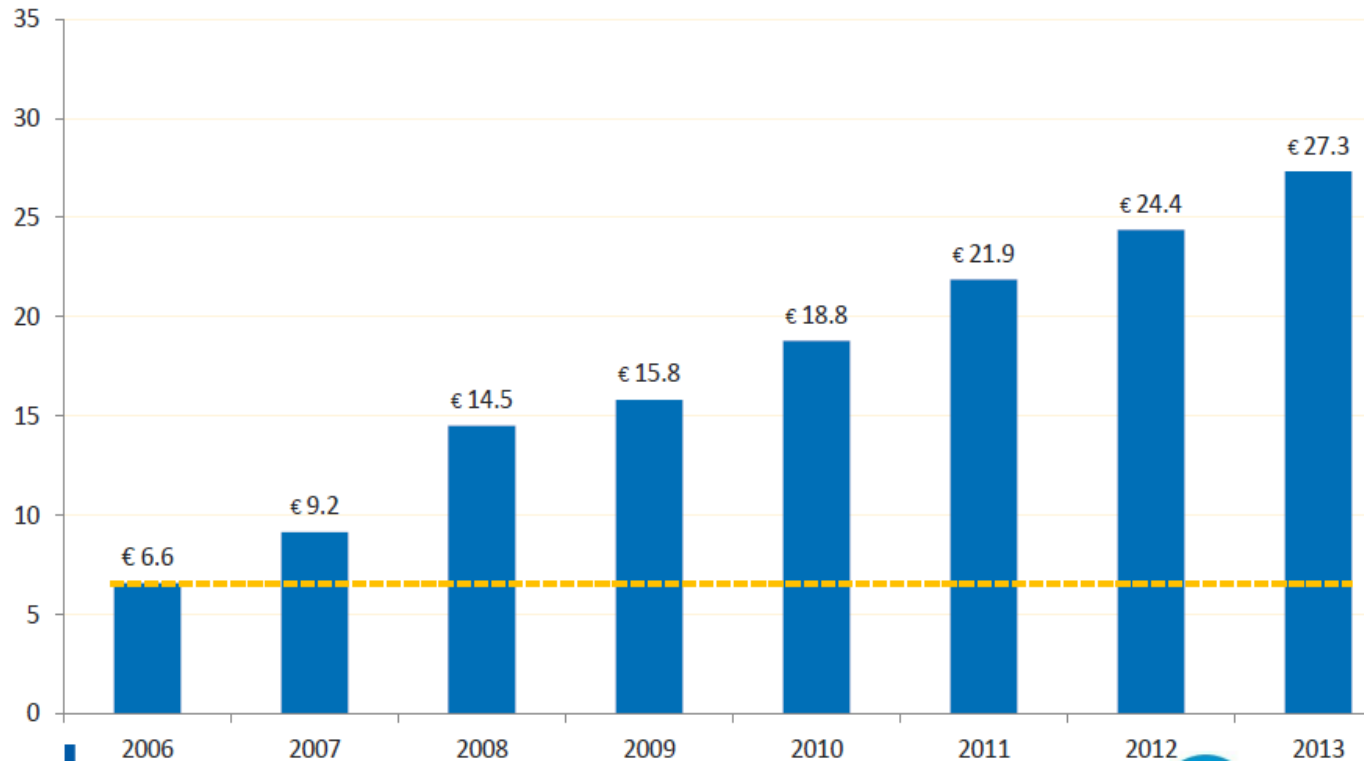
- Tageszeitungen
- Fernsehen
- Werbung per Post
- Anzeigenblätter
- Publikumszeitschriften
- Verzeichnis-Medien
- Fachzeitschriften
- Außenwerbung
- Hörfunk
- Online-Angebote
- Wochenzeitungen
- Filmtheater
- Zeitungsbilagen

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



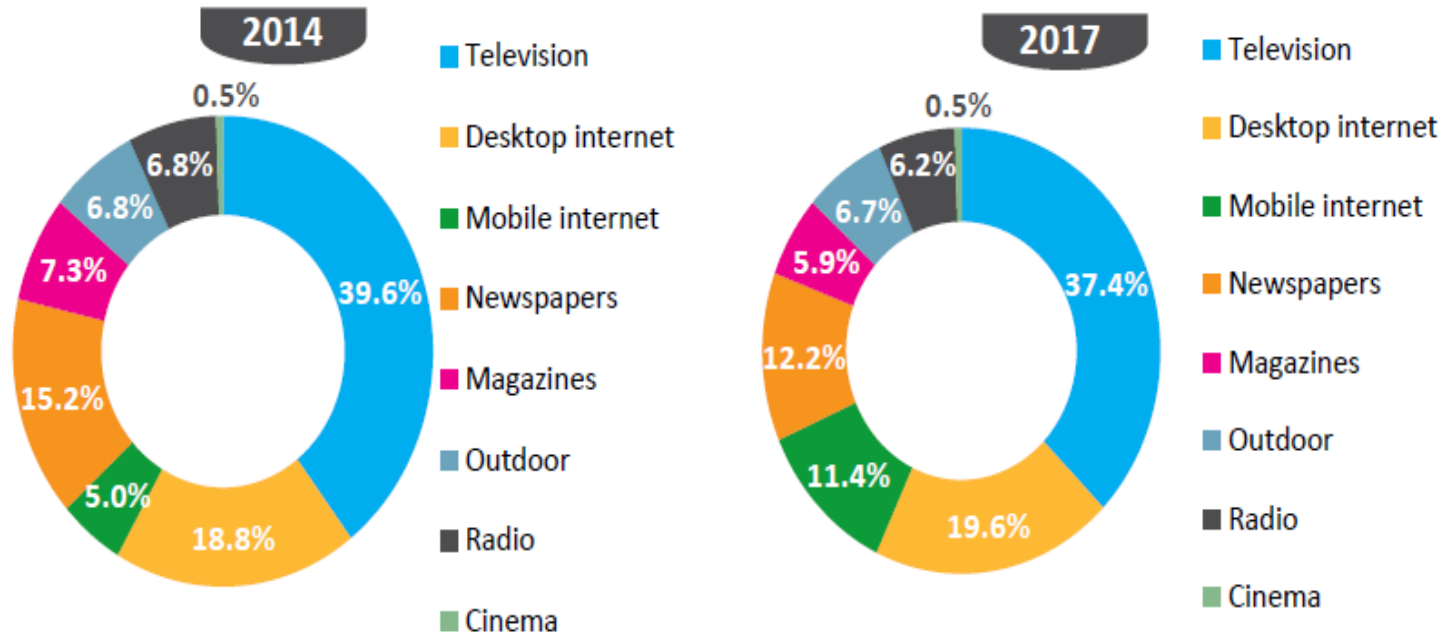
IAB Europe (July 2014): AdEx Benchmark 2013

Digital Advertisement expenses in Europe



IAB Europe (July 2014): AdEx Benchmark 2013

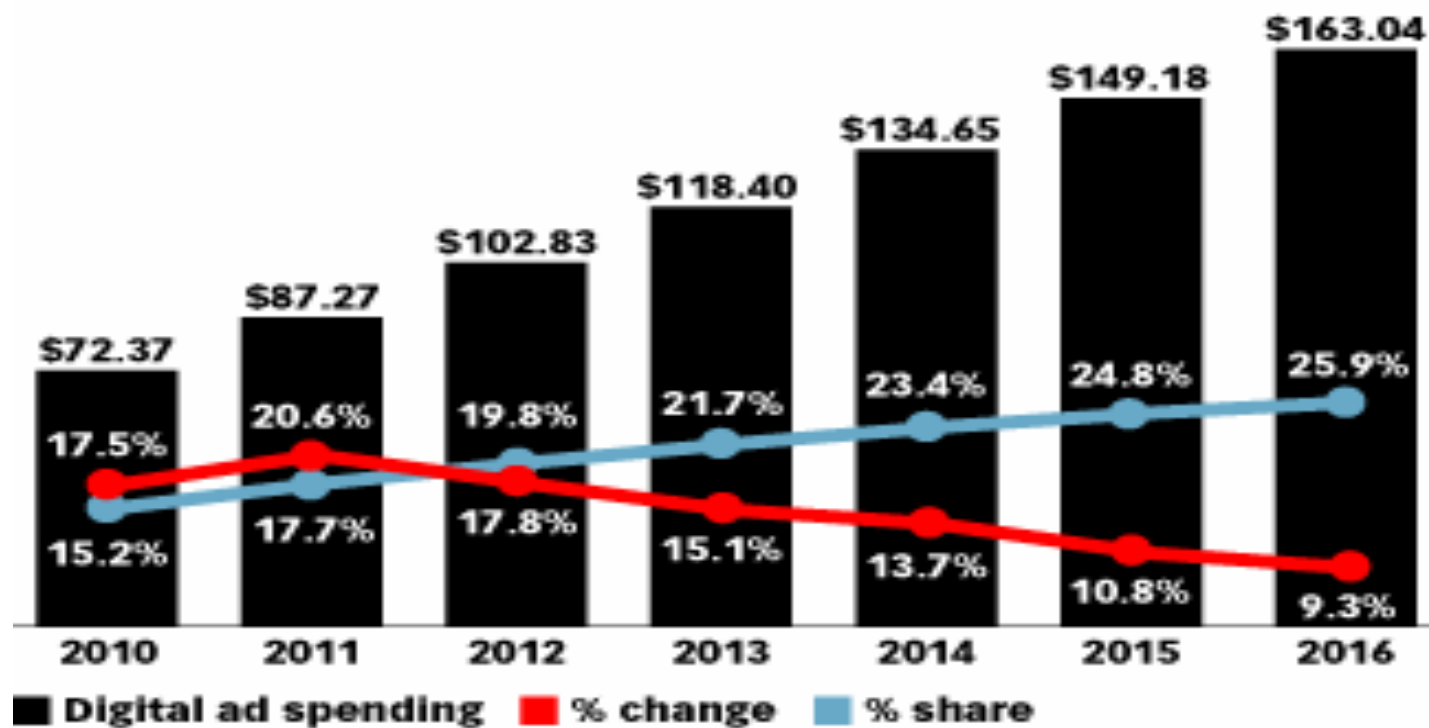
Share of global adspend by medium (%)



Source: ZenithOptimedia

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

VAT, corporate taxes much, much more important

In Tax evasion

But some basic problems

➤ 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)

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