THE ONLINE ADVERTISING TAX

A Digital Policy Innovation

CHRISTIAN FUCHS

CAMRI *Policy Briefs* **1**

CAMRI

UNIVERSITY OF WESTMINSTER

THE AUTHOR

CHRISTIAN FUCHS is Professor of Social Media Research and Director of CAMRI (Communications and Media Research Institute) and WIAS (Westminster Institute of Advanced Studies) at the University of Westminster. He is the author of *Critical Theory of Communication* (University of Westminster Press, 2016), *Social Media: A Critical Introduction 2nd edn* (Sage, 2017) and most recently *Digital Demagogue: Authoritarian Capitalism in the Age of Trump and Twitter* (Pluto, 2018).

ABOUT CAMRI

CAMRI (the Communication and Media Research Institute) at the University of Westminster is a world-leading centre of media and communication research. It is renowned for critical and international research that investigates the role of media, culture and communication(s) in society. CAMRI's research is based on a broader purpose and vision for society: its work examines how the media and society interact and aims to contribute to progressive social change, equality, freedom, justice, and democracy. CAMRI takes a public interest and humanistic approach that seeks to promote participation, facilitate informed debate, and strengthen capabilities for critical thinking, complex problem solving and creativity.

camri.ac.uk

SERIES DESCRIPTION

The CAMRI Policy Brief series provides rigorous and evidence-based policy advice and policy analysis on a variety of media and communication-related topics. In an age where the accelerated development of media and communications creates profound opportunities and challenges for society, politics and the economy, this series cuts through the noise and offers up-to-date knowledge and evidence grounded in original research in order to respond to these changes in all their complexity.

By using Open Access and a concise, easy-to-read format, this peer-reviewed series aims to make new research from the University of Westminster available to the public, to policymakers, practitioners, journalists, activists and scholars both nationally and internationally.
camri.ac.uk/policy-observatory

CAMRI *Policy Briefs* (2018)

Series Editors:
Professor Steve Barnett
Professor Christian Fuchs
Dr Anastasia Kavada
Nora Kroeger
Dr Maria Michalis

THE ONLINE ADVERTISING TAX: A Digital Policy Innovation
Christian Fuchs

ARTIFICIAL INTELLIGENCE AND THE INTERNET OF THINGS
Mercedes Bunz and Laima Janciute

THE GIG ECONOMY AND MENTAL HEALTH
Sally Gross, Laima Janciute, George Musgrave

PORTRAYING DISFIGUREMENT FAIRLY IN THE MEDIA
Diana Garrisi, Laima Janciute, and Jacob Johanssen

CAMRI extended policy report (2018)

THE ONLINE ADVERTISING TAX AS THE FOUNDATION OF A PUBLIC SERVICE INTERNET
Christian Fuchs

THE ONLINE ADVERTISING TAX: A DIGITAL POLICY INNOVATION

Christian Fuchs

A CAMRI POLICY BRIEF

CAMRI
UNIVERSITY OF WESTMINSTER

Published by
University of Westminster Press
115 New Cavendish Street
London W1W 6UW
www.uwestminsterpress.co.uk

First published 2018
Cover: ketchup-productions.co.uk

Digital versions typeset by Siliconchips Services Ltd.

ISBN (Paperback): 978-1-911534-85-3 (not available for sale)
ISBN (PDF): 978-1-911534-86-0
ISBN (EPUB): 978-1-911534-87-7
ISBN (Kindle): 978-1-911534-88-4

DOI: https://doi.org/10.16997/book24

Series: CAMRI *Policy Briefs*
ISSN 2516-5712 (Print)
ISSN 2516-5720 (Online)

The full text of this book has been peer-reviewed to ensure high academic standards. For full review policies, see: http://www.uwestminsterpress.co.uk/site/publish/

Suggested citation:
Fuchs, Christian. 2018 *The Online Advertising Tax: A Digital Policy Innovation*. London: University of Westminster Press. DOI: https://doi.org/10.16997/book24/. License: CC-BY-NC-ND 4.0

To read the free, open access version of this book online, visit https://doi.org/10.16997/book24 or scan this QR code with your mobile device:

CONTENTS

THE ONLINE ADVERTISING TAX: A DIGITAL POLICY INNOVATION

Key Messages

Google and Facebook now control about two thirds of global advertising revenue. They dominate the online advertising market in the form of a duopoly and avoid paying adequate taxes. This policy brief introduces a new possibility and policy innovation for taxing online advertising.

> This brief sheds new light on the question how to establish models for taxing online advertising and digital corporations. Drawing on Christian Fuchs' theory of digital labour, it stresses that only human labour creates value and that on digital media the boundary between value-production and commodity consumption has become blurred.

> Policy measures for taxing transnational corporations, including digital companies, need to be based not just on the question where and how much value is produced, but also on the question *who produces how much value*.

> The legal definition of the 'digital permanent establishment' that is used in the context of taxing online

companies should be built on the insight that only human labour creates commodities' economic value. Therefore, one should accordingly discern among different forms of digital value generation and how to tax them.

> Legislating taxation of the digital economy is based on specific models of digital value-creation such as the digital content as commodity model, the online advertising model, the online retail model, the sharing economy-pay per service model, sharing economy-rent on rent model, the digital subscription model, or mixed models.

> In order to counter the dominance of for-profit monopoly platforms on the Internet, the creation of a public service Internet is a viable policy option.

> Introducing an online advertising tax is an ideal financial foundation for supporting the creation of public service Internet platforms and civil society Internet platforms/platform co-operatives.

WHAT'S THE ISSUE?

In the age of austerity, there has been increased public criticism of large transnational corporations' low tax contributions. Google and Facebook dominate the online advertising market in the form of a duopoly and avoid paying adequate taxes while complying with the taxation system in place. This policy brief introduces a new possibility and policy innovation for taxing online advertising.

Google and Facebook are among the world's largest transnational corporations. In the 2017 Forbes ranking of the 2,000 biggest global companies, Google/Alphabet came 24th with an annual profit of US$19.5 billion.[1] With a profit of US$9.5 billion, Facebook was in 119th place.[2] Neither company sells communication services. They are the world's two largest advertising corporations.

'Google and Facebook now control about two thirds of global advertising revenue'

There is an overall shift of advertising revenue from print towards digital. In this context, Google and Facebook now control about two thirds of global advertising revenue.

Google is estimated to have controlled 55.2% of global advertising revenue in 2016, and Facebook 12.3%.[3] Given their tax avoidance strategies, their online advertising duopoly and their economic importance, such companies contribute to the trend that transnational corporations hardly pay taxes. This trend has been recognised as a severe problem, but no solution has yet been found. The question is how to properly tax digital and online corporations.

RESEARCH EVIDENCE

Christian Fuchs' critical theory of digital media provides a framework for the analysis of online companies' political economy, including a theory of digital labour and a digital labour theory of value (Fuchs 2008, 2015, 2017a). Insights from this theory shed new light on the question how to establish models for taxing online advertising and digital corporations.

How is Value Created in Digital Corporations such as Google and Facebook?

The Public Accounts Committee of the House of Commons (UK), under the leadership of Margaret Hodge, inquired into transnational corporations' tax avoidance, with a focus on Google, Amazon and Starbucks. The select committee twice interviewed Alphabet/Google's Matt Brittin, who is now the company's President of Business and Operations for Europe, the Middle East and Africa. Brittin argued in a manner that is typical for digital corporations that avoid paying taxes. The main elements of this logic of arguments are the following ones:

1. **Computer technology creates value:** Google's value derives from its algorithm, technology and software.

2. **Google's value is created in California:** This software is developed by engineers in California. Accordingly, the creation of Google's economic value takes place in California.

3. **Google should pay taxes in California:** Taxes should be paid where value is created. In Google's case, that is California.

4. **Online advertising is placeless and thus eludes national tax legislation:** Google's advertising trade takes place in the placeless Internet, not in a particular country. Advertising sales do not take place in a specific country, but via an auction algorithm that is operated by algorithms whose physical location is not clearly defined. Google's European invoices are drawn up in Ireland and there is a trade between Google in Ireland and the European advertising clients.

The digital labour theory of value challenges these claims:

1. **Only human beings communicate productively and produce communicatively, creating the practical and economic value of the Internet:** Only humans can create economic value, technology cannot. If there were only machines and no human beings, no goods could be produced, distributed and consumed. Fully automated production without human beings would break down as soon as machines stalled and could not be repaired. Unlike human beings, machines have no morals, no creativity and are unable to anticipate the future state of society, and are thus only capable of limited action.

2. **Google and Facebook's users create the value with which these companies operate and which they sell as Big Data:** Google's software platforms are not commodities. We do not pay to use Google's search engine. Google does not sell its search service to users. If something is not a commodity and is not sold, then it does not have value. For this reason, the argument that Google's Californian software engineers create the company's entire value is not convincing. Google sells advertising space on the Internet using algorithmic auctions. The theory of the audience commodity states that in advertising in general, the audience's attention is sold to advertisers as a commodity; in the case of data commodities, the users' personal data are sold to enable personalised advertising (Fuchs 2017a). Without the users' online activity, which is precisely monitored and from which the Internet corporations collect, store and analyse data and metadata, personalised advertising on Google and Facebook would not be possible. The users themselves create data commodities and attention to advertising. The theory of digital labour assumes that Google and Facebook's users thus create a significant part of the value of these platforms, and that this value is not produced by the software engineers alone (Fuchs 2017a): the software engineers only create the technologies that users employ as infrastructure that enables them to produce user-generated content, communicate with one another and gather information online, which is how social media actually become 'social' and how the Internet becomes alive, informative and communicative in the first place.

‘Google and Facebook’s users thus create a significant part of the value of these platforms’

3. **Without users’ activity, there would thus be no communication and no social network** – and no profit generated by personalised advertising, either. Google and Facebook’s users create economic value that is expressed in these companies’ profits.

4. **Google and Facebook should pay for sold online advertisements in the country where these advertisements were personalised:** If Google and Facebook’s value creation takes place where the users are and create the value of online advertising, then taxes need to be paid in the country where the users are when they look at the advertisements (in the case of cost-per-view advertising) or click upon it (in the case of cost-per-click advertising).

5. **Online advertising is personalised according to countries and locations and is therefore not placeless:** While the auction algorithms used by Google and Facebook operate on the Internet, at each specific point in time that a user accesses Google or Facebook, he or she is in a specific country that has specific tax legislation. The user gives his or her attention to the advertising on Google or Facebook from this country, sometimes clicking on the advert, which leads to the sale of the advertisement. Both Google and Facebook personalise advertising according to place, that is, for every placement of personalised advertising a

> user sees, that user's location is identified and stored. In purely technological terms, it is possible to ascertain which percentage of seen and clicked-upon adverts occurred in which country. As attention, online activity and clicks create value for Google and Facebook – therefore, taxation should be based upon the share of Google and Facebook advertising clicks in the respective countries.

In this context, it is worth highlighting how the basic economic transaction underlying online advertising works. If you look at a personalised online advert and click on it, you are redirected to a certain webpage belonging to the advertising client. The advertising client hopes that you will purchase a certain product on their website or carry out a certain action. And they will pay a certain amount to the online advertising company (e.g. Google, Facebook, etc.) as the advertisement was seen or clicked upon. Accordingly, the sale of the advertisement as a commodity takes place when it is viewed or clicked upon. The advertising client pays for users' personalised attention, which is only possible thanks to the collection and analysis of personal data. What is sold is thus users' attention to advertising. The user's online behaviour generates the data and metadata needed to enable and personalise online advertising.

'What is sold is thus users' attention to advertising.'

The activity of giving attention to an online advert or clicking on it finally leads to the monetary transaction between the advertising supplier and the advertising client. If the suppliers of online advertising had only their software and algorithms but no content, data and metadata generated by the users, they would not be able to sell online advertising. Accordingly, the users' online activity creates the value of online advertising.

How Can Digital Corporations be Taxed Based on Location?

The theory of digital labour allows the establishment of a new method for determining where companies selling online adverts have to pay how much taxes.

Any levy on online advertising introduced in law will be difficult to collect if the law's wording states that the tax must be paid in the country of the advertising company's main office. The examples of Google and Facebook show that transnational companies operate in many countries at the same time, which means tax jurisdiction is not clearly defined. By contrast, if we argue that the users to whom personalised advertisements are presented (cost-per-view) or who click on such an ad (cost-per-click) create the value of the online advertisement and that online advertising should be taxed in the country where the users at whom it is targeted are, the territorial allocation becomes much easier. In this model, the assumption is that specific national tax legislation applies if for example you, as a user, are in this country and click on an online advertisement. If you happen to be in Germany, then German tax law applies. In order to make online advertising feasible in terms of taxation, the location not of the online corporation, but of the user is key; it is the location where the service is performed, data and content are created, and where taxation should take place.

Profit is usually taxed in the location where a commodity's value is produced, whereas value-added tax regulations usually focus on the target country where the commodity is sold. The Internet's global nature renders the application of traditional tax legislation difficult, as an Internet company is able to sell digital commodities in countries where it has no physical or legal presence. In the case of Facebook and Google, we have three actors: the Internet platform, the users and the advertisers. These three actors may be located in three different countries. In the case of online advertising, the consumers of the platform services are also the producers of content, data, metadata and the attention that make online advertising possible in the first place. Accordingly, they are prosumers – producing consumers. Where prosumption platforms (including Google and Facebook) are concerned, the users' important role in profit generation and value creation could be taken into account by taxing online profits and online advertising in the country where the user clicking upon or looking at an advertisement is located. The location of users who click on and view adverts can be determined via IP addresses. When visiting an Internet platform, it is standard procedure for the IP address to be retrieved and usually stored for each access. This enables advertising to be personalised according to countries and places.

This model could be implemented in such a way that in the UK (or in other countries), companies such as Google or Facebook would be required to statistically analyse what proportion of payment-generating advertising clicks or impressions were executed in Britain (or in whichever country is charging the online advertising tax). The corresponding national share of the global profit, global value creation and global turnover per year could then be used as the financial basis for calculating the payable annual online advertising tax. Another option would be to calculate profit, value creation and turnover according to the country's share of global active users as the financial basis for taxation; however, this would produce only a rough estimate.

REVIEW OF POLICY OPTIONS

The Diverted Profits Tax

In the UK, the 'diverted profits tax' that is also called the 'Google Tax' was introduced in 2015. The basic idea behind the diverted profits tax is that profits generated in the UK and diverted to other countries are taxed at 25%, which is higher than regular corporation tax. The underlying idea is that this measure makes tax avoidance less attractive.

'the "Google tax" has no legal mechanism for defining and determining the share of value produced in a specific national jurisdiction'

One decisive point of criticism made in this report is that it is however still legal for transnational corporations not to book the turnover generated in a particular country in that country, but instead to allocate parts of their overall turnover to various international subsidiaries as they see fit. Thus, a decisive problem is that the 'Google tax' has no legal mechanism for defining and determining the share of value produced in a specific national jurisdiction. Even after the introduction of the diverted profits tax, transnational corporations continue to shift their turnover between their international subsidiaries.

Corporate Self-Regulation and Voluntary Corporate Social Responsibility

Another suggested solution is corporate self-regulation and voluntary corporate social responsibility under the condition of moral pressure, lobbying and social pressure. In late 2017, Facebook announced that it would stop routing advertising through Ireland in European countries where it has a local branch. But this suggestion has three flaws:

> It is a voluntary measure by Facebook that is not based on legislation and clear policy rules that determine where Facebook has to pay taxes for what activities and to which amount.

> Facebook does not have branches in all countries of the world, which means that it will continue to avoid paying taxes. In 2018, Facebook's European offices were located in Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Poland, Spain, Sweden, Switzerland and the UK. According to the United Nation's classification, there are 44 countries in Europe, which means that following its own rules, Facebook would continue not to pay taxes in 36 European countries.

> There is still no policy rule that determines which amount of value shall be taxed in what country.

Defining a 'Digital Permanent Establishment'

The European Parliament, the European Commission and the OECD/G20 (as part of the Base Erosion and Profit Shifting [BEPS]-Project) have looked into defining a digital permanent establishment in order to be able to tax online corporations that do create value in a country, where they do not have a physical presence (European Commission 2017, OECD 2015). In a draft *Directive on a Common Consolidated Corporate Tax Base* from 2016, the EU suggests a formula for calculating the tax base of a corporation's specific national establishment that uses a composite share of sales, salaries, employees and capital assets (European Commission 2016). The formula is not suited for the taxation of corporations whose business models are based on unpaid labour (such as the unpaid digital labour in the case of Facebook and Google).

In 2018, an EU draft report with plans to introduce an EU Directive on Digital Permanent Establishments was published.[4] It argues for introducing a digital services tax of 3% on the gross revenue of digital permanent establishments and acknowledges that 'in the digital economy, a significant part of the value of a business is created where the users are based and data is collected and processed'. One has to wait and see if the EU will indeed introduce a directive that taxes online revenues of large digital corporations. If this will be the case, then the question arises how exactly the value added by users can be defined, what different type of online business model and therefore of digital value generation must be discerned, and how such value generation can precisely be measured.

☑ POLICY RECOMMENDATIONS

1 – Tax Models Based on a Humanist Labour Theory of Value

Found policy measures for taxing transnational corporations, including digital companies, not just on the question where and how much value is produced, but also on the question *who produces value*. Concepts of value, in which it is assumed that technologies (including software and algorithms) or capital produce value, should be avoided and preference given to models in which human labour is the source of economic value.

2 – Establish a Model for Taxing Online Advertisements

Create legislation according to the model introduced in this brief that taxes online advertising based on the assumption that users create the value of an online advertisement when they click on it (pay-per-click-model) or when they view adverts (pay-per-view-model).

3 – Create and Fund Public Service Internet Platforms

In order to counter the dominance of for-profit monopoly platforms on the Internet, legislation that enables public service media to offer advertising-free online platforms so that a public service Internet can be created is needed (Fuchs 2017b; 2018, chapter 7).

It is recommended that income from a tax on online advertising is used to fund public service Internet platforms.

4 – Stronger Enforcement Mechanisms for Financial Authorities

Financial authorities with limited resources and lobbying by accounting firms can impact negatively upon the effective taxation of corporations. Introducing an online advertising tax should thus go hand in hand with strengthening the resources of the financial authorities so that these are able to effectively deal with the increase in monitoring and administration required. Furthermore, it should be ensured that financial authorities work independently of lobbying organisations and that legal sanctions become applicable and are indeed applied when a corporation refuses to pay taxes or cooperate with the gathering of the tax data required.

Sanctions to be applied if online advertising platforms refuse to cooperate, falsify data, avoid taxation or commit tax fraud would also be important. The EU General Data Protection Regulation already contains a model for this: Article 83(4) and (5) offers the option of applying administrative fines of 2% or 4% of the company in question's 'total worldwide annual turnover of the preceding financial year', depending on the kind of infringement. This or a similar model could also be used in an online advertising tax law.

5 – Base the Definition of the 'Digital Permanent Establishment' on a Humanist Labour Theory of Value

The legal definition of the 'digital permanent establishment' that is used in the context of taxing online companies is built on the insight that only human labour creates commodities' economic value and accordingly discerns different forms of digital value generation. In order to determine standards for taxation, one should always ask: What is the commodity involved? What is the labour that creates the commodity's value? In which jurisdiction is that labour located at the point of value-production?

6 – Use Models of Digital Value Creation for the Legal Definition of Digital Permanent Establishments

If we assume that it is human labour that creates value, then this assumption has specific implications for different international digital business models. Legislating taxation of the digital economy is based on specific models of digital value-creation such as the following ones (see Fuchs 2017a, chapters 5–10; 2008, chapter 7):

> The digital content as commodity-model: In cases where digital content (such as software) is sold as a commodity, it is decisive how many employees are located in which country and what share of the international corporation's labour-time and salaries they account for. Microsoft is an example of this model.

> The online advertising model: In such models, targeted advertising is sold as a commodity. Digital platforms act as constant capital. Users produce data that is valorised in the form of personalised adverts. For each advert that is shown on a profile and the gets clicked upon, one can determine in which country the value-generating view or click took place. Examples of this model include Google and Facebook.

> The online retail model: Online retailers such as Amazon buy commodities that they sell online. They first buy

goods that they then sell to others. These commodities are fixed capital, to which the retail workers engaged in the sales, packaging and transport process add value that constitutes the total commodity value. The service of retailing is the real commodity in this case. For determining value shares it is therefore decisive where the sales, packaging and transport process takes place.

> The sharing economy-pay per service model: In this digital economy model, a platform mediates a service between a producer and a buyer and charges a rent on the service. The producer of the service generates its value, on which the platform owner charges a service fee/rent. The service creator (e.g. the Uber driver, the freelancer creating a digital product mediated via a platform such as Upwork, the babysitter advertising his or her services via an online platform) is located in a particular country so that this service's value can be nationally allocated.

> The sharing economy-rent on rent model: In such models, no new good is produced, but an already existing good is rented out via a platform that charges a rent on the transaction. A rent on rent is created. The most well-known example is Airbnb. If this rent is to be taxed, then the decisive aspect is where the renting process takes place. Each flat or house rented out is located in a particular country.

> The digital subscription model: In the case digital subscription services such as Netflix, Spotify, Amazon Prime, or online newspapers – not a physical asset is

rented out, but access to a collection of digital resources. Other than in the case of real estate, where a rent is paid for the use of a property over a specific time period, in the case of reproducible cultural products, royalties are paid that depend on the number of uses (e.g. number of plays or downloads of a song or film) or the size of the good (e.g. number of pages of articles or books). In both cases, it is decisive, in which countries the cultural producers (musicians, actors, writers, performers, etc.) are located. Take as an example the online music companies Bandcamp or Spotify: On Bandcamp, artists and fans sign up. Artists offer their music for sale that is bought by fans. Each artist offering music for sale is tax-resident in a specific country, which means that for each transaction the location of value-generation can be determined. On Spotify, users pay a specific monthly subscription fee for access to a vast collection of music albums that can be streamed. Spotify pays royalties to rights-holders who are located in specific countries. In order to determine the tax base in one country, for each subscription fee paid by a user, it must be determined how many songs that user has listened to over a year and what share of rights-holders/producers is located in which country. Doing so allows generating a tax base for each country.

> Mixed models: There are also mixed models that require taxation based on a combination of models (so for example, Spotify combines an advertising model and a subscription model).

7 – Use the Revenue Generated by an Online Advertising Tax for Financially Supporting Alternative, Non-Profit Internet Platforms

An alternative Internet can be advanced in two ways: by public service media (PSM) organisations and via civil society. Public service Internet platforms operated by PSM can be funded out of an online advertising tax. Example ideas for such platforms include the live debate format Club 2.0 and a public service platform which is fulfilling functions similar to YouTube.

Additionally, a participatory media fee which is a kind of citizen income that is funded through taxing corporations (and/or advertising) could be introduced. The state taxes corporations and then distributes the resulting income through this means of participatory budgeting to all citizens, who are enabled to donate and support civil society media and cultural organisations through this public sphere cheque.

As a result, civil society media and civil society Internet platforms (also called platform co-operatives) could thrive. The public service Internet and the civil society Internet are complementary and should not seen as an either/or option and as competing with each other – both constitute important alternatives to the corporate Internet.

Figure 1 shows an example of the presented online advertising tax model.

The model visually represented in Figure 1 presents an online advertising tax with a hypothetical 20% tax rate on advertising

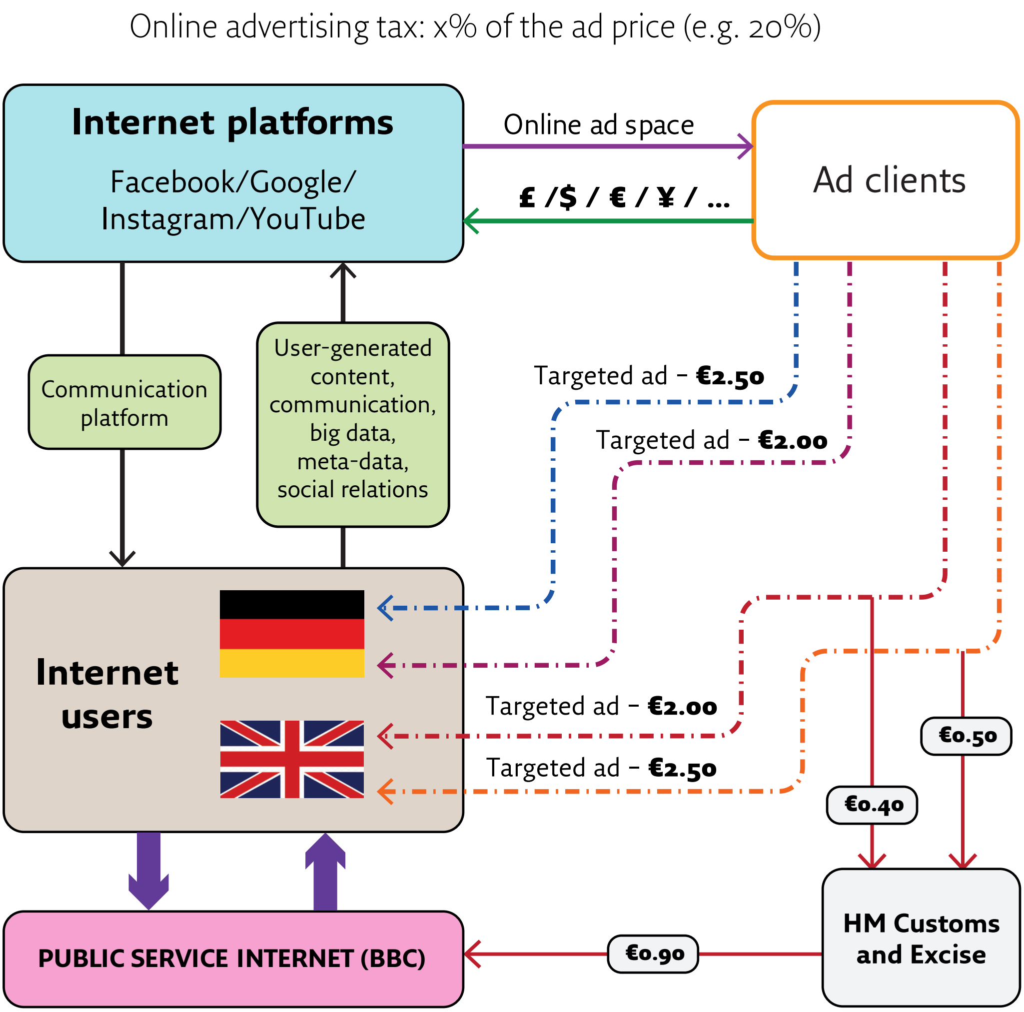

Figure 1: Model of online advertising tax coupled with funding for public service Internet platforms.

turnover. The fictitious company Käsebier Schweiz is using Facebook and Google to display personalised advertisements on the profiles of beer drinkers in the UK and Germany. The image shows four concrete personalisations, of which two respectively address users in Germany and the UK. The British financial authority (HMRC) only taxes the advertisements targeting users in Britain and leaves all other online advertisements aside. For both advertisements, an online advertising tax of 90 cents in total is payable, corresponding to 20% of the cost of the advertisements. This sum is used to finance public service Internet platforms operated by a department of the BBC.

NOTES

[1] http://www.forbes.com/global2000, last accessed 9 February 2018.

[2] http://www.forbes.com/global2000, last accessed 9 February 2018.

[3] https://www.emarketer.com/Article/Google-Still-Dominates-World-Search-Ad-Market/1014258.

[4] https://ec.europa.eu/taxation_customs/sites/taxation/filesproposal_significant_digital_presence_21032018_en.pdf; https://ec.europa.eu/taxation_customs/sites/taxation/files proposal_common_system_digital_services_tax_21032018_en.pdf.

6. SOURCES AND FURTHER READINGS

For more background and research on the online advertising tax, see the corresponding extended policy report: Fuchs, Christian 2018. *The Online Advertising Tax as the Foundation of a Public Service Internet*. London: University of Westminster Press. Available free to view and download at DOI: https://doi.org/10.16997/book23.

European Commission. 2017. *Communication From the Commission to the European Parliament and the Council: A Fair and Efficient Tax System in the European Union for the Digital Single Market*. https://ec.europa.eu/taxation_customs/sites/taxation/files/communication_taxation_digital_single_market_en.pdf.

European Commission. 2016. *Proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB). COM(2016) 683 final*. https://ec.europa.eu/taxation_customs/sites/taxation/files/com_2016_683_en.pdf.

Fuchs, Christian. 2018. *Digital Demagogue: Authoritarian Capitalism in the Age of Trump and Twitter*. London: Pluto.

Fuchs, Christian. 2017a. *Social Media: A Critical Introduction*. London: Sage, 2nd edition.

Fuchs, Christian. 2017b. Towards the Public Service Internet as Alternative to the Commercial Internet. In *ORF Texte No. 20 –*

Öffentlich-Rechtliche Qualität im Diskurs, 43-50. Vienna: ORF. http://fuchs.uti.at/wp-content/ORFTexte.pdf.

Fuchs, Christian. 2015. *Culture and Economy in the Age of Social Media*. New York: Routledge.

Fuchs, Christian. 2008. *Internet and Society: Social Theory in the Information Age*. New York: Routledge.

House of Commons Committee of Public Accounts. 2013. *Tax Avoidance – Google. Ninth Report of Session 2013–14*. http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/112/112.pdf.

House of Commons Committee of Public Accounts. 2012. *HM Revenue & Customs: Annual Report and Accounts 2011–12. Nineteenth Report of Session 2012–13*. http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/716/716.pdf.

OECD. 2015. *Addressing the Tax Challenges of the Digital Economy, Action 1 – 2015 Final Report. OECD/G20 Base Erosion and Project Shifting Project*. Paris: OECD. http://www.oecd-ilibrary.org/docserver/download/2315281e.pdf?expires=1518299226&id=id&accname=guest&checksum=F0108C7C48F62DB59B1D7E779D48C645.

THE ONLINE ADVERTISING TAX

A Digital Policy Innovation

Google and Facebook currently control close to two-thirds of global advertising revenue. While dominating the online advertising market, these two companies have thus far avoided paying adequate taxes.

This CAMRI policy brief presents a new policy innovation, the online advertising tax. Considering the key role of user activity and user data for the value of Google and Facebook's services, it explains how digital advertising companies' revenues could be taxed based on the respective country in which targeted users are located.

The author reviews existing policy arguments and policy options and sets out practical steps to ensure that tax avoidance by online advertising companies is mitigated. Furthermore, he illustrates how tax revenues could be used to support public service internet platforms.

www.uwestminsterpress.co.uk

UNIVERSITY OF WESTMINSTER PRESS