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three:d

The newsletter of MeCCSA: the Media, Communication & Cultural Studies Association

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MP Lloyd Russell-Moyle protests Brexit vote being postponed by walking off with the mace

Quality journalism, internet and politics

Einar Thorsen
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The farcical uncertainty and chaos caused by red lines, Parliamentary arithmetic and delinquent politicians is crippling the country in suspended animation over Brexit. Luckily this is *not* a Brexit issue of *Three-D*, as the contents would no doubt have been superseded by events by the time you read this... but Brexit is also impossible to ignore, as it provides a suffocating omnipresent backdrop to almost every decision being made or considered in the UK at the moment.

There are many other issues, however, that deserve our focussed attention - as outlined in Anita Biressi's report on some of MeCCSA's work since the summer. These include a range of consultations on HE policy and research funding for our subject areas. The importance of using our academic voices in response to public consultations / inquiries is also highlighted by Julie Firmstone in her piece responding to the Cairncross Review - the DCMS led consultation into 'sustainable high quality journalism in the UK'. This is one of four articles that explore recommendations and potential ways forward from this review, which also highlight concerns about its terms of reference. That is, the extent to which the consultation is designed to solicit evidence to justify subsidising corporate news organisations that are failing both in serving citizens / public interest and ability to profit in a changing market.

In this issue we also devote a section to different aspects of digital communication and issues that arise when power and populism is left unchecked in new communicative spaces. The five articles illustrate a wide range of issues that call for not only regulatory responses, but our attention as scholars to help identify and provide evidence for such solutions.

Finally, regular readers of *Three-D* will notice a small, but important change in this issue: we are moving from a four to three column layout(!) This is designed to enhance readability as we continue to evolve the look of *Three-D* - and whilst this is a small change, it is the most significant design update in seven years...

If you would like to write for or advertise in the next edition of *Three-D*, please get in touch with me on ethorsen@bmth.ac.uk by end of March 2019. Suggestions for our website are also welcome.

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media policy

The Online Advertising Tax

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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 Forbes' 2017 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.

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 advertisin 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.

How Can Online Advertising Be Taxed?

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 targeted user is located, the territorial allocation becomes much easier. This model assumes that specific national tax legislation applies if you, as a user, are in this country and click on an online advertisement.

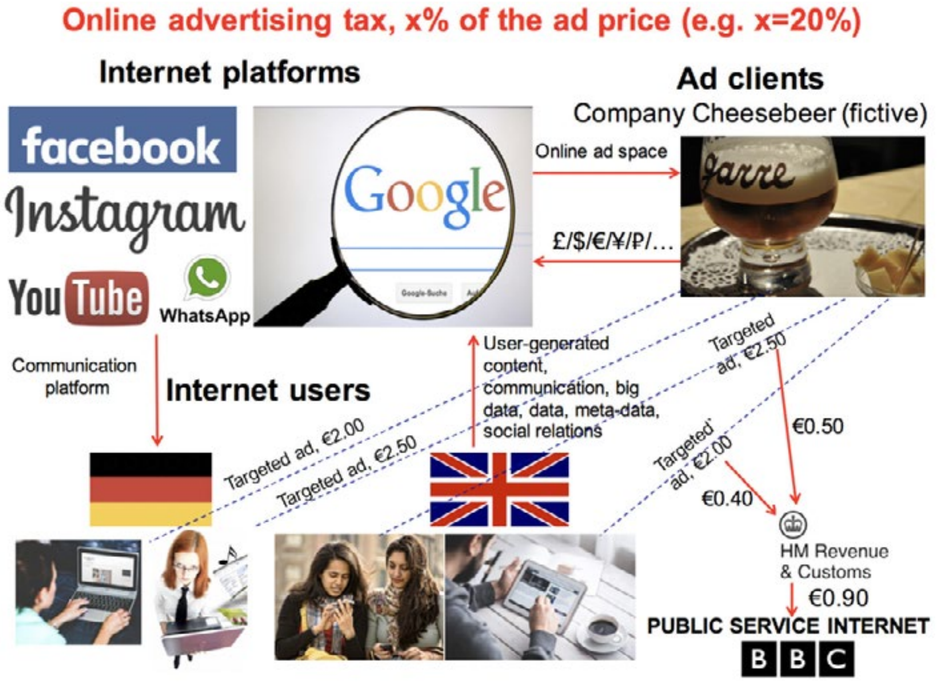

Figure 1: Model of online advertising tax coupled with funding for public service Internet platforms

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

If you happen to be in Germany, then German tax law applies. The key location is that of the user where the service is performed and data and content are created.That is where taxation should take place.

Profit is usually taxed in the location where a commodity's value is produced, while 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 ads 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 elsewhere), companies such as Google or Facebook would be required to statistically analyse what proportion of payment-generating advertising clicks or impressions were executed there, 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.

The model visually represented in Figure 1 presents an online advertising tax with a hypothetical 20% tax rate on advertising turnover. The fictitious company Käsebier (Cheesebeer) 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

The revenue achieved from an online advertising tax could be a source for funding an alternative Internet

address users in Germany and the UK. The UK tax 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. The model shows the sum being used to finance public service Internet platforms operated by a department of the BBC.

Supporting Alternative, Non-Profit Internet Platforms

The revenue achieved from an online advertising tax could be a source for funding an alternative Internet. Such an Internet can be advanced in two ways: by public service media (PSM) organisations and via civil society. A public service Internet can be created by a network of public service media corporations that implement and offer non-commercial, non-profit, advertising-free platforms that act as alternative to established commercial channels such as YouTube. Instead of YouTube, we need a BBCTube that offers not only the possibility of user-generated content but also BBC archive material with the help a of Creative Commons licence so that users can remix it in order to create new digital content on the platform. Another idea is the revival of After Dark (originally created as Club 2 by the Austrian Broadcasting Corporation ORF) as hybrid TV show/online platform Club 2.0 that features live, open-ended studio debate with certain levels of user-participation via social media.

A participatory media fee could be introduced as a kind of citizen income funded through taxing corporations and advertising. 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.

Endnotes

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

» Credits

MeCCSA *Three-D* newsletter

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Except where stated, contributions do not necessarily reflect the views of MeCCSA or its Executive Committee.

Full details of MeCCSA including how to join, along with a full list of the Executive Committee can be found at:

www.meccsa.org.uk

If you have any ideas for features or articles for future issues of *Three-D*, please email e.thorsen@bournemouth.ac.uk

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