

# A civil internet tax: taxation as a means of regulation

Response to the UK Government's White Paper on Online Harms

## Introduction

Following the publication of the UK Government's White Paper on Online Harms, which aims to create a set of legislative and non-legislative online safety measures, there has been an open consultation on its proposals. This paper is a contribution towards this and is a joint submission by Future Advocacy and WebRoots Democracy. Our submission is based upon work undertaken by WebRoots Democracy<sup>1</sup> in 2018 and relates to consultation question 11 on industry funding and calls for the introduction of a user-based 'Civil Internet Tax' on social media giants. For any queries, please contact Areeq Chowdhury at [areeqchowdhury@futureadvocacy.org](mailto:areeqchowdhury@futureadvocacy.org).

*Consultation question 11: A new or existing regulator is intended to be cost neutral: on what basis should any funding contributions from industry be determined?*

## What is the civil internet tax?

The Civil Internet Tax (CIT) would be a new tax levied on social media platforms to raise money to fund digital literacy and anti-discrimination initiatives as well as provide resources to help police forces address cases of online abuse. In addition, it would support the creation of an independent regulatory body for online harms.

## Background

One of the fundamental stumbling blocks to a safer internet is the lack of available resources for digital literacy education, anti-discrimination campaigns, and policing. Whilst online abuse is primarily down to the behaviour of individual users, social media companies that financially profit from the content produced on their websites should shoulder some of the responsibility for tackling crime and abuse on their platforms. Online abuse should be viewed as a pollutant on the internet and be treated as a negative externality. Political debate online should be conducted in a civil manner and every user should feel safe to express their political opinions free from the fear of hate crimes in retaliation.

This is a conclusion which was also reached by the Digital, Culture, Media and Sport Select Committee who recommended the introduction of a levy on social media companies to finance digital literacy initiatives, a public awareness campaign, and extra resources for the Information Commissioner's Office.<sup>2</sup> The European Union have also been working on plans for a new tax on tech giants, nicknamed "the GAFA tax" (Google, Apple, Facebook, Amazon) which would be a 3% levy on global revenues.<sup>3</sup> The UK Government has itself suggested taxing social media giants to help tackle extremism.<sup>4</sup> The underlying reasons for each of these suggestions has been that there are new strains on public institutions, caused largely by the rise of social media platforms, that require significant financial resources to tackle. Our CIT represents a levy that allows social media companies to contribute specifically to the significant public effort required to enable a more civil experience for users on their platforms.

With our proposal being based upon the number of users rather than revenues, it additionally recognises users as a product sold by social media companies to advertisers and is therefore akin to a tariff. This method in many ways is a fairer tax than a tax simply on a company's revenues which may generate significant funds from social media giants, but for most other firms would be a crippling tax. It may also act as an incentive for platforms to verify the identities of their users and ensure greater accuracy for figures provided to advertisers.

A similar idea has been proposed in the past by the Belgian economist, Paul De Grauwe, of the London School of Economics.<sup>5</sup> His tax, however, is framed as a tax on 'cost-free' advertising revenue gained as a

result of free content uploaded to the platform by users. For this, he suggested a levy of \$10 per Facebook user which could be returned to the individual users each year, or for governments to use the revenue “to invest in education, the environment or sustainable energy.” The CIT could be set at various rates, and could, if the Government went along with the EU proposals, work alongside a tax on global revenues.

Measures to combat online abuse will require significant funding and, during a period of austerity, it is unsurprising that concerns about online abuse are not seen as a high priority for state institutions. We propose that funding for measures to tackle online abuse come directly from the revenues raised from the CIT. At a rate of just £1 per user, the levy could raise up to an estimated £137million for the UK Government annually. A rate of £5 per user could raise more revenue than the Government’s proposed Digital Services Tax.

### How would it work?

In order to protect start-ups and smaller companies, the CIT should only apply to social media platforms which have at least a certain number of UK users, e.g. one million. The CIT would be levied based on the number of UK users and not on profit or revenue. The benefit of this system, compared to a tax on profits or revenue, is that it would make it difficult for tax avoidance initiatives to be used, whilst at the same time recognising the value of each individual user. We do not recommend a particular rate, however an example of the levels of tax revenue which could be raised is displayed in the table below, based on UK user estimates for major social media platforms.<sup>6</sup>

Company	Estimated number of users	£1 CIT	£3 CIT	£5 CIT
Facebook	35m	£35m	£105m	£175m
Twitter	13m	£13m	£39m	£65m
Snapchat	16.2m	£16.2m	£48.6m	£81m
Instagram	14m	£14m	£42m	£70m
Linkedin	20m	£20m	£60m	£100m
Tumblr	9m	£9m	£27m	£45m
YouTube	23m	£23m	£69m	£115m
Reddit	6.6m	£6.6m	£19.8m	£33m
<b>Total</b>	-	<b>£136.8m</b>	<b>£410.4m</b>	<b>£684m</b>

For this to work effectively, it would be important to clearly define which platforms would be subject to the tax. This could be a role which a new regulator could undertake in conjunction with HM Revenue and Customs. Considerations would include whether the platforms raise revenue or are not-for-profit platforms. Other considerations would be how to establish the number of UK users; for example, this could be achieved through self-reporting or using external audits.

### Our recommendation

We recommend that the Government considers the potential of introducing a Civil Internet Tax as a means of combating online harms in an effective and ongoing manner.

<sup>1</sup> [Kinder, Gentler Politics](#), WebRoots Democracy, October 2018

<sup>2</sup> [Disinformation and ‘fake news’](#), Digital, Culture, Media and Sport Select Committee, July 2018.

<sup>3</sup> [Facebook, Google and Amazon could pay ‘fair’ tax under EU plans](#), The Guardian, March 2018.

<sup>4</sup> [UK eyeing ‘extremism’ tax on social media giants](#), TechCrunch, January 2018.

<sup>5</sup> [Why Facebook should be taxed and how to do it](#), Social Europe, October 2017.

<sup>6</sup> [Most popular social networks in the UK](#), Social Media, accessed June 2019.