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European online advertising industry calls for Greek Government to stop planned internet tax

Brussels 29th June 2010: The Greek Government has proposed a law that would introduce a 21.5% tax on online advertising, payable to the journalists' pension fund. IAB Europe calls upon the Greek Government to reconsider its plans.

The bill is expected to be adopted on Thursday next week and will tax online advertising with a heavy 21.5% levy. The tax is payable for online ads on news portals that have their legal seat in Greece and produce their own news (but not other portals or forums). There are serious doubts as to whether a tax payable to a third party - the journalists' pension fund - is lawful. And in any event, such plans would create a serious competitive disadvantage to Greek news portals.

The proposal ignores the nature of the internet, as online advertising markets are far less distinct and advertising clients can reach the same user on different platforms or sites. If advertising is available cheaper from non-news portals or news portals based outside Greece, advertisers will simply avoid the law's restrictions to the detriment of the Greek news publishing industry. News portals that invest in the production of owned content will not only lose advertising revenue share but as this is their most important - if not only - source of income, their very existence may be threatened.

The consequences are clear: Europe's Digital Agenda would suffer a blow in Greece, the production of high quality content will decrease and millions of users will be left with significantly less choice. Moreover, as the availability of quality content and the development of the digital economy are intertwined, so Greece risks damaging a key growth lever for its overall economy should the law be approved. This must be a crucial consideration, particularly in the current recessionary environment.

"Any tax on the internet risks negatively impacting its growth. The European Commission has identified the internet as a growth medium, which contributes positively to the overall economy and assists in the creation of jobs. We encourage the Greek Government to propose measures that would foster entrepreneurship in their online sector, creating employment and additional tax revenues" said Alain Heureux, President of IAB Europe.

"The plan to tax advertising is understandably very appealing to the Greek Government as it fights to rescue the country's finances. However it may prove a short-sighted measure that will instead do lasting damage to its internet economy, an outcome that will more than offset any immediate gains. A tax on the internet bears the risk of causing severe damage to the country's digital future. This is in stark contrast to Prime Minister Papandreou's declared intention of accelerating Greece's digital development. We will consult with the European Commission as a matter of priority to assess further actions." said Kimon Zorbas, Vice President, IAB Europe.

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Background

The Greek Government introduces in an article of the pension scheme law a tax for online advertising of 21.5%. The tax is only payable by companies with a legal seat in Greece and only if they publish news they created themselves. It disadvantages Greek news portal to non-Greek news portal and to other Greek web sites. The revenue of this tax goes to a third party, the journalists pension fund. Such taxes for third parties have been under

scrutiny by the European Commission and were in many cases abolished.

The Greek online market share was less than 5% in 2009. While Greece is one of the laggards in the internet, it was on good track catching up with a 40+% growth rate in 2009 (<http://www.iabeurope.eu/news/europe's-online-ad-market-continues-to-grow-despite-the-recession.aspx>). As only about a third of online ad spend goes to Greek news portals, the revenue potential of this tax is highly questionable.

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About IAB Europe:

IAB Europe is the voice of the online advertising sector through its 29 national associations representing more than 5,000 company members, as well as corporate members including Adobe, AdTech, Alcatel-Lucent, BBC.com, CNN, comScore Europe, CPX Interactive, Ernst & Young, Expedia, Fox Interactive Media, Gemius, Goldbach Media Group, Google, Hi-Media-AdLink, InSites Consulting, Koan, Microsoft Europe, Netlog, News Corporation, Nugg.ad, Nielsen Online, Orange Advertising Network, Publicitas Europe, Right Media, Selligent, Truvo, United Internet Media, Value Click, White&Case, Yahoo! and zanox. Supported by every major media group, agency, portal, technology and service provider, IAB Europe coordinates activities across the region including public affairs, benchmarking, research, standards settings, and best practices. www.iabeurope.eu