

Taxes on advertising

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I was challenged in a comment yesterday on whether the Green New Deal was radical on issues relating to consumption. My response was to refer to my book, The Courageous State, published in 2011. This included the following section, having previously commented on the harm advertising to promote excess consumption caused.

The proposal made is radical. The whole book was. I stand by it now.

Advertising is, as has been noted, designed to deliberately create feelings of dissatisfaction. Adverts are intended to undermine the prospect of a person achieving their purpose by encouraging a sense of inadequacy among their target audience because they do not have the promoted products or services, whether or not they have a real need for them. This is immensely harmful to society, not least by denying hope to those who have no prospect of acquiring the products advertised, and by breeding discontent even among those who can afford them, because so soon after they acquire such products they are informed that they must now acquire another in a continual process of artificially manufactured dissatisfaction fuelled by advertising.

Advertising is pervasive in the modern economy, but pernicious. A Courageous State will have to tackle this issue and there is no doubt that one way to do this would be through the tax system. There is, of course, advertising that is of benefit, including small advertisements in local media, job advertisements and such other announcements. Most of these could be exempted from any tax penalty on advertising simply by setting a monetary limit per advertisement below which such penalty would not apply. Above that limit, where the advertising in question would be designed to fuel demand for products and services whether or not they were a benefit to the consumer in society, there must be a radical overhaul of our tax system as it relates to advertising.

First, no tax relief on such advertising should be available within the tax system, so that

the cost of advertising cannot be offset against the profits generated from trade to reduce a taxpayer's profit on which they owe tax.

Second, any value-added tax charged on the supply of advertising services to a business should be disallowed as an input in the VAT reclaims it makes from H M Revenue & Customs. In other words, that VAT then becomes a business cost of advertising.

The impact of these two moves is obvious: it is to increase the cost of advertising, and that would be deliberate. Tax has to be used to counter the harmful externalities created by the market, and the feelings of inadequacy, indifference, and alienation promoted by advertising in very many sections of society are almost universally harmful.

There would, however, be a cost to such arrangements: the media would of course suffer from a loss of income. The media has, however, itself been under scrutiny of late, and has not always emerged with its reputation intact. While media independence is vital, so is its objectivity and in that case there appears to be strong merit in using some, or all, of the additional tax revenue raised by government as a result of these proposed taxation changes on advertising to fund the media, both nationally and as important locally, but only if it agrees to act with political impartiality in the way that the BBC is obliged to do. If it did that then I think funding to compensate the media for some of the loss of revenue it will suffer as a result the loss of advertising revenue would be appropriate.

But also note that what is being suggested here is hardly without precedent: when it became obvious that business entertaining was giving rise to abuse, tax and VAT relief on it was stopped in much the same way as I now suggest for advertising. Many said that the restaurant and other trades would collapse as a result. They did not, of course, do so.