Who Bears the Burden of Digital Advertising Taxes? Evidence from Google Search Markets

**Isin Acun**
WU Vienna
**Nadia Abou Nabout**
WU Vienna
**Johannes Kasinger**
Tilburg University

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# Who Bears the Burden of Digital Advertising Taxes? Evidence from Google Search Markets

**Abstract**

Several European countries introduced Digital Service Taxes (DSTs) on domestic advertising revenues of tech giants like Google and Meta to limit tax avoidance. To assess whether these taxes are indeed borne by these tech giants as intended or are passed on to advertisers, we use a novel dataset on Google ad spending and impressions across several European countries. We examine the impact of DSTs using a Synthetic Difference-in-Differences framework, comparing changes in ad spending before and after the policy change in countries with DSTs (Austria, Spain, France, Italy, and the UK) to those without. We find that overall advertisers' tax-exclusive spending remains flat after DST implementation, implying that their underlying ad budgets are unchanged. However, once the DST surcharge is added, their total (tax-inclusive) spend rises. This suggests that the incidence of DSTs primarily falls on advertisers (the only exception seems to be advertisers operating in less competitive industries), who bear the burden through higher overall costs, rather than on platforms, which do not appear to absorb the tax in their margins.

**Track:** Methods, Modelling & Marketing Analytics