

Information Bulletin

Tax Information for Overseas Touring Artists performing in the Czech Republic —Sales/VAT Taxes and Withholding Tax Regimes

General

The **Czech Republic** provides for certain exemptions, under its various double taxation agreements, for cultural activities and activities publicly funded as well as providing a threshold of US\$20,000 or the Euro equivalent and a refund procedure in the key United States Double Taxation Agreement.

VAT on ticket sales is 15% with show costs subject to varying rates from 10%, 15% up to 21%.

Withholding tax is levied on Artist earnings from touring revenue generated in Czech Republic at a rate of 15%. Some of the double taxation agreements entered into by Czech Republic provide that income accruing not to the entertainer but to a non-resident third party, can be exempt from withholding tax, where it can be shown that the Artist does not participate directly or indirectly in such receipts or profits.

It is certainly preferable in this regard to prepare split contracts between the local promoter and the independent production company, on the one hand, and the Artist company on the other. It is also of paramount importance to provide the appropriate production cost documentation to support any such claim exemption.



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Sales Tax/VAT Rates in the Czech Republic

The following are the VAT rates applicable to touring activities in Czech Republic:

- Ticket Sales – 15% (divisive tax)
- Costs – 21% (certain costs are at the lower 10% and 15% rates)
- Merchandise
 - Standard – T-Shirts etc. 21%
 - Books 10%
 - Programs 10%

Withholding Tax Rates in the Czech Republic

Artist Fees	15%		
Production Fees	0%		
Promotion Fees	0%		
Royalties	0%/10%	(The lower rate applies mostly to cultural royalties)	(United States)
Royalties	0%/10%	(The lower rate applies mostly to cultural royalties)	(United Kingdom)

Double Taxation Treaties

Czech Republic—United States

The Czech Republic-United States Tax Treaty has a section (Article 18) devoted to income derived by Artistes and Sportsmen. The Article is transcribed below and provides for withholding tax to be levied, except where the amount of the gross receipts derived by the Artist, including expenses reimbursed to him or borne on his behalf from such activities, does not exceed US\$20,000 or the Euro equivalent, for the taxable year concerned. This also applies where the income accrues not just to the entertainer but also to a non-resident third party in certain circumstances, unless it can be shown that the Artist does not participate directly or indirectly in such receipts or profits. Detailed backup to support the production costs must be provided to the local promoter or tax authorities.

Note also the exemption for projects supported by public funds.

The full Article reads as follows:-

ARTICLE 18 Artistes and Sportsmen

1. Notwithstanding the provisions of Articles 14 (Independent Personal Services) and 15 (Dependent Personal Services), income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio, or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State, except where the amount of the gross receipts derived by such entertainer or sportsman, including expenses reimbursed to him or borne on his behalf, from such activities does not exceed twenty thousand United States dollars (\$20,000) or its equivalent in Euro for the taxable year concerned. Such tax may be imposed by withholding upon the entire amount of all gross receipts derived by such entertainer or sportsman at any time during the taxable year concerned, provided that such entertainer or sportsman is entitled to receive a refund of such taxes when there is no tax liability for such taxable year in accordance with the provisions of this Convention.
2. Where income in respect of activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman but to another person, that income of that other person may, notwithstanding the provisions of Articles 7 (Business Profits) and 14 (Independent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised, unless it is established that neither the entertainer or sportsman nor persons related thereto participate directly or indirectly in the profits of that other person in any manner, including the receipt of deferred remuneration, bonuses, fees, dividends, partnership distributions, or other distributions.
3. Notwithstanding the provisions of paragraphs 1 and 2, income derived by a resident of a Contracting State as an entertainer or sportsman shall be exempt from tax by the other Contracting State if the visit to that other State is substantially supported by public funds of the first-mentioned State or a political subdivision or local authority thereof or is made pursuant to a specific arrangement agreed to by the Governments of the Contracting States.

Double Taxation Treaties (continued)

United Kingdom – Czech Republic

The Czech Republic - United Kingdom Tax Treaty has a section (Article 17) devoted to income derived by Artistes and Athletes. However, this must be read in conjunction with Article 14 regarding Independent Personal Services. And also Article 15 Dependent Personal Services. Articles 14 and 17 are transcribed below.

Article 14 provides that only income derived by a person from artistic activities, amongst others, where there is a fixed base regularly available to the person, is taxable. However, Article 17 deals specifically with Artistes and athletes and provides that income derived by artistes and athletes from their personal activities may be taxed in the Czech Republic where those activities are performed under a cultural agreement or arrangement between the Contracting States. Again, as with the Czech Republic - United States Tax Treaty, this also applies where the income accrues not just to the entertainer but also to a non-resident third party. However, there are no provisions, similar to the United States Treaty, which would exclude such amounts from withholding tax on the Artist.

However, the practical on the ground treatment provides for exemption for production costs on the same basis as the United States treaty.

The full Article reads as follows:-

ARTICLE 14 Independent personal services

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it is attributable to that fixed base.
2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

ARTICLE 17 Artistes and athletes

- 1) Notwithstanding the provisions of Article 14 and Article 15 of this Convention, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State if the activities are performed under a cultural agreement or arrangement between the Contracting States.
- 2) Where income in respect of personal activities exercised by an entertainer or athlete accrues not to the entertainer or athlete himself but to another person that income may, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

“The Czech Republic Double Taxation Treaty with the United States provides an earnings threshold of US\$20,000 or Euro equivalent below which income earned, including expenses reimbursed to him or borne on his behalf, on activities in the Czech Republic is not taxable for non-resident Artists/Entertainers for the relevant taxable year”



tmi business management — providers of *Financial and Taxation Services to International Touring Artists*

We are based in Ireland, with associates in The Netherlands and Canada.

If you would like some more information please contact our President, Philip Brennan, directly using the contact details provided.

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Philip

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