

Information Bulletin

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

General

Finland levies withholding tax at a rate of 15% on all non-resident artists, whilst providing a threshold of an amount of US\$20,000 or the Euro equivalent in the key United States Double Taxation Agreement. Unfortunately, there is no such threshold provision in the Finland-United Kingdom Double Taxation Agreement.

In general, certain production fees - only accommodation, freight and transportation costs - are an allowable cost for tax purposes (on provision of invoices, contract backup) and management and agency fees are not allowable as a deduction. However, since 2010, artists residing in an EU/ETA State are entitled to deduct their direct costs on request, although taxes will then be assessed at progressive rates from 6.5% to 30% (if income is paid to a physical person) or flat tax at source of 20% (since 2014, if the income is paid to a corporation), in both cases on the net income.

On larger fee amounts, it is preferable and may be insisted upon by a local promoter that a tax submission, to clear production costs, be made to the Finnish Tax Authorities. This can also include tax clearances for United States independent production companies.

It is of paramount importance to provide the appropriate documentation to support any such claim exemption.



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Sales Tax/VAT Rates in Finland

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

- Ticket Sales – 10% divisive tax
- Costs – 24% (certain costs are at the lower 14% and 10% rates)
- Merchandise
 - Standard – T-Shirts etc. 24%
 - Books 10%
 - Programs 10%

Withholding Tax Rates in Finland

Artist Fees	15%	
Production Fees	0%	(Tax clearance required)
Promotion Fees	0%	(Tax clearance required)
Royalties	0%	(United States)
Royalties	0%	(United Kingdom)

Double Taxation Treaties

Finland—United States

The Finland-United States Tax Treaty has a section (Article 17) devoted to income derived by Artists 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 or Sportsman, 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 calendar year concerned. Note that where this US\$20,000 or Euro equivalent limit is exceeded, then the full amount of the gross receipts is taxable, not just the excess over the threshold. This also applies where the income accrues not just to the entertainer but also to a non-resident third party, unless it can be shown that the Artist or Sportsman nor persons related thereto does not participate directly or indirectly in the profits of that other person in any manner.

If it is unclear that withholding tax at source must be deducted or whether the tax payer is entitled to an exemption or tax deduction for expenses, an advance ruling can be requested from the regional tax office (verovirasto) under section 12a of the Tax-at-Source Act. A refund can also be requested from the regional tax office where withholding tax is levied without regard to an entitlement to a deduction or an exemption.

The full Article reads as follows:-

Article 17 – 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 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 Euros for the calendar year concerned.
2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to that entertainer or sportsman himself, 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 accrual or receipt of deferred remuneration, bonuses, fees, dividends, partnership income, or income or other distributions.

Double Taxation Treaties (continued)

United Kingdom – Finland

The Finland - United Kingdom Tax Treaty has a section (Article 18) devoted to income derived by Artistes and Athletes. The Article is transcribed below and provides for withholding tax to be levied by the State in which the activities of the Artist are exercised. Again, as with the Finland - United States Tax Treaty, this also applies where the income accrues not just to the entertainer but also to a non-resident third party. Unlike the United States Treaty, there are no provisions which would exclude such amounts from withholding tax on the Artist.

Unless the local promoter agrees an acceptable tax-free production amount, a tax submission to the Finnish Tax Authorities will be required. However, as noted in the introduction, artists residing in an EU/EEA State are entitled to deduct their direct costs on request, although taxes will then be assessed at progressive rates from 6.5% to 30% (if income is paid to a physical person) or flat tax at source of 20% (if the income is paid to a corporation), in both cases on the net income. The best outcome should be chosen for each individual case.

As with the United States treaty, if it is unclear that withholding tax at source must be deducted or whether the tax payer is entitled to an exemption or tax deduction for expenses, an advance ruling can be requested from the regional tax office (verovirasto) under section 12a of the Tax-at-Source Act. A refund can also be requested from the regional tax office where withholding tax is levied without regard to an entitlement to a deduction or an exemption.

The full Article reads as follows:-

Article 18 - Artistes and Athletes

Notwithstanding the provisions of Articles 15 and 16, 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 in which those activities are exercised.

“The Finland Double Taxation Treaty with the United States provides an earnings threshold of US\$20,000 or Euro equivalent below which income earned on activities in Finland is not taxable for non-resident Artists/Entertainers for the relevant calendar 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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If you would like to receive more of our Taxation Fact Sheets please visit our website at www.tmibusiness.com and Subscribe and we will ensure you get all the sheets when issued and any ones you may have missed.

Philip

The enclosed taxation information is for the user's guidance only. The information is designed to outline certain tax rates and tax issues in the countries concerned. It is not intended to be a definitive guide to action but should you need more information or more advice please do not hesitate to contact us at the details noted above. We hope you will find this information helpful.

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