

Information Bulletin

Tax Information for Overseas Touring Artists performing in Italy - Sales/VAT Taxes and Withholding Tax Regimes

General

Italy provides a threshold of US\$20,000 or the Euro equivalent in the key United States Double Taxation Agreement.

VAT on ticket sales is 10% with show costs subject to varying rates from 4%, 10% on up to 22% currently, with potential increases in January 2017.

Withholding tax is levied on Artist earnings from touring revenue generated in Italy at a rate of 30%. The United States treaty provides 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. This does not apply to the United Kingdom treaty but the on the ground treatment is to provide relief also to United Kingdom production companies.

It is 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. The appropriate production cost documentation should be retained for any future audit requirements.



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Sales Tax/VAT Rates in the Italy

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

- Ticket Sales – 10% (divisive tax)
- Costs – 22% (certain costs are at the lower 4% and 10% rates)
- Merchandise
 - Standard – T-Shirts etc. 22%
 - Books 4%
 - Programs 4%

Note that these rates could potentially be changing in January 2017 to 24%, 13% and 4% respectively.

Withholding Tax Rates in the Italy

Artist Fees	30%	
Production Fees	0%	
Promotion Fees	8%	
Royalties	0%, 5%, 8%	(United States)
	(Rates for the United States will vary dependent on the nature of the instruments involved and on the profile of the recipients/payers)	
Royalties	8%	(United Kingdom)

Double Taxation Treaties

Italy—United States

The Italy-United States Tax Treaty has a section (Article 17) devoted to income derived by Artistes and Athletes. 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 Athlete, 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, unless it can be shown that the Artist does not participate directly or indirectly in such receipts or profits.

The full Article reads as follows:-

ARTICLE 17 Artistes and Athletes

1. 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 an athlete, from his personal activities as such exercised in the other Contracting State, which income would be exempt from tax in that other Contracting State under the provisions of Articles 14 (Independent Personal Services) and 15 (Dependent Personal Services), may be taxed in that other State, if:
 - (a) the amount of the gross receipts derived by such entertainer or athlete, including expenses reimbursed to him or borne on his behalf, from such activities exceeds twenty thousand United States dollars (\$20,000) or its equivalent in Italian currency for the fiscal year concerned; or
 - (b) such entertainer or athlete is present in that other State for a period or periods aggregating more than 90 days in the fiscal year concerned.
2. Where income in respect of activities exercised by an entertainer or an athlete in his capacity as such accrues not to him but to another person, that income may, notwithstanding the provisions of Articles 7 (Business Profits), 14 (Independent Personal Services), and 15 (Dependent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised. For purposes of the preceding sentence, income of an entertainer or athlete shall be deemed not to accrue to another person if it is proved by the entertainer or athlete that neither he nor persons related to him participate directly or indirectly in the profits of such other person in any manner, including the receipt of deferred remuneration, bonuses, fees, dividends, partnership distributions, or other distributions.

Double Taxation Treaties (continued)

United Kingdom – Italy

The Italy - United Kingdom Tax Treaty has a section (Article 17) 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 Italy - United States Tax Treaty, this also applies where the income accrues not just to the entertainer but also to a non-resident third party. There are no provisions, as in 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 for United Kingdom companies on the same basis as for United States companies under the United States treaty.

The full Article reads as follows:-

ARTICLE 17 Artistes and Athletes

1. Notwithstanding the provisions of Articles 14 and 15 of this Convention, 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 an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.
2. Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such 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 practical on the ground treatment (in Italy) provides for exemption for production costs for United Kingdom production companies on the same basis as for United States companies.”



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.tmidbusiness.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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