

## Information Bulletin

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

#### General

**Portugal** provides for certain exemptions, under its various double taxation agreements, for activities mainly supported by public funds of the country, or a political or administrative subdivision or local authority thereof, of which the Artiste or Sportsman is resident, as well as providing a threshold of US\$10,000 or the Euro equivalent in the key United States Double Taxation Agreement. However, these concessions do not exist in the treaty with the United Kingdom.

VAT on ticket sales is 13% with show costs subject to varying rates from 6%, 13% on up to 23%.

Withholding tax is levied on Artist earnings from touring revenue generated in Portugal at a rate of 25%. 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 is a very important concession in the United States treaty. In order to avail of this concession, the relevant tax treaty exemption forms need to be completed.

However, some local promoters in Portugal refuse to accept such forms and instead will look to allow certain specific production costs invoiced to and paid by the local promoter directly—such as sound, lights, video, staging relating specifically to the Portuguese performance. This obviously is not as advantageous nor as straightforward.



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#### Sales Tax/VAT Rates in the Portugal

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

- Ticket Sales – 13% (divisive tax)
- Costs – 23% (certain costs are at the lower 6% and 13% rates)
- Merchandise
  - Standard – T-Shirts etc. 23%
  - Books 6%/23%
  - Programs 6%/23%

## Withholding Tax Rates in the Portugal

Artist Fees	25%	
Production Fees	0%	
Promotion Fees	0%	
Royalties	10%	(United States)
Royalties	5%	(United Kingdom)

### Double Taxation Treaties

#### Portugal—United States

The Portugal-United States Tax Treaty has a section (Article 19) 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\$10,000 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. Note that detailed production costs backup should be retained in the event of a requirement to support the exemption.

Note also the exemption for projects supported by public funds of the country, or a political or administrative subdivision or local authority thereof, of which the Artiste or Sportsman is resident.

The full Article reads as follows:-

#### ARTICLE 19 Artistes and Sportsmen

1. Notwithstanding the provisions of Articles 15 (Independent Personal Services) and 16 (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 an athlete, 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 compensation derived by such entertainer or athlete, including expenses reimbursed to him or borne on his behalf, from such activities does not exceed 10,000 United States dollars or its equivalent in Portuguese escudos for the taxable year concerned.
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 but to another person, that income of that other person may, notwithstanding the provisions of Articles 7 (Business Profits) and 15 (Independent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised, unless it is established that neither the entertainer or athlete 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 athlete 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 or administrative subdivision or local authority thereof.

## Double Taxation Treaties (continued)

### United Kingdom – Portugal

The Portugal - United Kingdom Tax Treaty has a section (Article 16) 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.

There is no concession for third parties involved in the performance similar to the United States treaty. Accordingly, withholding tax will apply to all fees save and except where the local promoter is invoiced directly and pays certain agreed upon production costs.

The full Article reads as follows:-

#### Article 16 Artistes and Athletes

Notwithstanding the provisions of Articles 14 and 15, 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 these activities are exercised.

*“The Portugal Double Taxation Treaty with the United States provides an earnings threshold of US\$10,000 or Euro equivalent below which income earned on activities in Portugal is not taxable for non-resident Artistes/Sportsmen for the relevant taxable year and also an exemption for third party recipients of funds where it can be proven that the Artiste/Sportsman does not benefit directly or indirectly from such receipts or profits.”*



***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.tuibusiness.com](http://www.tuibusiness.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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