A New European Vision for Touring: The Impact of Withholding Tax

As supporters of a healthy, supportive and fair European music ecosystem we approach the European Parliament to address the barriers and anti-competitive situation that withholding tax puts in place for European touring artists and musicians.

Withholding tax is most often a tax deducted as a percentage of an artist's gross payment, to cover taxes in the country of earning, without taking into consideration the costs or profitability of the activity. This greatly impacts the viability, diversity and competitiveness of touring and artistic mobility, which has a significant impact on the wider music ecosystem.

The process of reclaiming withholding tax is an arduous, often impossible task that lacks uniformity across the EU, e.g. in some countries you can file a local tax return, in others you cannot. These rules unfairly impact the income and cash flow of emerging and mid-size artists who often tour at very minimal profitability or at a deficit. Additionally many countries find that it is not cost effective to collect withholding tax, the Netherlands have removed it for this reason.

This issue is further exacerbated by the fact that most countries have treaties in place with the US implementing thresholds for US artists - meaning no withholding tax is charged until the artist earns more than the threshold amount, often set at €20.000 [see annex 1]. This allows lower earning artists to maximise their income while reducing the competitiveness of European artists, as they earn less from the same gross income [for examples see annex 2].

Collaboratively we want to affirm that:

- We understand that direct taxation falls under the jurisdiction of Member States, not the European Union
- However the EU can argue for harmonisation and can issue recommendations, as seen with withholding taxes on dividends, interest and royalties, see the FASTER initiative. A similar process could be applied for fairer taxation of international performing artists in the EU.

We call for EU intervention to help member states develop more consistent rules around withholding tax reducing the burden on touring artists. To support the creativity, competitiveness, and sustainability of European artists we propose several scenarios that would help improve the situation:

- For the EU to follow the examples of Denmark, Hungary, Ireland and the Netherlands by not imposing *any withholding tax* on foreign artists with short-term visits. The EU can recommend its Member States adopt this approach, with the restriction that exemptions apply only to artists from countries with which tax treaties have been concluded, excluding those from Monaco.

Though we would like to see best practice implemented, there are alternative routes to creating a fairer and more supportive touring environment for European artists by considering the following examples:

- Follow the minimum threshold of $20,000 (or €20.000) per individual artist per year, which most countries already have in place with the USA.

- Allow the deduction of expenses in every country in the same manner. This can be linked to the BEFIT initiative of the European Commission, see https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13463-Richtlijn-verrekenprijzen-Belastingstelsel-voor-kleine-en-middelgrote-ondernemingen-volgens-de-regels-van-de-lidstaat-van-het-hoofdkantoor-Bedrijven-in-Europa-kader-voor-de-belastingheffing-van-inkomsten_nl.

We ask you to consider the implementation of one of our best practice examples to encourage the mobility of musicians and artists across Europe. Adopting one of these measures at an EU level will not only foster a healthier music ecosystem but also benefit audiences across Europe, as artists are empowered to tour and travel with fewer barriers in place. By reducing bureaucratic hurdles artists are able to focus on their creativity and touring which creates vibrant cities and thriving creative businesses in all sectors impacted by live events.

Thank you for your consideration

EMMA (European Music Managers Alliance)
EMEE (European Music Exporters Exchange)
FIM (International Federation of Musicians)
IAO (International Artist Organisation)
IMPALA (Independent Music Companies Association)
Live DMA (European Network of Live Music Associations)
Liveurope

All signatories of the New European Vision for Touring.

Annex 1

Overview of withholding tax thresholds for US Artists in European countries

Country	Withholding Tax Rate	US Tax Treaty Threshold
Austria	20%	$20,000
Belgium	18%	$20,000
Bulgaria	10%	$15,000
Croatia	10%	No treaty
Cyprus	No	$5,000
Czech Republic	15%	$20,000
Denmark	No	$20,000
Estonia	10%	$20,000
Finland	15%	$20,000
France	15%	$10,000
Germany	15,80%	$20,000
Greece	20%	$10,000
Hungary	No	183 days
Ireland	No	$20,000
Italy	30%	$20,000
Latvia	20%	$20,000
Lithuania	15%	$20,000
Luxembourg	10%	$10,000
Malta	10%	$20,000
Netherlands	No	$10,000
Poland	20%	183 days
Portugal	25%	$10,000
Romania	16%	$3,000
Slovak Republic	19%	$20,000
Slovenia	15%	$15,000
Spain	19 / 24%	$10,000
Sweden	15%	$6,000
UK	20%	$20,000

Annex 2

Submitted examples of the impact of Withholding Tax (WHT)

Example 1 - High Withholding Tax Creates Cash Flow Issues

- A 21 date tour of mid/large venues incurred a €126.538 withholding tax charge.
- Withholding tax was partly reclaimed however the cash flow debt became a significant issue.
- It is not possible to predict the amount able to be reclaimed, therefore budgeting is increasingly difficult.

Example 2 - Increased Administrative Burden

- A festival offer of €115.000 in Portugal faced a 25% withholding tax rate.
- To minimize tax, the fee was split into "production costs" (exempt) and "fee" (taxable) with separate invoices.
- Tax paid was €21.318.20 instead of €28.750, but this added a significant administrative burden on the festival, manager, and artist.

Example 3 - High Withholding Tax Severely Reduces Profitability

- A Portuguese and Italian festival weekend with a total fee of €215.000 resulted in €54.000 of withholding tax.
- This reduced the profit to €7.000 - €10.000 per festival to split between agent, manager and all band members, meaning what should have been sustaining income is hugely diminished.

Example 4 - Complex Tax Rules for Shows in Spain

- A Spanish festival offered a €25.000 fee.
- The production cost and fees owed totaled €21.000.
- Spanish withholding tax at 19% does not account for production costs, resulting in €4.700 being withheld.
- The withholding tax amount (€4.700) exceeds the projected profit (€4.000) meaning the show would create a loss, as the withheld tax might not be fully reclaimable.
- As a result the offer was rejected.

Example 5 - Even for Mid-Sized Artists, Withholding Tax Creates Significant Losses

- A mid-sized artist with a full accounting team faced €182.000 in withholding tax deductions.
- Through strict accounting processes, only €143.430 was recoverable, leaving €38.570 permanently lost.
- This shortfall impacted the artist's cash flow and the sustainability of their wider team.

Example 6 - Withholding Tax Stopping Artist From Accepting Show Offers

- On a Spanish gross fee of €10.000, 60% (€6.000) is taxed at 24%, resulting in €1.440 being withheld.
- If you cannot prove that your costs exceed 40% of the fee, the entire fee is taxed at 24%.
- As a result, the maximum potential net earnings from a €10.000 fee are just €4.560, after deducting costs and withholding tax.

Example 7 - Complicated Tax and Administrative Requirements in Italy

- Touring Italy requires production of A1 forms at least 3 weeks before your tour dates. Failure to do this results in a 33% tax on the gross fee in addition to 30% withholding tax.
- To avoid 30% withholding tax on the entire fee, you must prove that at least 70% of the gross fee covered production costs.
- Promoters must confirm that they agreed to cover these costs and are being invoiced for them. However the invoice must be issued by a company other than the band's own company.

Example 8 - Vast Administrative Workload Due To Inconsistent Rules

- German management representing Finnish and Swedish acts faces challenges with international touring due to inconsistent withholding tax rules across European countries.
- Not all promoters are able to issue certificates of paid taxes, leaving management without proof of payment and resulting in double taxation.
- This makes the double taxation agreement within the European Union ineffective for touring artists paying withholding tax.

Example 9 - Deeping Tour Deficit Due To Withholding Tax

- An emerging Swedish artist completed a 7-date European tour with hired musicians.
- The musicians/crew fees and travel cost of €41.000 resulted in a tour deficit of €30.000 before withholding taxes.
- The €11.000 gross tour fee generated German, French and Swiss withholding taxes of €2.500
- These taxes are unlikely to be deductible, as withholding tax can only be offset against profits, meaning the withholding tax becomes an additional loss.

Example 10 - A1 Bureaucracy

- Promoters request A1 or Taja forms in advance of the performance.
- Obtaining these forms can be a lengthy process, making short-notice bookings impossible and resulting in cancelled shows/opportunities missed.
- Without these forms artists are subject to additional social security taxes in certain countries.
- The variation in rules and regulations across Europe creates significant barriers for touring artists.