



## **Overseas Taxation and Social Security for UK Musicians**

**A handy guide to assist you when it comes to working overseas**

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### **Taxation**

This guidance is specific to income derived from performing overseas. A different tax treatment applies to income derived from performing overseas which relates to recording or publishing (“royalties” and similar).

Most countries will seek to impose a withholding tax on the performance income of non-resident entertainers. The rate of withholding tax varies from country to country - you can't avoid it, but you can take steps to ensure that it is dealt with properly to minimise any problems with your UK tax return.

If you are tax resident in the UK you will also pay tax on your earnings in the UK - regardless of where the performance takes place. This can lead to ‘double taxation’ effectively meaning that you may pay tax on your earnings in both the UK and the country where it was earned. To counteract this, the UK allows credit for any overseas taxes which are correctly paid overseas. As an example, if the foreign tax is at 15% and your UK marginal tax rate is 20%, the UK would give credit for the overseas tax and you would pay the difference - in this example 5% - to the UK tax authorities.

It may be possible to have the overseas taxes reduced either under local rules in the country of the performance or as an effect of a ‘double taxation treaty’ between the UK and the other country. Generally, tax treaties are such that your combined tax bill should be no more than the amount you would have to pay in the country where the higher tax is charged.

Certain double tax treaties provide for specific exemptions - as an example under the US/UK treaty you would generally be exempt from withholding tax fees up to \$20K in the year. It is worth mentioning that there have been some recent developments in respect of the Central Withholding Agreement Program (“CWA”), in that it will be offering a new simplified application process for applicants earning less than \$10,000. This should enable all foreign performers to reduce the tax withholding on US earnings and effectively should prevent unnecessary double taxation and/or the costs of rectification.

If there is no double taxation treaty in place in the country of performance, then unilateral relief is available which enables a claim of relief on the lower of the foreign tax suffered or the UK tax due on that income. In order to claim the double tax credit you must get a certificate of tax deducted. You should therefore insist on a certificate written in English of any tax paid in order to prove to HMRC that the tax was paid. Without a certificate, claiming any tax paid back through your UK tax return can be challenged by HMRC and can result in double taxation.

Care should therefore be taken to ensure that overseas taxes are mitigated as far as possible to avoid any problems claiming them as a credit against your UK tax liability.

Difficulties can also arise where you incur a high percentage of expenses (perhaps travel and hotels) during an overseas engagement. The default position is that withholding tax is applied to gross earnings not net profit. Where the UK tax on profit is less than the foreign tax withheld, it would not be possible to recover the excess withholding tax unless you then file a tax return in the foreign country.

However, it is usually possible, in most jurisdictions, to make an advance claim for a reduced rate of withholding tax to be applied, to take account of the expenses that you are incurring.

The people paying you should be responsible for ensuring any deductions are made within the tax laws of the country you are working. You should be advised in advance of the percentage of withholding tax you will have deducted, and you should take independent advice to determine that is it correct.

This guidance was updated in June 2019. For further information on tax on foreign income visit here:

<https://www.gov.uk/tax-foreign-income/taxed-twice>

For a list of the UK tax treaties (agreements) visit here:

<https://www.gov.uk/government/collections/tax-treaties>

For further information on the EU the following website is a very useful resource:

[https://europa.eu/youreurope/citizens/work/taxes/double-taxation/index\\_en.htm](https://europa.eu/youreurope/citizens/work/taxes/double-taxation/index_en.htm)

In the USA things are different again and our advice is to read the information here from 'Artists From Abroad':

<http://www.artistsfromabroad.org/tax-requirements/>

## **Social Security**

In some countries you may also be required to pay something towards National Insurance or Social Security. For EU engagements, the general principle is that a worker who is resident in one EU member state shouldn't have to pay social security (or the equivalent) contributions in another member state in which they work 'temporarily'. Effectively the A1 Form certifies that the Musician is already paying contributions in a particular state.

Application for the A1 Form can be found here:

<https://www.gov.uk/government/publications/national-insurance-application-for-form-e101-if-self-employed-in-european-economic-area-ca3837>

It is intended to operate uniformly, so someone working temporarily in the UK who resides in another member state, should be able to avoid the UK NIC and a UK resident working temporarily in, say France, should be able to avoid the French Social Security.

It's important that as a musician you complete the A1 application that fits the circumstances of an individual self-employed musician or group of self-employed musicians.

If you are touring across the EU then this link will help you determine which country's social security legislation applies to you:

<https://www.gov.uk/government/publications/national-insurance-working-in-2-or-more-countries-in-the-european-economic-area-ca8421i>

The UK also has “reciprocal agreements” for such contributions, with a number of other States.

We strongly recommend taking independent tax advice on these issues before signing any overseas work contract. Speak to your accountant or as an MU member you can talk to HW Fisher and Co.

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