

## UK Tax Issues for Foreign Entertainers

The purpose of this report to outline the type of person that may fall within the UK foreign entertainers' tax regime, the default tax position for those individuals, options to mitigate their UK tax exposure and other UK tax return obligations.

Any foreign entertainer or sportsman appearing in the UK is subject to the UK's withholding tax regime, administered by the 'Foreign Entertainers Unit' (FEU) – a specialist unit within HM Revenue & Customs.

Foreign entertainers/sportspersons may include: Athletes, golfers, cricketers, footballers, tennis players, boxers, snooker players, darts players, motor racing drivers, jockeys, ice skaters, contestants in chess tournaments, pop stars, musicians, conductors, dancers, actors, TV and radio personalities, variety artistes. The person may appear alone or with others in teams, choirs, bands, orchestras, opera companies, ballet companies, troupes, circuses.

Generally speaking, the rules apply to any entertainer appearing or performing in the UK.

The amount of withholding tax applied at source under the FEU regime is 20% this payment is a payment on account of the final UK tax liability and does not take into account any allowable deduction or expenses incurred.

The withholding tax should be deducted by payers and, in some cases, Self Assessment returns will be required from individual entertainers or sports persons.

This default regime can result in excessive amounts of tax being paid or too little tax, which ultimately could result in unexpected demands for additional UK taxes.

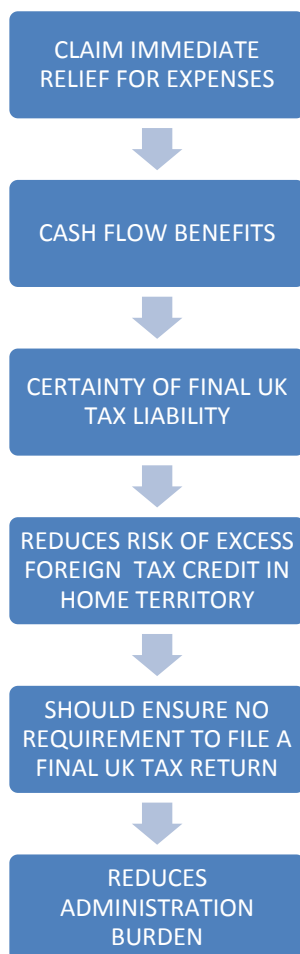
It is therefore important for cash-flow purposes to consider a strategy to reduce any possible cash-flow disadvantage, reduce the UK administrative burden and give certainty over the final UK tax liability.

**It is possible to make an application to reduce the amount of withholding tax applied to the gross income and this is discussed further within this report.**

## Reduced Rate Tax Applications

It is possible to make an application to the FEU to vary the amount of withholding tax and agree a final UK tax liability. This usually reduces the amount of tax paid, however in some cases it can increase the liability.

### The benefits of making an application can be summarised as follows:



The reduced rate application discloses the gross UK income and claims all allowable deductions. It is necessary to provide evidence to support the amounts disclosed, such as performance contracts and invoices for expenses incurred.

The application should normally be made 30 days before the first performance. Once the final liability has been agreed the FEU notify the payer the adjusted amount of tax to withhold, together with a rate of tax to be applied if there is any overage or additional fees paid.



The Reduced Rate Tax Application provides certainty over the UK tax liability and removes the obligation for the entertainer to file a final UK self-assessment form.

### **UK Tax Return (Self Assessment)**

The alternative to making a reduced rate tax application is to accept the default 20% withholding tax charge and then if appropriate file a tax return under self-assessment.

This strategy can be beneficial, especially in cases where the guarantee/income is anticipated to be very high as it defers the payment of additional tax liabilities.

It should be noted that the FEU normally insist sports persons prepare a UK Tax Return and they are not able to make a reduced rate tax application.

### **Conclusions**

A case study has been included at appendix 1 of this report. This is for illustrative purposes only, but it highlights the potential cash flow benefits of making a reduced rate tax application. It must be stressed each individual case is different and will naturally result in different end results being achieved.

This summary is only a broad outline of the rules and regulations in respect of foreign entertainers, is for discussion purposes only, and should not be relied upon as formal advice.

**If you would like to discuss how we can help you in this area or if you have any questions please contact Jamie Favell on +44 (0) 20 7655 6952 / [Jamie.favell@tap-london.com](mailto:Jamie.favell@tap-london.com).**



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## Appendix 1

**CASE STUDY:** A foreign entertainer, a touring musician, appears in the UK at two summer festivals.

The musician earns a total guarantee of €80,000.

The expenses incurred include the follow:

Expense	Amount
<b>Management – 10% of gross</b>	£8,000
<b>Booking agent – 10% of gross</b>	£8,000
<b>Truck/travel/Rig -</b>	£15,000
<b>Crew -</b>	£5,000
<b>Other costs</b>	£10,000
<b>Total expenses</b>	<b>£46,000</b>

