

The Rt Hon Nadhim Zahawi MP
Chancellor of the Exchequer
11 Downing Street
LONDON SW1
United Kingdom

8955-TW

Rotterdam, 3 August 2022

Re: Tax measures in addition to report "Let the Music Move – A New Deal for Touring"

Dear Mr. Zahawi,

Attached you will find my reaction on the music report "Let the Music Move – A New Deal for Touring" of the All-Party Parliamentary Group (APPG) on Music in association with UK Music. This report shows the problems following from the Brexit for UK artists with performances in the EU Member States. This year, the number of shows has fallen with 50% compared to 2019.

The APPG and UK Music give recommendations which can improve the situation, as explained in their report. I have written them that also tax measures can help, more precise a updated tax treaty policy of the UK regarding artists/entertainers and sportspersons.

First, my introduction. I am Dick Molenaar and working both as a tax lawyer in the Netherlands for performing artists and sportspersons and as a researcher on this topic at the Tax Law Department of the Erasmus University in Rotterdam, the Netherlands. I have done my PhD research in 2006 about Article 17 OECD Model Tax Convention regarding entertainers and sportspersons. My conclusion was that this Article 17 is not needed in the OECD Model and bilateral tax treaties, because it is disturbing and creating problems of excessive and double taxation. The OECD Model can best do without an Article 17.

The Netherlands has taken over this conclusion and does not levy a source tax anymore from non-resident entertainers and sportspersons coming from treaty states. They only pay tax in their residence states.

In the letter to UK Music and the APPG, I have described that this would also be good for UK artists/entertainers: no Article 17 anymore in UK bilateral tax treaties. This will remove the tax obstacles on the EU market for them.

Also the UK Budget would profit from it, because for the UK as entertainment and sports exporting state, UK tax credits for foreign tax on shows and sports events are higher than the UK tax revenue from visiting entertainers and sportspersons.

Leave Article 17 out of the UK tax treaties and the balance of tax revenue will be higher for the UK.

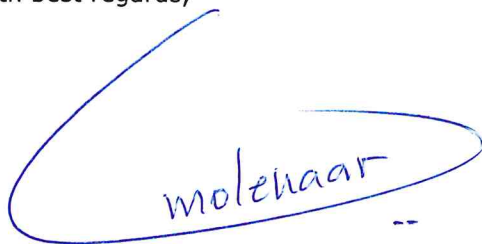
As alternative, I have described that when keeping an Article 17 in bilateral treaties, some improvements can be made, such as:

- Following Article 16 US Model Tax Convention for entertainers and sportspersons: include a minimum threshold of approx. \$20,000 per person per year + restrict Article 16(2) resp. 17(2) to the limited approach.
- Insert the option of deduction of expenses and filing normal tax returns in the performance state in the text of Article 17 of bilateral tax treaties, following the OECD Commentary on Article 17.

This would lead to a change in the tax treaty policy of the UK, which is in the direct interest of UK artists/entertainers and sportspersons. This would be helpful for them when competing on the EU market.

Let me know if you want to discuss this further.

With best regards,



molenaar

Dr. Dick Molenaar