Taxes and influencers

What companies should keep in mind when working with influencers

More and more companies are using influencers to market their goods and services. Established social media networks are used primarily to reach younger target groups aged between 19 and 29. Companies are subject to various tax obligations when they work with influencers and use them to generate income.

The challenge

For companies looking to use targeted advertising to promote their products, influencer marketing offers a range of innovative options for authentic advertising using unique content. When working with influencers, the regulatory environment should be assessed and the relevant legal and tax questions answered.

Once income from influencers exceeds a certain threshold, both influencers and companies are required to keep tax records and file tax declarations. When calculating income, earnings must be compared to the expenses incurred in connection with the activity. It is particularly important to note that free products provided or benefits received (for example invitations to events or trips) as well as monetary remuneration must be taken into account as benefits in kind for tax purposes. This is because, unlike gifts, a service is provided in return. Alternatively, the company providing the benefit can declare that it will assume responsibility for taxation. The tax value of the benefit in kind is calculated based on the "typical end price at the place of provision" depending on the specific case in question. In simplified terms, this could be translated as the market price.

In addition to income tax implications, trade tax and value added tax must also be considered. The deduction of business expenses and input VAT by companies that give benefits to influencers is determined by whether the benefit is considered advertising or a gift. To show tax authorities that there is an exchange of services and therefore that the expenses are deductible, the marketing provided by the influencers must be documented since everything can affect the tax treatment. We recommend coordinating with the tax authorities in advance where necessary.

If the company works with influencers based abroad, this may result in withholding tax obligations. Companies are liable for withholding and paying the withholding tax correctly and on time.

Both influencers and companies should therefore consider the tax implications of social media activities at an early stage. If they do not, they risk retroactive tax payments, high interest payments, fines and, in extreme cases, criminal tax consequences.

The services we provide – The benefits you gain

Collaboration with influencers can take many different forms. A detailed understanding of the contractual relationship and actual arrangements is essential to correct tax classification. To reduce any risks and avoid subsequent costs, it is important to consult with the tax department or tax consultants during the concept phase.

In doing so, the overall environment is assessed and potential tax issues considered.

Ideally positioned for you

In our teams, experienced tax and legal* specialists work together with our clients to support you on all tax issues relating to social media. Where necessary, our teams also draw on the global expertise of our KPMG network. Talk to us.

*Legal services are not permitted for certain audit clients and may not be possible for other professional reasons.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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