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BASICS OF MUSIC ENTREPRENEURSHIP

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BASICS OF MUSIC ENTREPRENEURSHIP

The purpose of the thesis is to create an e-guidebook in order to become an entrepreneur in the music industry, a music entrepreneur. The e-guidebook material introduces the initial steps to establish a business, taking into account the special aspects of music business. The e-guidebook is targeted to professional music students in second degree, universities of applied sciences and students at the Sibelius-Academy.

Music business has two sides: creative side and business side. The objective of this thesis is to provide concrete and accurate information about the business side of music. The main objective is to gather basic principles of music entrepreneurship in one place in an easy-to-understand way.

The e-guidebook material covers the following topics: objective of the material, different entrepreneurship modes for a fresh enterprise, taxing, insurances, unemployment, and pension. These topics were chosen based on the research material and the target audience. The thesis is commissioned by the Musicians' Union.

The thesis is functional and thus, has two parts: report and the e-guidebook material. The report processes the impacts of culture in the economy and the basics of music entrepreneurship. It works as an introduction and gives background information to the e-guidebook material. The theoretical part also reasons the need of the e-guidebook material and talks about the writing process. The research concentrates to the chosen content of the e-guidebook material. The process of creating the e-guidebook material is analyzed based on the outcome of the thesis in this report.

The e-guidebook material as an outcome of the thesis is informative. It does not go too deep into details but introduces the reader to the business side of music. It is easy to read and understand. The e-guidebook material is not visualized.

The e-guidebook material is attached as an appendix.

KEYWORDS:

Music, entrepreneurship, musician, music entrepreneur, music student, the Musicians' Union, guide.

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Figure 1. The added value of the cultural sector (Tilastokeskus, 2020b).

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LIST OF ABBREVIATIONS

CCI	Cultural and Creative Industry (Lhermitte, 2021)
GDP	Gross Domestic Product (Investopedia, 2021)
EU	European Union (Lhermitte, 2021)
IP	Intellectual Property (Your Europe, 2020)
VAT	Value Added Tax (Suomen Uusyrityskeskus, 2021)

1 INTRODUCTION

Being an entrepreneur in the music industry is based on intangible asset as a musician sells her or his music, a service. As in all businesses, the idea in music business is to make profit with the business. The time of COVID19 has not only brought up problems for music entrepreneurs, but also indicated the importance of music business for the economy and for the society as well (Hottinen, 2021). This functional thesis opens the basics of being an entrepreneur in the music industry, in other words music entrepreneurship. The commissioner of the thesis is the Musicians' Union.

The purpose of this thesis is to create content for an e-guidebook material about basics of music entrepreneurship. It introduces the reader the possibility to create a profitable business from her or his intangible asset, playing an instrument or singing. The content is targeted for professional music students in second degree, universities of applied sciences and students at the Sibelius-Academy.

I am a full-time musician, but the idea of the thesis started from a small survey on social media. I asked my social media followers, of whom many are musicians, what interests them in music business at the moment. According to this survey, entrepreneurship in music interests. This is a proof, that the music entrepreneurship is still unclear and professionals operating in the field are confused or uncertain with the information. In addition to this, the objective of this thesis is to provide concrete and accurate information about the business side of music business. The main objective is to gather basic principles of music entrepreneurship in one place in an easy to understand way.

The thesis is strictly delimited to focus only on entrepreneurship, and what to take into account when launching a business. It has two parts: theoretical and functional parts. The theoretical part is this report and it has a research methodology part, which processes the topic of basics of music entrepreneurship. It works as an introduction and gives background information to the actual product of this thesis: the e-guidebook material. The theoretical part also reasons the need of the e-guidebook material and tells about the writing process. Since the thesis is functional, the research concentrates to the chosen content of the e-guidebook material. The process of creating the material is analyzed based on the outcome of the thesis in this report.

The e-guidebook material as an outcome of the thesis is informative. It does not go too deep into details, but introduces the reader to the business side of music. The most important steps that a freshly graduate has to know about starting a music business, are introduced. It is a quick set-up guide for entrepreneurship in the music industry. It does not give too much information and it is easy to read. This ensures that the reader stays focused and does not get overwhelmed with the information. After reading the e-guidebook material, the reader can either abandon entrepreneurship or look for more information from the link list provided on the last page of the material.

Literature review is implemented in the theoretical part, but also in the functional part as part of the e-guidebook material. The functional part is the e-guidebook material. It covers the following topics: objective of the material, different entrepreneurship modes for a fresh music enterprise, taxes, insurances, unemployment, and pension. All topics are presented in an aspect of music entrepreneurship. According to the thesis database Theseus, musicians as entrepreneurs have been studied also earlier in the universities applied sciences. However, the perspective has been different compared to this thesis. Additionally, an e-guidebook material designed for music entrepreneurs is missing entirely.

An entrepreneur can master her or his own time and income. However, the creative side of music business requires a lot of time. This thesis is made in order to ease the administrative side of music business. Knowing the basics, releases time from the music entrepreneur for the most essential and valuable part of her or his business operations: practicing.

2 MUSIC AS A PROFITABLE BUSINESS

The industry in culture, arts and music is big and additionally, the businesses related to those are big. Especially, music and event business has been a lot in the news during the times of COVID19. Music is something that the society has always had, and music have always been available. However, the fact that after the air transport industry, the cultural and creative industry has been the biggest sufferer and profit loser in 2020 in the European Union, gives more perspective on music business and its importance. (Lhermitte, 2021, p. 29.) It also highlights the possibilities what music business has to offer for an entrepreneur.

2.1 Cultural and Creative Industry in the European Union

Cultural and creative industry (CCI) covers visual arts, music, audiovisual, performing arts, advertising, architecture, books, newspapers and magazines, video games industry, and radio. At the end of the year 2019, the cultural and creative economy had 4.4 % of the European Union's total GDP with the turnover of €643 billion. In 2019 audiovisual, performing arts and music covered almost 30 % of the total CCI turnover. The economic added value in CCI was €253 b, which was 1.7 % of the whole added value in the EU. (Lhermitte, 2021, p. 4, 13, 15.)

CCI had adapted and created new and innovative ways of making art already before COVID19. This increased the growth until the end of 2019. Between the years 2013 and 2019, CCI had increased by almost 17 % in the European Union. It employed over 7.6 million people in 2019, which is more than the telecommunications, automotive or pharmaceutical industries, e.g. (Lhermitte, 2021, p. 4.)

Over 90 % of the companies in CCI are small- or medium-sized companies. Self-employed are 33 % when the average on the whole European economy is 14 %. In the European Union, only 10.8 % of the revenue is originated from the public sector. ((Lhermitte, 2021, p. 4.)

2.2 Cultural and Creative Industry in Finland

In Finland the cultural and creative economy amounted 3.3 % of the GDP in 2018 (Tilastokeskus, 2020a). The economic added value was €6,720M which was 3.3 % of the GDP's added value in Finland. The amount of added value in culture had increased between the years 2013 and 2018, except the year 2017. (Tilastokeskus, 2020b.) Cultural sector employed almost 135,000 people which was 3.1 % of the whole employment population (Tilastokeskus, 2019).

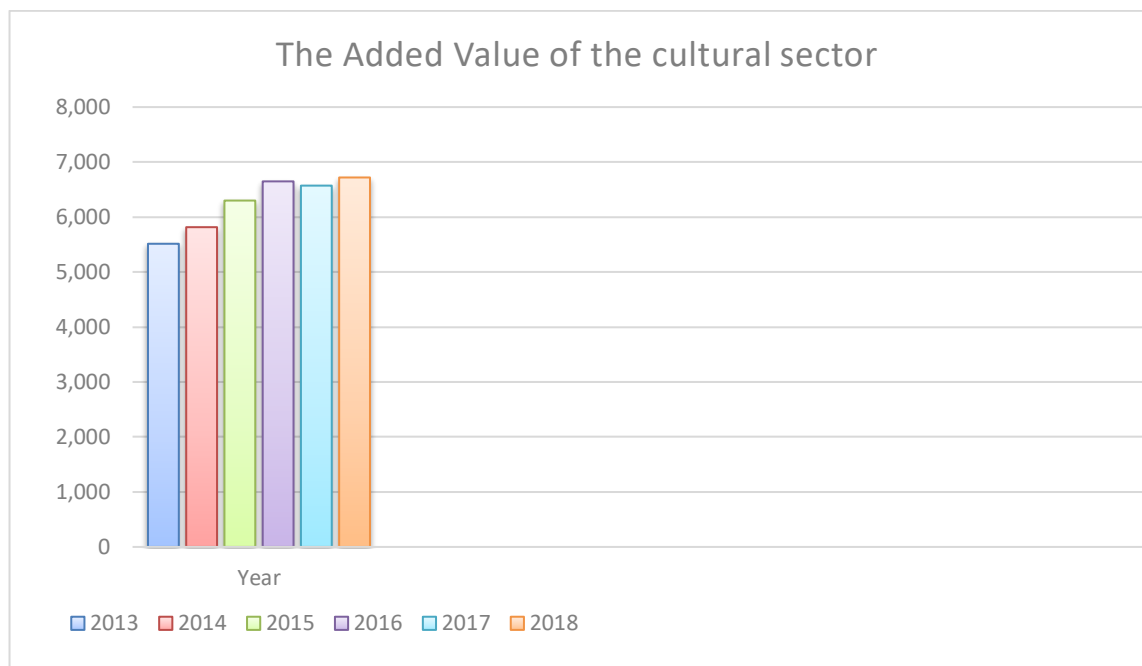


Figure 1. The added value of the cultural sector (Tilastokeskus, 2020b).

Only 60 % of the workforce was permanently employed. A person operating in the cultural sector often has multiple commission or employments at the same time. Often the work or commissions are project based, short-term or part-time. (Tilastokeskus, 2019.) In general, the cultural sector had experienced slight decrease already before COVID19 in Finland (Tilastokeskus, 2020a).

There are 292,377 enterprises in Finland, and they employ over 1.5 million people. 93 % of the enterprises are micro enterprises and 68 % of all entrepreneurs are conducting their business alone. (Yrittäjät, 2021.) 27 % of people in the cultural occupations operated as entrepreneurs, when the average in Finland in other occupations is 13% (Tilastokeskus, 2019). This follows the EU's line also (Lhermitte, 2021, p. 4). The fact

that entrepreneurship in cultural occupations is twice as common as in other occupations, brings up the prevalence and normality of entrepreneurship in culture and music. Also, it justifies the need of information for new professionals graduating.

2.3 The Musicians' Union

The Musician's Union is the commissioner for this thesis. The union is the trade union for musicians in Finland and music entrepreneurs are also able to join. The Musicians' Union was founded in 1917 and it gives consultation in contracts, tax, copyright, and pension matters for its members. There are 3,800 members in 22 different branches. 1/3 of the members are orchestra musicians, conductors and soloists. 2/3 of the members are freelance musicians. They operate mainly in restaurant, entertainment, jazz and rock music sector. (Ahonen, 2018.)

The Union is an influencer in the Finnish cultural politics and legislation. Nonetheless, it is an international organization as well and is part of The Central Organization of The International Federation of Musicians, The Nordic Musician Union, The Central Finnish Trade Unions, and International Artist Organization. Ahti Vääntinen is the chairperson of the Musicians' Union. (Ahonen, 2018.)

3 CONTENT OF THE E-GUIDEBOOK MATERIAL

Music business has two sides: a creative side and a business side. They are both important. As a musician might be a very talented person, but making a profitable and efficient career as a music entrepreneur requires knowledge. Music business is challenging. Other part needs creativity and freedom, other part requires practical thinking. If music and music business are dealt as separate entities, they are easier to manage. This also helps to understand how they operate together at their best. (Weisman, 2015, p. 7-8.)

This thesis aims to create value for fresh entrepreneurs starting their music business. When a young music entrepreneur can easily and understandable read and learn about the basics of launching a business, it will free her or him more time for the creative side. Knowing the basics, may also help them to decide, whether they want to operate as entrepreneurs.

As the product of this thesis is the e-guidebook material, the thesis is called functional. This chapter introduces the basic idea of a functional thesis, explains the process of this thesis, justifies the need and tells about the content and its style.

3.1 Functional Thesis

The objective of a thesis is to be work-oriented, practical and based on research approach. Functional thesis has two parts: functional part and report part. Functional thesis aims at providing professional guidance or instruction to something or someone to function better. Functional thesis may also pursue to rationalize or organize certain actions. Depending on the field of business, the outcome of a functional thesis may be a guide, an event, a performance etc. (Vilkkä & Airaksinen, 2003, p. 9-10.) Based on the research idea and the Musicians' Union agreement, the outcome of this thesis is an e-guidebook material.

The report of a functional thesis is a text that explains the process: what was done, how was it done and for whom was it done to. The report must clearly state the research outcomes and conclusions. Self-evaluation and self-grow as a professional are important parts of the report. The report is written academically, but the product, in this case the e-

guidebook material, is expressed and written in a style targeted for a certain audience. (Vilkka & Airaksinen, 2003, p. 65.)

3.2 Process Initiation

The idea of creating an e-guidebook material about entrepreneurship for musicians started in December 2020. As part of the Research Methods -course, the social media followers of the writer were asked, whether they had any research questions in mind. The idea of the whole process was to create something that had value to a specific group of people. The survey was made on 2nd of December 2020 on Facebook and Instagram stories. The survey was visible for 24 hours.

Many suggestions were made. Since many of the writer's followers are musicians, most of the ideas were music related. Deeper discussions about the possible topics were made with the followers. Suggested topics were, for example, does a musician (entrepreneur) survive COVID19 pandemic, can streaming concerts be profitable for a musician (entrepreneur), why an artist must justify her or his compensation for work, well-being at work for musicians in 2020, exporting shell suits, musician as an entrepreneur, just to mention few.

Despite all the good suggestions the decision on focusing on entrepreneurship for musicians was made. A plan and a timeline for the research were made. The initial idea was to create a consultation material for professional music students about music entrepreneurship. However, because of the length of the thesis, a strict topic defining and lining had to be done. Essential topics such as digitalization and copyrights had to be left out.

The process continued with literature review and gathering information by reading topic related publications from different organizations and magazines. Additionally, general discussion about the subject was made with professional musicians in order to familiarize with the topic. After defining and outlining the core of the e-guidebook material, the e-guidebook material itself was written in April. It required most of the work. After that the focus was on the report in May. This order was chosen to get the final outlining of the e-guidebook material and the covered topics before writing the report.

The Musicians' Union wanted to have the e-guidebook material in Finnish also. The Finnish part is not included to the thesis. Finalizing and translating the material in both

languages was made last. Editing and illustrating the material was ruled out of the commission with the Musicians' Union. The purpose of this thesis was only to create and gather the actual text material. The e-guidebook material is attached to this thesis as an appendix.

3.3 Need for the e-Guidebook material

At first, it was important to scan, what kind of information was already available. The need of the e-guidebook material was researched from different sources by reading material on entrepreneurship and music business. Conversations were made with the Musicians' Union and professional musicians operating in music business. Also, Theseus was explored.

The time of COVID19 in 2020 and 2021 has been a struggle for the cultural industry and entrepreneurs are experiencing severe financial problems (Hottinen, 2021). The commissioner of this thesis, the Musicians' Union, has been one of the influencers that this struggle has been heard (Muusikkojen liitto, n.d.). The union found it relevant to conduct a research with a purpose of creating a content for an e-guidebook material about entrepreneurship in music business. The Musicians' Union's opinion was, that the topic was very relevant especially at this time.

The material in Theseus also supports the need. According to the thesis in Theseus, musicians as entrepreneurs has been researched. Marttila (2012), for example, has made a research about forced entrepreneurship in music. He states (p.12) about different salary payment methods that: *"Balancing between these alternatives is sometimes confusing at least for those musicians whose education barely contains any information about the common practices in the field."* Also, Tervonen's (2016, p. 32) answer to her first research question is, that music education does not support nor teach entrepreneur skills, thus administrative work for music students.

Additionally, the writer has personal experience about professional music studies. The writer and her musician friends state, even though entrepreneurship in the cultural field is taught during music studies, the information is not concrete. The studies do not prepare students for the business side of music industry with enough concrete information. In other words, the courses are there, but the basic idea, that how does a

musician exploit her or his instrument or singing skills into a profitable business, is missing.

3.4 Target Audience

The e-guidebook material is targeted for professional music students and freshly graduates in music departments in second degree, universities of applied sciences and for students at the Sibelius-Academy. It introduces and presents music entrepreneurship as a career option. The idea is to show honestly the main points of starting a business as a musician.

The material provided in the e-guidebook is based on Finnish laws and customs. In general, this research assumes that a person has a Finnish personal identification number. The possibility that a person is not taxable in Finland nor has a Finnish ID number has a big impact on entrepreneurship and for that reason this scenario is ruled out.

Since the e-guidebook material is intended as a first glance of entrepreneurship, it assumes that a person does not have a lot of information about entrepreneurship. This is why only the most important parts and most suitable modes of entrepreneurship for musicians starting their music business, are introduced. The idea is to give the target audience an overview of what entrepreneurship is and what are the main benefits and challenges, not to overwhelm with all the details.

3.5 Content

The e-guidebook material explores music entrepreneurship and its main aspects when launching a business. It has six different subjects: trade union for musicians, suitable entrepreneur modes for starting a business, remuneration, taxes, insurances, and pension. With these six subjects a musician gets an informative and overall picture about music entrepreneurship.

The content and the six topics were selected by reading entrepreneurship guidebooks and different source material related to entrepreneurship and music business. Entrepreneurship modes, remuneration, taxes, insurances and pension were many times highlighted in the explored material such as "Guide Becoming an Entrepreneur in

Finland” (Suomen Uusyrityskeskus, 2021). The research made from different source material worked as the criteria for selecting what to include and what not to include to the e-guidebook material.

The trade unions were added to the material since the Musicians Union is a valuable organization and an important trade union among professional musicians in Finland. Starting a business, needs networking and the Musicians’ Union provides great framework for that, especially with the local branches. They also give guidance and other benefits for its members.

The Musicians’ Union also had an opinion about the content. Editing and visualizing the content was ruled out. The union had professional knowledge and guidance when specifying the content and checking the veracity of the e-guidebook material. Especially, the right wording was important. Words like job, salary or wage refer to employment and should not be used when writing about entrepreneurship. In general, the union gave quite free hands for the writer to decide the content.

The Musician Union reviewed the e-guidebook material 4-5 times. The union had some additional points to add and other points to decrease the importance. For example, they wanted to introduce the possibility to work under an employment contract with booking agencies. This additional aspect was chosen as an option to entrepreneurship. Since the Musicians’ Union is a shareholder with the booking agency Stagent, that was chosen for deeper introduction.

The e-guidebook material is attached to the thesis in English. Even though, the target audience is graduates from Finnish schools, the English language was chosen since the Musicians’ Union’s is an international organization. The material is also useful to have in English and it can be used for non-Finnish speakers working in Finland. In addition to this, the subject does not have an international aspect, since it is about entrepreneurship in Finland. However, if wanted, the material can be used for international purposes as well with certain changes. Nonetheless, the e-guidebook material in Finnish will also be available outside this thesis.

3.6 Order of the Material

The content of the e-guidebook material proceeds systematically and calmly following the steps of deciding and becoming an entrepreneur. It is easy to follow and understand.

Easy understanding is one of the objectives, because the topics mentioned in the material might be challenging to understand for a person not being familiar with entrepreneurship and music business. This is achieved by avoiding long and complex sentences.

The writing style of the e-guidebook material is casual. It makes the reading and learning experience more amusing, but also the style represents the personality of the writer. The flow of information continues throughout the whole e-guidebook material, but with a personal and casual touch. The e-guidebook material is addressed to the reader.

3.7 Gathering of Information

The e-guidebook content is gathering information from different organizations such as Tax Administration, Suomen Uusyrityskeskus, Employment and Economic Development Office (TE Office), and the Musicians' Union. All the content from the mentioned organizations is recent and well-updated. Although, many of the sources are electronical, books especially from Lottaliina Pokkinen were used for research and self-learning. Daily newspapers were read, because of the topicality of the subject. Also, the importance of English literature was understood and read.

In general, the fact that the thesis subject is so tied to the Finnish society and its entrepreneurship, set a challenge to find relevant source material in English. A main division of the used source material had to be done. The source material used for the e-guidebook material is in Finnish and for the report in English, and if required then in Finnish.

Finna was widely used for the report part. Problematic part was that Turku University of Applied Sciences does not have many of the needed books as e-books. Lappeenranta and the Army Academy libraries were used widely for the thesis. Important background research was also explored from Theseus. Exploring Theseus ensured that the topic is not already covered.

4 BASICS OF MUSIC ENTREPRENEURSHIP

Services have deep influence on the quality of life all over the world. A musician operates in the service business. Services can be defined as deeds, performances, or actions, thus; they are intangible. A musician provides a service, a piece of music, which creates an experience to the customer. Service business is based on customer relationships since they create the cashflows. (Bolton, 2016, p. 1, 3, 8.) Music and intellectual property are the music business's intangible assets. This chapter will introduce how to make this intangible asset efficient and profitable business.

Widely, this chapter introduces the reader to the topics covered in the e-guidebook material. This background information justifies not only the material provided but also the delimitation of certain topics of the e-guidebook material. The chapter indicates the importance of the chosen material. The information provided is applicable for any kind of entrepreneurship, but it is specified for music entrepreneurship.

4.1 Intellectual Property

The importance of intellectual property as a musician is essential to understand. Without protection of the creation or the action, a musician would not receive full benefit and remuneration from her or his performances or artistic work (European Commission, n.d.). The Trade Register is included to the e-guidebook material in order to bring up the fact why it is important to register the company or trade name.

Different protection types of intellectual properties are: copyright, industrial design, patent, trade mark, trade secrets, web domains, database protection, and geographical indication. When talking about music business, the copyright protection is the most essential. It applies when an artistic work is created: composed or performed. Copyright protection starts when the work is created, and it protects the piece until 70 years after the death of the author. (Your Europe, 2020.) However, copyright is such a broad and specific topic, it is ruled out from this thesis and the e-guidebook material.

4.2 Trade Unions for Music Entrepreneurs

The Musicians' Union is the trade union for musicians. The Finnish law defines the basic working terms and conditions, but collective agreements are negotiated additionally to regulate conditions (Tekniikan akateemiset, 2021). However, collective agreements are binding only between an employer and an employee. Entrepreneurs are not legally able to negotiate collective agreements. As an entrepreneur a generally applicable agreement is still applicable for work commissions. (Pokkinen, 2020, p. 96-97.)

Basically, almost all musicians' work commissions' collective agreements are generally applicable. In any case, it is not obligatory to join any union and the possible membership is personal information. (Pokkinen, 2020, p. 96-97.) Music entrepreneurs may also choose the Finnish Entrepreneurs' Union as a trade union. However, it must be said that as music being such a special field to conduct a business, only the Musicians' Union is introduced in the e-guidebook material. The membership for the union is valuable for a musician in order to network and connect with other professionals. The Musician's Union also provides guidance, help and benefits for its members.

4.3 Entrepreneurship Modes

Music education is just the beginning of the career in music business. The business is evolving rapidly and as a music entrepreneur, a person is faced to respond to those changes quickly. Job markets have changed and instead of seeing a job as a career, each different job creates the career. This kind of development encourages to entrepreneurship. (Timmons, 2013, p. 21-22, 24.)

A music entrepreneur is a person who can create and vision a viable and profitable career in music business. To become one, first, there must be a vision about the entrepreneur behind the musician. The goals, reasons, strengths and weaknesses must be clearly clarified and rationalized. After a clear vision of the entrepreneurship, it is important to start pursuing towards that. (Timmons, 2013, p. 20-21, 23.)

The e-guidebook material is targeted to professional musicians entering the business. Private trader is the easiest way starting a business (Pokkinen, 2020, p. 131). Private trader can be established alone without a starting capital. It is the most suitable mode for a fresh entrepreneur, when the turnover is few tens of thousand euros at most. Private

trader is also easy to pause if the entrepreneur's situation changes. (Suomen Uusyrityskeskus, 2021, p. 40.)

Another chosen entrepreneurship mode for the e-guidebook material is limited liability company. The reason is that when a business expands, changing into limited liability company from a private trader is recommended. Normally this is done when the yearly turnover reaches few tens of thousands. (Suomen Uusyrityskeskus, 2021, p. 40.) The decision on the right entrepreneurship mode depends on variable matters. There are multiple options to choose from, but for this thesis the modes of private trader and limited liability company have been chosen. They are also the two most common entrepreneurship modes in Finland (Suomen Uusyrityskeskus, 2021, p. 40).

As light entrepreneurship is trending (Pasanen, 2020), the material also includes some information about that. However, it must be highlighted that light entrepreneurship cannot be referred as entrepreneurship. The thesis commissioner suggested to have the part about light entrepreneurship diminished since the Musicians' Union does not recommend it to their members. Instead, the Musicians' Union asked to add an option how to make gigs and concerts under an employment contract with a booking agency Stagent. The Musicians' Union is a shareholder for Stagent.

The right entrepreneurship mode has to be carefully thought. This can be made with a clear business model or business plan. The plan must be precise, honest and include the following topics:

1. Mission plan or artistic statement. This will answer the question what is the business and what does it offer.
2. Legal entity. What entrepreneurship mode is the business operating at?
3. Goods and services. What are the detailed goods and services that the business offers?
4. Financial plan. What are the revenue and the expenditure? What is the net revenue?
5. Marketing. How does the audience know about the business?
6. Management team. Does the business need one? How is it formed?
7. Time-line. What are the short- and long-term time-lines for the business operations. (Timmons, 2013, p. 84-87, 90, 95.)

The e-guidebook material itself does not cover the topic of creating a business plan, but it is highlighted that the selection for the right entrepreneurship mode must be based on

truthful and accurate plans, financial resources and calculations. It also affects the decision, whether the company is established alone or with a band, for example. The entrepreneur must make the choice based on facts and estimations. The e-guidebook material mainly concentrates on solopreneurship.

4.4 Remuneration

Music has power as a social tool. Compared to listening records, attending a concert is a holistic experience. Playing concerts and touring play an important role for musician's income and it has out weighted the profit from music sale and selling records. In addition, general information and digitalization in music has created a surplus, that enables niche markets to become a vital income source in music. (Cresswell-Jones & Bennett, 2015, p. xii.)

The ultimate source of the entrepreneur's cash flow is the customer, the listener. In order to create a strong customer relationship, the customer experience must be excellent. Since, customer experiences are intangible, they can be difficult to price. The quality of the service can be challenging to measure. (Bolton, 2016, p. 7, 11.)

Just like the limited liability company's objective is to create profit for its shareholders, musician as an entrepreneur has the same objective: To make profit from her or his work or even pay dividends. In order to price the work right, it is good to know musician tariffs in the field. In this way it is possible to use it as basepoint for the negotiation. (Pokkinen, 2017, p. 221, 235.)

Partly that music is such a powerful social tool and partly that it is part of the service business, negotiating about fair remuneration amount is difficult for both parties. Pokkinen (2017, p. 21) among other multiple sources state, that sometimes a musician is offered remuneration from a performance as visibility. Many times, a musician has become a professional after enthusiastic hobby and many people play an instrument or sing as a hobby. This is one of the reasons why sometimes the amount of monetary compensation is hard to understand for a gig orderer. Negotiating skills as entrepreneur are important. Remuneration must compensate the actual work. (Pokkinen, 2020, p. 100, 102.)

4.5 Taxes

The entrepreneur is responsible to tax her or his own business operations and compensations of work. Taxing is based on the accounting of the business actions. (Pokkinen, 2020, p. 13.) The e-guidebook material covers the basics of taxing a private trader and limited liability company, because they are the covered entrepreneurship modes in this thesis. Also, value added tax (VAT) is explained. Pokkinen (2020, p. 107) writes that some musicians say that informing the tax authorities about the cost of income is the most profitable income for a musician. VAT is an important financial tool for any entrepreneur.

In general, the taxes in trade name and limited liability company are divided into two different tax types: income tax and capital income tax. Capital income is the dividends paid by a limited liability company, for example. Taxes paid by private trader and also mainly limited liability company are income taxes. (Pokkinen, 2020, p. 113.) Thus, this thesis focuses on that.

Businesses are generally obligated to pay value added tax (VAT). However, when talking about music business this does not apply to performances from a performing artist or copyright compensation. Nonetheless, starting from 2019, an artist has been able to apply for VAT liability for her or his compensation for performances. (Pokkinen, 2020, p. 113.)

When being VAT liable, a musician is able to deduct VAT costs in the tax return as cost of income. This enables a musician to deduct items related to the business operations with taxing. These items for a musician would be purchased instruments, instrument maintenance and repair, concert tickets, literature, workroom etc. The Musicians' Union provides guidance and a form to make these deductions. (Pokkinen, 2020, p. 107.)

4.6 Insurances

Insurances assure the entrepreneur's business. There are risks in running a business, so in addition to the obligatory YEL insurance, an entrepreneur should also consider other optional insurances. The selection of insurances depends on the line of business and its extent. (Suomen Uusyrittyskeskus, 2021, p. 50.) This is why the following insurance types are covered in the e-guidebook material: YEL insurance, property

insurance, accident and medical expenses insurance, life insurance, liability insurance and legal expenses insurance. These insurance types are important for all entrepreneurs, but in the material they are introduced in a light for music entrepreneurs.

YEL insurance comes from the Finnish words “Entrepreneur’s Pension Insurance”. Even though, the name refers to pension, it affects to all social security contributions. This is the only obligatory insurance for all entrepreneurs, if the estimated income from the business is over €8,063.57 per year. (Suomen Uusyrityskeskus, 2021, p. 14.) In case of an accident during a commission of work, the entrepreneur is responsible for her or his actions or actions caused to others or their property. This is why other optional insurances can be recommended. (Suomen Uusyrityskeskus, 2021, p. 50.)

Instruments and music equipment are a major investment for music entrepreneurs. They are valuable and essential for the business operations and this is why it is important to secure them. The insurances for valuable items are expensive taken from private insurance companies. The Musicians’ Union offers an instrument insurance for its members. This is one of the most important and beneficial benefits that the union offers. (Pokkinen, 2020, p. 129.)

4.7 Unemployment

The Unemployment Security secures the livelihood of an entrepreneur, and also an employee, in case of unemployment or lose of business. There are different entrepreneurs’ unemployment funds in Finland. The unemployment funds pay the earnings-related daily allowance and basic daily allowance is paid by Kela. (Suomen Uusyrityskeskus, 2021, p. 11.)

Still in the beginning of the 21st century, musicians preferred to cut expenses, than apply for unemployment allowances. Shame has been around the unemployment, but luckily this is changing. The fact is, that a skilled professional musician may be unemployed, because of reasons beyond her or his control. (Pokkinen, 2020, p. 75.) Even though, the attitude is changing, it is good to share information about unemployment allowances for new musician generation. That is the reason why unemployment allowance is covered in the e-guidebook material.

For example, the newspaper Etelä-Saimaa (Anon., 2021) quotes that many young adults have joined the unemployment funds during the times of COVID19. Over 80,000 people

under the age of 30, have joined an unemployment fund in Finland. This is 45 % more compared to the previous year. Although, these numbers include unemployment funds for employment contracts, the problems with unemployment and music freelancers have been a lot in the news in 2020 and 2021 (Hottinen, 2021).

An entrepreneur is unemployed when the business is shut down (Suomen Uusyrityskeskus, 2021, p. 11). However, because of COVID19, this rule has been eased. Because the amount of work commissions has been decreased or disappeared, a full-time entrepreneur is entitled to apply for a labor market support from Kela. This applies to all entrepreneurs independent from the entrepreneurship mode or business. In order to be applicable for the allowance, the revenue from the business must be less than €1,089.67 / month and the business is affected by COVID19, or it is shut down because of it. (Ministry of Economic Affairs and Employment, 2021.)

4.8 Pension

The gray market also exists in music business. In music business this means that the compensation of a gig is taken in cash without any social security contributions or taxes paid. This kind of action is illegal and does not accumulate pension or social security. The Finnish singer Kaija Koo says that especially young artists must be very precise with deals, finances and pension. The business fluctuates so quickly that an artist must be alert for changes and secure oneself for retirement also. (Pokkinen, 2020, p. 75, 92.)

YEL insurance is an obligatory insurance for an entrepreneur with certain exceptions. YEL insurance, which covers pension, secures the livelihood of an entrepreneur after retirement. (Suomen Uusyrityskeskus, 2021, p. 14.) The e-guidebook material explains the formula to calculate the pension of an entrepreneur. The information of the formula and the availability of different pension calculators online are good to share with musicians stepping into business. The entrepreneur's income is directly connected to the future pension amount (Työeläke, 2021). Additionally, the payment of YEL contributions is on the entrepreneur's responsibility (Suomen Uusyrityskeskus, 2021, p. 14.). This increases the importance of covering this topic in the e-guidebook material.

5 ANALYSIS

Timmons (2013, p. 23) writes: *“Entrepreneurs know that opportunity favors the prepared individual.”* Analyzing the outcomes of this thesis, that sentence sums it all up. Just like in an audition, a musician is prepared and at her or his best. If everything goes as planned, there is a possibility to win the audition. The key is to be extremely well prepared. The same goes with the entrepreneurship. Business world is a complex world. However, the more an entrepreneur is prepared, the better chances a business has to succeed.

The commission from the Musicians' Union was to write material for an e-guidebook about music entrepreneurship. The e-guidebook material is the outcome of this functional thesis. It is informative and modern. It is easy to read and the reader stays alert during the reading experience. The e-guidebook material does not go too deep into details, but introduces the reader to the business side of music in one place. The most important steps that a freshly graduate has to know about starting a music business, are introduced. It is a quick set-up guide for entrepreneurship in the music industry.

The report as a theoretical part of the thesis gives an image of the importance of cultural sector for the economy and for the society. This was important to clarify for the reader in order to present the bigger picture behind music entrepreneurship and the possibilities it has for entrepreneurship. Later followed by the analysis of the content of the e-guidebook material supports the objective of the thesis. The information provided about the content and the reasoning for the content gives background information for the e-guidebook material. Given all this information ensures, that the reader gets a deeper insight of basics of music entrepreneurship.

Additionally, the report gives an overall picture of the whole writing process of the thesis and what are the causes and consequences. Together the report and the e-guidebook material form an informative package of the process and the topic. The objective of this thesis was to provide concrete, accurate and basic information about the business side of music in one place. The material had to be easy to understand. This objective was reached.

One important research outcome was, that no one can tell which entrepreneurship mode suits the business best. It must be chosen based on accurate calculations, planning, job

prospects and risk tolerance. However, the selection of the introduced entrepreneurship modes for the e-guidebook material was made after reading source material and consulting the Musicians' Union. The conclusion that a private trader is the easiest way to start a company, especially in the beginning of a career, affected the decision. The other chosen entrepreneurship mode, limited liability company, was chosen on the fact that the company's and entrepreneur's assets are separate, there can be multiple founders, or expanding from a private trader to limited liability company is easy. These are facts that must be considered when talking about entrepreneurship for young professional musicians.

Light entrepreneurship is briefly mentioned, since it has been trending last years. Booking agencies are introduced in the e-guidebook material as an option for entrepreneurship. An option for entrepreneurship was important to bring up, since not all musicians can or want to become entrepreneurs. The fact that it is possible to make revenue without being an entrepreneur and still make gigs, is valuable information for a professional music graduate.

The information provided about remuneration and taxing were based on the chosen entrepreneurship modes. This defining is reasonable, taking into account the limitation of the thesis. The idea was to give an overall picture of the chosen entrepreneurship modes. Remuneration and taxation have not only high impact on the decision of the entrepreneurship mode but also for the business operations. VAT suites both modes of private trader and limited liability company. However, the important aspects in music business of VAT liability concerning musical performances and copyright royalties were presented. These are important points for a music entrepreneur.

Unemployment is a current topic for music entrepreneurs when concerts are forbidden by the Finnish government during the time of COVID19. Especially, unemployment was mentioned by the Musicians' Union in the first emails concerning the thesis. The information provided in the e-guidebook material is quite straight. An entrepreneur is not entitled for unemployment allowances before ending her or his business. Of course, there are exceptions, but the exceptions are not fully mentioned in the e-guidebook material since, the idea of the material is to be truthful and a first glance of entrepreneurship. However, the situation with COVID19 and the unemployment of musicians caused by that, was important to take into account in the report.

The outcome from the pension-part is accurate. It was important to point out for young musicians, that it is possible to see now, what will their future pension be. The formula and the possibility to use the pension calculators were introduced in the e-guidebook material. The report itself opens more the concept of grey market and what it means in music business. The affect on the social contribution and future pension is significant.

When speaking about musicians as entrepreneurs, the topic is broad. It includes so many ways to do business not to mention the copyrights and digitalization. The primer idea for the thesis was to create a consultation material for professional music schools about music entrepreneurship, but it turned out to be too huge topic. Because of the length of the thesis, the research and the material for the e-guidebook is delimited to discuss only basics of music entrepreneurship.

Even though, the topic had to be delimited majorly, this material and research is a good start for someone to continue and broaden the content. It already has viable information on the initiation process of starting an entrepreneurship process. The Musicians' Union, few entrepreneurship modes, remuneration, taxing, unemployment and pension are important points to consider, when starting a business. Introducing these topics for a person, that does not know a lot about the topic, is a good start. Because of the length of the thesis, business plan and intellectual property had to be taken out, eventought they are very important things to know, when music business is started. However, these topics are opened tentatively in the report.

For further research of the topic and to broaden the e-guidebook material could be digitalization, copyrights and copying sheet music. These topics could be presented in the same style as now. It could be also researched that what kind of impact music digitalization has on the society and music markets. In addition to this, since the commission was only to write the e-guidebook material and any graphical or layout were ruled out, editing and designing the visual material could be a research point in the future. Also, a marketing plan for the material could be planned.

The e-guibebook material mainly talks about solopreneurship. Even though, it mentions the possibility to establish a limited liability company as a band, this could be other perspective on future research. It could be researched and analyzed, how to establish a business together with other musicians. Doing business as a band could also be analyzed from a perspective, when one musician owns the band and employes the rest.

Since the e-guidebook material is based on Finnish laws and customs and it is targeted for people with Finnish ID number, who study and work in Finland, all of the source material used in the e-guidebook material was in Finnish with some exceptions. Although, big part of the material was also available in English, sometimes the content was not as accurate as in Finnish or the concept of posted workers was mentioned. A general choice to use only Finnish sources, when gathering information was made. This decision prevented the information to collapse.

The challenge with gathering information from different sources for the e-guidebook material was, that there was a lot of information available. Sources had to be read very critically and a lot of comparison had to be made. Also, quite many different sources were used in order to make the e-guidebook material as clear as possible. Some source had some information, some had relevant additional information for musicians and so on.

The source material that was used for comparing and gathering information were influential and official Finnish operators and authorities. Information provided by the Finnish Tax Authorities, Suomen Uusyrityskeskus, the Finnish Centre for Pension and the Musicians' Union were used to mention some examples. All kinds of blogs or unofficial sites were ruled out. However, fully commercial sites such as UKKO and eTasku were used as source material for the e-guidebook. They provided good information about freelancing, light entrepreneurship and VAT.

Another challenge was to learn the right wording concerning entrepreneurship. It was vital to use correct words in this report but especially in the e-guidebook material. Right wording ensured the accurate information for the reader. It was also one personal important learning outcome. The Musicians' Union was a big help when ensuring the right wording and the importance of it.

The link list provided at the last page of the e-guidebook material is selected based on the information provided in the e-guidebook material. The links guide the reader to official and well-known sites. The link list was chosen to be added to the material to ensure the reader to look for more information, which is accurate. Even though, the source material is much wider, the link list is relatively short. This was made again to prevent the reader to be overwhelmed with the amount of information or with the possibilities where to look for more information.

The report includes also source material in English. Music business in general is more researched in the USA and that is why also English source material was used. It ensured variation and a deeper insight for the report. There is also source material about music business in Finnish and especially books from Lottaliina Pokkinen are very informative and up to date. However, in order to get an international aspect and variety for the report, also international sources were used.

As a business student, getting familiar with the entrepreneurial side of business world is interesting. The Finnish culture sector and its problems concerning unemployment, allowances or the absence of the allowances, has been a lot in the news this year. For this reason and especially during the time of COVID19, entrepreneurship is a good and current topic. The situation when an entrepreneur is applicable for unemployment allowances is eye-opening. When a musician does not have gigs or concert, it does not make her or him legally unemployed.

Also, it has to be admitted, that starting a business and being an entrepreneur seems quite complex. But as the e-guidebook material brings out, an entrepreneur has to learn the system only once. However, it is positive to notice how much information is available and how well updated it is. Reading information from different sources proves that Finland as a country is encouraging people to start a business. Even though, there are some grievances with unemployment allowances, e.g., in theory the information available is transparent and thorough.

It could be assumed, that the time of COVID19 might also have a positive effect on culture entrepreneurship. Hopefully, professional musicians and the whole cultural sector are taking more seriously in the future. The importance and influence that music and culture has not only for the GDP but also for the whole society, has been pointed out to the Finnish society and its citizens. The Musicians' Union has made a big effort bringing up the problematic situation of freelance musicians during COVID19. The union's influence for the whole cultural sector is significant. The Musicians' Union fosters and develops the rights of music entrepreneurs in all situations.

6 CONCLUSION

The decision on the subject as part of the International Business studies was very important in order to be prepared for job markets. The basic business studies help with the entrepreneurship process. Business plans, business models, marketing, productization and digitalization are essential items and also widely used in entrepreneurship management. However, the basic information about how to establish a company is missing from the obligatory studies in International Business studies in the Turku University of Applied Sciences. It can be discussed whether this kind of separation between business studies and entrepreneurship is still valid. Nowadays, entrepreneurial and innovative ways of thinking are valuable assets for an employee in any kind of job.

The thesis was commissioned by the Musician's Union. The time of COVID19 has occupied them a lot since 2/3 of its members are freelance musicians. However, the cooperation with the union was good and fluent. After they accepted my initial idea of an e-guidebook material about music entrepreneurship, they gave me quite free hands concerning building and defining the actual content. In general, my working was quite independent. The Musician's Union provided me comments that ensured that the content was right and truthful in the e-guidebook material. They also accepted my quite casual writing style. This leaves my fingerprint on the material. The cooperation taught me a lot about music entrepreneurship.

During my writing process I have gotten a lot of positive feedback from my musician friends and colleagues concerning the chosen topic. This ensured me, that the topic was current, and the outcome is useful. Since I have worked for years as a musician under an employment contract, I did not know much about entrepreneurship. It was easy to build the content, as I also was a person, who did not know much about music entrepreneurship. Here combines the two parts of music business. I had professional experience on the creative side and working as an employee, but the information of the business side was missing.

Knowing so little about the entrepreneurial side of music business was challenging. Understanding the material about entrepreneurship was difficult and scanning and comparing different sources was time consuming. However, it ensured that I accomplished to gather an easily understandable e-guidebook material, which is in one

place. The e-guidebook material is one step closer to share information about music entrepreneurship and how to turn acquired skills into a profitable business.

In general, making a research and writing especially the e-guidebook material taught me a lot. It has been one of the most informative and educational course during my studies. It also has been the most challenging subject to learn. It was important for me, that as my thesis, I could create something that has value for someone. I want to thank the commissioner of the thesis, the Musician's Union for the cooperation. They had a big positive effect on the process and for my personal input. The goal in the beginning was to create an e-guidebook material about basics of music entrepreneurship and how to create a profitable business of one's instrument or singing skills. I reached that goal.

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Appendix 1: E-guidebook material: Basics of Music Entrepreneurship

Basics of Music Entrepreneurship

An e-guidebook material

2021

Bachelor thesis work of

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Foreword

Congrats! By reading this e-guidebook, you are entering the amazing world of being a professional musician. For years, playing your instrument or singing has been a passionate hobby for you and now you are studying it professionally. Now it is time to change your passion into a profitable business.

Entrepreneurship has a big impact in the Finnish society. There are more private companies than lakes in Finland, 292,377 private companies to be precise. 68 % of those operate alone as entrepreneurs. (Yrittäjät, 2021.) Many times, this is the way to operate for musicians. Culture sector is a big operator worldwide, but also in Finland. In 2017, the GDP percent for culture was 3,4 % in the Finnish economy (Tilastokeskus, 2019).

Being a musician requires many hours of practicing, as we know. However, in order to acquire sufficient income as a music entrepreneur, the administrative work also requires time, work and knowledge. This material is gathered from different sources to present you the basics on how to work as a music entrepreneur. Reading this e-guidebook will save time for the essential part of being a musician: practicing.

The easiest and safest way to acquire income as a musician is to win an audition for a symphony orchestra, a military band, or a theater, for example. This means employment contract which ensures you steady income and aside it is possible to teach and make occasional gigs for other employers. In many cases wages can be paid with the same tax card with the same income ceiling (Vero, 2021a).

However, many times a musician has multiple income sources: gigs, concerts, teaching, composing, arranging, e.g., and they have to be billed through a company. This e-guidebook will take you through the important points of choosing the best entrepreneur mode for starting a music business, but it also introduces you the most important points that are relevant with it. The following topics will be covered: trade union for musicians, different entrepreneur modes for launching a business, remuneration, taxing, insurances, unemployment, and pension.

Take a deep breath and plan your future!

The Musicians' Union

Are you a member of the Musicians' Union? You should. The Musicians' Union ensures the rights for musicians in Finland.

The union gives music entrepreneurs advice in legal, contract, tax, copyright and entrepreneurship issues. Additionally, members get access to all membership benefits: freelance attorney, instrument insurance, possibility to apply for artist residences and rehearsal studios, Muusikko-magazine six times a year, access to MES-instrument bank, rental audio equipment, Muusikkojen Terppa! -occupational healthcare service, and many other smaller benefits.

The Musicians' Union cooperates with the unemployment fund Finka. However, according to the Finnish law, as an entrepreneur you are not able to join that fund. You will read more about entrepreneur's unemployment later.

The membership fee for the Musicians' Union is 1 % from your income, but at least 20 euros per month in 2021. If you are a freelance musician or a music student, the membership fees can be seen below.

Union's fees 2021

Category	Fee €/Month	Payment € / 6 Months	Income €/Month
E	50,00	300,00	over 4 600
D	42,00	252,00	3 800 – 4 599
C	34,00	204,00	3 000 – 3 799
B	27,00	162,00	2 200 – 2 999
A	20,00	120,00	under 2 199
O (student)	10,00	30,00 / 3 Months	
T (retired)	50 / year		

Figure 2. Fees for the Musicians' Union membership.

The musicians' Union has 3,800 members. With the membership, you will get connected and grow your network as an entrepreneur and musician. Get connected especially with your local branch!

You can apply for the membership on the Musicians' Union website.

Viable entrepreneurship modes for launching a music business

Are you planning to get income from different sources? Playing gigs, concerts, teaching, for example? Maybe your working style will be a freelance musician?

What is a freelancer?

Freelancer is a person, who has multiple and different commissions at the same time and normally they are short-term (Vero, 2021b). Freelancer is not a mode of entrepreneurship, but the concept varies (Laitinen, 2020a). Basically, there are three options to work as a freelancer: as an entrepreneur, as an employee, or neither. Many times, it is neither. This means that a freelancer gets commissions for work and receives income from those. When a freelancer works under an employment contract, she or he has the same obligations and rights as other paid employees. (Vero, 2021b.)

In many cases, a freelancer is an entrepreneur working as a private trader or “a light entrepreneur” (kevytyrittäjä in Finnish). In some cases, also limited liability company is an option. (Laitinen, 2020a.) In this e-guidebook we will focus on the entrepreneurial side.

Being a freelance musician gives you the freedom and the option to choose your work and commissions, but it comes with a lot of uncertainty and income irregularity, but also with working times. Basically, you are responsible to find work for you. No work, no income.

Now you will read about the most common entrepreneurship modes for starting your music business. Unfortunately, no one can tell you which entrepreneurship mode suits you the best. It will take time and effort to plan, calculate and estimate the future job prospects. You have to make a business plan. Remember that there are more entrepreneurship modes in Finland outside this e-guidebook. They might suit your business the best.

Private Trader

This is the easiest way to establish your business. After limited liability company, private trader is the most common entrepreneurship mode in Finland. If you decide to work as a private trader, it comes with some liabilities. First, you need a business identity code. Second, you have to take care of accounting, value added tax, tax returns and YEL (yrittäjän eläkevakuutus in Finnish). When the sum from the financial year starts to be

some tens of thousands, you might want to consider other entrepreneur modes such as limited liability company, limited partnership, or general partnership. (Laitinen, 2020b.)

Private trader is established alone or with a spouse, but only one name can be registered for the company. There is no minimum starting capital. As a private trader you are solely responsible for all your assets, debts, and liabilities with your personal property. This means that if you are unable to pay a bill as a private trader, it will be shown in your private records. When operating as a private trader, the good side is, that you have all the power to decide, so there is no CEO nor board of directors. It is just you. (Suomen Uusyrityskeskus, 2021, p. 42.)

There is no mandatory audit, and the taxes are paid based on annual activity. You are not able to pay salary for you, but you withdraw money from your company account as private drawings. (Suomen Uusyrityskeskus, 2021, p. 42.)

So, how will you get your business identity code? When you establish your private trade, there is no need for documentation about the establishment of your company. What you have to do is, to register your company at YTJ (The Business Information Forum) and MyTax. After you have registered at MyTax, they will tell you how to file and pay taxes. It is not obligatory to register at the Trade Register, but it is recommended in order to protect your company name, for example. It costs €60 per registration. (Suomen Uusyrityskeskus, 2021, p. 42.)

Maybe it goes without saying that you are as a private trader and entrepreneur responsible for all the liabilities. So, when you receive a payment from a client, you must pay taxes and social security contributions. Maybe, also some savings for the holiday period? Or are you planning to work 24/7?

Limited Liability Company

Do you want to be a CEO? It might be a good idea to establish a limited liability company alone or with your band. Also, if you already operate as a private trader, you can expand your business by changing it to LLC. Here are some facts about that.

There is no minimum starting capital and there can be more than one person starting the company, but they all must be entrepreneurs. The catch here is, that you are responsible only for the invested capital for the company, so no personal assets are involved. However, in real life normally shareholders guarantee company loans personally. Also, all the shareholders are the main decision-making body in the company. Limited liability

company needs a board of directors with minimum of one member and one deputy member. (Suomen Uusyrityskeskus, 2021, p. 43-45.)

To start your business, you have to register your company with the Trade Register. Before that there is no limited liability company. This costs €275 and you will get your business ID. You also have to register for Tax Administrative for value-added tax (VAT), Prepayment Register, and maybe, later if you have employees for the Employer Register. As a shareholder and entrepreneur, you can withdraw wage and maybe even pay dividends for your shareholders. (Suomen Uusyrityskeskus, 2021, p. 43-45.) Wage is considered as an expense for the company. Thus, it will reduce your profits. (Suomen Uusyrityskeskus, 2021, p. 13.) You need an audit for your LLC (Suomen Uusyrityskeskus, 2021, p. 75)!

It is important to create a Shareholders Agreement with your business partners straight in the beginning. You have to write down at least these things: the organization of the company's operations, task distribution, profit distribution, restrictions to choosing shareholders, principles of redeeming shares, non-competition, and what happens to shares in case of death. These things are extremely important to write down in case of disagreement. (Suomen Uusyrityskeskus, 2021, p. 43-45.) Sooner or later, and most likely, there will be some disagreements.

So, as you can read, there is more administrative work in this entrepreneurship mode, but it also might bring you and your band or other shareholders more profit!

Remember that already in the beginning, it is important to protect your company name and trade name in all entrepreneurship modes. When you build your empire, someone else might take the name if you did not protect it! You can register at Trade Register. It costs €60 per registration. (Suomen Uusyrityskeskus, 2021, p. 42.)

Start-up Grant

At the beginning of your business the money streams might be irregular or even insufficient. For the first 12 months you have the possibility to apply for a start-up grant. The start-up grant is targeted to cover your living costs as full-time entrepreneur, not the costs of your business operations. Important thing to notice here is, that you must apply for the grant before launching your business. (Suomen Uusyrityskeskus, 2021, p. 12.)

The start-up grant is a discretionary grant. This means that the Employment and Economic Development Office (TE Office) or municipal employment services evaluates your business plan, profitability, and financials whether you are entitled to the grant. The grant is the same amount than the basic unemployment benefit. (Suomen Uusyrityskeskus, 2021, p. 12.)

Light entrepreneurship

For sure you have heard about light entrepreneurship. It is not actually an official entrepreneurship mode since the name has been made up by invoicing service providers. However, light entrepreneurship is entrepreneurship in the eyes of law, but it does not need a business ID (Laitinen, 2020b). If you are not sure whether you are able to make a living as a full-time music entrepreneur, this is a great way to test it!

So how does light entrepreneurship work? The main idea is that the billing goes through an invoicing service platform, and they deal with all obligatory taxes and social security contributions. You need to provide them your tax card. (Laitinen, 2020b.) Despite of this, the invoicing company is not your employer. Depending on the contract, you might be responsible for YEL contributions, e.g. Don't worry, later you will find out, what are the YEL-contributions! If, you are a student, remember to check your tax card! Everything you earn is taxed under one income ceiling, also, your student allowance (Suomen Uusyrityskeskus, 2021, p. 14).

Booking agencies

If after reading the last sections, you feel like entrepreneurship is not for you, you can consider working through an artist booking agency. In this way, you don't necessarily need to become an entrepreneur, but you can still make gigs and concerts. Working for an artist booking agency is an option for dealing with the billing and many times, this is also more profitable than operating as a light entrepreneur. There are many booking agencies to choose from in Finland, but the Musicians' Union is a shareholder in Stagent.

Stagent was founded in 2017. It is a Finnish artist booking agency and they offer artists for all kinds of occasions from family celebration to big events. They present soloists, groups, bands, sound engineers, e.g., and musicians work under an employment contract for Stagent. Already from the beginning, the Musicians' Union has been cooperating with Stagent by developing services, contracts, and customs in field. (Stagent, N/A.) You can find the link to their site at the end of this e-guidebook!

If you sign with Stagent as an artist or a band, they will be your employer and you start an employment contract with them. Working for Stagent goes like this: you as a musician find work, such as a gig, and after agreeing the principles, you inform Stagent. Stagent will deal with the contract, billing and other employer obligations with taxes and social security contributions. You can concentrate on music. You have to provide Stagent your tax card, and after the gig they will pay your salary within seven days. They will also assist you with selling and marketing you or your band and help with the tools to control your gigs and contracts. (Stagent, N/A.)

In the beginning of your career, it might be difficult to acquire an active booking agency. Therefore, you have to be active and find your gigs and concerts by yourself, at least in the beginning. You just inform your booking agency about your gig, and they deal with the rest. Later, when you have gained some name in the music field, the booking agency will also concentrate more on you. They of course will charge for their operations.

Remuneration

Could you play at our wedding, just few songs? Could you perform at the opening of my restaurant? We will stream your song on Instagram! It is awesome to make your friends happy at their wedding and sometimes it might be beneficial to exchange money for an Instagram publicity. However, these situations do not pay your living nor fund your retirement. In general, money helps you in life!

It is unpleasant to negotiate about money. Negotiation skills can be learnt, but luckily the Musicians' Union provides a musician's tariff list for your help. Remember that as an entrepreneur, your commissioner is not legally obligated to offer you these tariffs. However, these numbers give you a good platform to start the negotiations and an idea about the recommended sums.

You can find a link to the tariffs from the Musicians' Union at the last page of this e-guidebook.

When you negotiate about remuneration, remember that you are as an entrepreneur obliged to pay all the obligatory contributions from your compensation for work. You have to calculate the final sum so high that it covers all your actual costs, social security contribution, holiday pay and leaves you also a reasonable remuneration. (Pokkinen, 2020, p. 111-112.)

This material does not cover the magnificent world of digitalization, but just to remind you: if a concert is streamed, you must get remuneration. The Musicians' Union has negotiated tariffs also for streaming music (Musicians' Union, 2019).

As an entrepreneur it is important to remember that the entrepreneur's remuneration is not called salary or wage. Another important thing to remember is that the company's turnover, sales or business income is not the same thing as entrepreneur's salary.

Taxing

As an entrepreneur you are obliged to take care of your taxation (Pokkinen, 2020, p. 113). Here I will tell you about entrepreneurial taxing for a private trader and LLC. Not really the most tempting subject, I know. It feels also overwhelming. But is it hard? Let's find out. Remember, that the base for business taxation is a trustworthy accounting!

Private trader taxation

Normally, and especially at the beginning of your business, accounting can be single-entry, meaning that you only write down all revenues and expenditure (Suomen Uusyrityskeskus, 2021, p. 75). However, read the following questions.

- ◆ Is the total in your balance sheet less than €350,000?
- ◆ Is your turnover less than €700,000?
- ◆ During the financial period, did you employ on average a maximum of ten people?

If you answered at least two times yes, you belong to the micro-enterprise category. This means that you do not need to make a financial statement, but it is recommended since it is equivalent for the tax return. The tax return must be issued in April of the following tax year. (Suomen Uusyrityskeskus, 2021, p. 75, 78.)

As a private trader the taxes that concern you mostly are value added tax and income tax. Especially at the beginning of your business, it is wise to tax all your profit as income tax. Income tax is progressive, meaning, the more you make, the more you pay taxes. The taxation is based on estimation from your last year's operations. Your business taxes are your private taxes and vice versa. (Yritä, 2021a.)

When you withdraw your compensation for work, you don't pay your taxes at that very moment, but in advance. You have to make an estimation of your earnings for the tax authorities. The estimation is made for one tax period. The decision on your withholding tax is verified by the tax authorities and the decision will come to MyTax. The decision will include the amount and due date of the tax. The due date can be 2, 3, 6 or 12 times a year, depending on your turnover. (Yritä, 2021a.)

Limited liability company taxation

Limited liability company needs to make a financial statement and that helps you to make your tax return. The tax return must be issued latest four months after the end of your financial year. (Suomen Uusyrytyskeskus, 2021, p. 78.)

Also, for LLC the taxes that mostly concern you are value added tax and income tax. Since limited liability company is an independent taxpayer, the taxing is also a bit more complex. Simple said, there are your taxes and there are your company taxes.

Taxes are paid again as withholding taxes which are based on your last year's taxation or estimation of your earnings. All limited liability companies must pay 20 % corporate tax of its profits. (Yritä, 2021b.)

When you pay yourself a salary, it is taxed with your personal tax card. The turnover and profits from your company does not affect your personal taxation.

Limited liability company can pay dividends for its shareholder. These are taxed based on dividend taxation. (Yritä, 2021b.)

Value Added Tax

As an entrepreneur you are obligated to pay valued added tax (VAT or ALV in Finnish) from your business actions. However, you as a performing artist, can bill VAT free from your performances, if you wish, but you have to assess whether it is the best decision for your business. (Pokkinen, 2020, p. 113.)

So actually, what is value added tax? VAT is an indirect tax. It means that VAT is added to your service price and paid by your customer. The amount is a certain percentage of your sold service such as a concert or a gig.

There are three different VAT tax rates in Finland. The most common one is 24 % which is used for most sold goods and services. 14 % is for restaurants and bars, e.g. Musicians act under the VAT tax rate of 10 %, since they organize cultural and entertainment events. (Yrityksen perustaminen, 2021.) Here is an example on VAT:

Gig: €300

VAT: 10 %

Invoice: $300 + (300 * 0,1) = €330$

You get €330 and out of that €330 you pay €30 for the tax authorities. The, from your €300 you must pay the remaining social security contributions and taxes. Think that the money that you collect as VAT from your clients, is never really yours. You just collect it. Don't use it! (Yrityksen perustaminen, 2021.)

There are three important things to take into account with VAT and music entrepreneurship. First, you are only obligated to bill VAT if your financial period exceeds €15,000. However, as a performing artist you are entitled to apply for value added tax liability. This ensures you the right to deduct VAT from your company's purchases. In this way you can save money.

Second, revenue from your copyrights cannot be covered by VAT.

Third, you must account VAT regularly even though, there has not been any action in your business. (Vero, 2019.)

There is also a benefit for the entrepreneur regarding the VAT obligation. Like mentioned before, as an entrepreneur, you can deduct VAT from articles that you have purchased in order to conduct your business from your VAT that you should pay for the government. (Yrityksen perustaminen, 2021.) A bit complicated, but there is an example coming.

These deductible articles for musicians might be, for example: microphone for a singer, flute for a flautist, note stand for a musician, sheet music, even music streaming services. Here is an example of these scenario:

You buy a microphone that you use for online teaching.

Invoice: $€100 € + (100 * 0,24) = €124$ (VAT 24 %)

Microphone: €100

VAT: €24 (remember that VAT of 24 % is added to sold goods!)

Earlier you made a gig that had €30 of VAT. Hence, the deduction is:

$€30 - €24 = €6$

Now, you are obliged to account these €6 to the tax authorities, since the value of your business has been added by €6. This is why it is called value added tax.

At early stage of your business, it might occur that you purchase and invest in your company more than you are able to bill. At these situations the tax administration will pay your company account the deduction as VAT return. (eTasku, 2021.)

These deductions are made in your or your company's tax return. It depends on your entrepreneurship mode. The Musicians' Union offers a form for its members to help the deduction process with the tax authorities. You can find the link to the form from the last page of this e-guidebook.

Grants for artistic activities are in many cases classified as tax-free up to €23,668.35. However, there are exceptions (Vero, 2020)!

Insurances

It is boring to pay for something that you might not need, but as a music entrepreneur, it is important to assure your business, your ability to work and your instruments.

YEL (yrittäjän eläkevakuutus in Finnish) insurance is an obligatory insurance for all entrepreneurs and light entrepreneurs, when your estimated yearly income is more than €8,063.57. The fee is dependent on your earned income. Again, more you make, more you pay.

Now comes the important part of YEL: the paid YEL contribution affects also your other social security allowances! These contributions are sickness allowance, parental allowance, earnings-related daily allowance, disability pension and rehabilitation allowance, vocational rehabilitation, old-age pension, and survivor's pension. (Suomen Uusyrityskeskus, 2021, p. 16-17.)

How much is the YEL-contribution? This depends, but this is how it goes: start by assessing your yearly earned income. It is not the same as the profits from your business nor the income you earn as an entrepreneur! The YEL earned income is assessed as what you would pay for an employee who does the same job and has the same education or skills than you. This amount is confirmed by your chosen pension insurance company. The confirmed earned income determinates the YEL-contribution amount. As a new entrepreneur you will receive a discount for the first 48 months of your business. (Suomen Uusyrityskeskus, 2021, p. 16.)

Other insurances

Your private insurances do not cover you nor your articles, when you are an entrepreneur. After the musician her- or himself, instruments are the most valuable articles in the business operations. Property insurance covers instruments, computers, telephones and other tangible articles related to your business and these are also deductible in your tax return. (Suomen Uusyrityskeskus, 2021, p. 52.)

Assuring an instrument for professional use, is expensive. The Musicians' Union offers an instrument insurance for its members up to €3,000 with a €150 own risk. If the value of your instrument is more than €3,000, it is possible to negotiate an augmented insurance. The insuring company is called Brookfield. (Musicians' Union, 2018.)

Your instruments are important for your business operations, but the biggest risk is you as an entrepreneur. Accident and medical expenses insurance covers, you if you have an accident or get ill. You are an entrepreneur 24/7 so, also the insurance must be valid 24/7. (Suomen Uusyrityskeskus, 2021, p. 52.)

Life insurance is important especially, to cover your next of kin, if they are liable for your business. Additionally, in this insurance you can include the insurance of incapacity to work. (Suomen Uusyrityskeskus, 2021, p. 53.) This is important if you lose your ability to play, for example.

Other recommended insurances for music entrepreneurs are liability insurance and legal expenses insurance. Liability insurance covers you if you do damage to others or their property while operating your business. Legal expenses insurance covers possible conflicts with agreements, deliveries, or employment when resulting in court. Remember to validate this insurance before signing agreements! (Suomen Uusyrityskeskus, 2021, p. 52.) It is also possible to apply for legal aid from the Musicians' Union, if you are a member. Generally speaking, the Musicians' Union will give you legal advice, but does not cover the costs in court, if not applied separately.

Unemployment

Even though, your future work prospects look fruitful and secure, we all know what happened in 2020. Because of COVID19, in 2020 music industry lost €254,6 M. The losses hit hardest in live music sector and different parties shared allowances, but in 2020 the allowances were only 31 % of the estimated losses. The situation is hard especially for freelance musicians. (Hottinen, 2021.)

COVID19 is an extreme situation, but as an entrepreneur you must be prepared and secure yourself for unemployment. How does it work as an entrepreneur? Again, remember that you need to pay the YEL.

If your yearly estimated YEL income is more than €13,247.00, you are entitled to join an unemployment fund for the self-employed. The Unemployment Fund for Finnish Entrepreneurs pay the earnings-related daily allowance. The conditions are that you have joined the fund and during the past four years, you have operated as an entrepreneur at least for 15 months. If your income is lower, you are only entitled to the labor market support from KELA. (Suomen Uusyrityskeskus, 2021, p. 14.)

When are you unemployed as an entrepreneur? When you close down your business (Suomen Uusyrityskeskus, 2021, p. 14). In other words, you cannot get unemployment benefits, if for some reason you don't have gigs or concerts, before ending your business. However, there are exceptions, like eventually during COVID19. An entrepreneur was able to apply for a labour market support from KELA, but that was an exception. In general, it is difficult to get unemployment allowances or labour market support before shutting down your business.

Pension

Retirement seems far, but it is important to think further. YEL insurance is obligatory for all entrepreneurs, but also for light entrepreneurs when:

- ◆ The person is 18-67 years.
- ◆ The income estimation is at least €8,063.57 per year.
- ◆ The entrepreneurial activity duration is over four months.

You pay the YEL-contribution from all your entrepreneurial months and it is fully tax deductible. (Suomen Uusyrittyskeskus, 2021, p. 16.)

You can easily calculate your pension and estimate whether it will be sufficient for your cost of living when you retire. There are many calculators available online to calculate entrepreneur's pension money, but this is the formula:

Annual earned income * 1,5 % / 12 months * lifetime factor = pension money per month

Example:

Annual earned income: €35,000

$35,000 * 0.0015 / 12 = €43.75$ per month

If you work with the same income for 10 years, your pension money will be €437.5 per month. (Eläketurvakeskus, 2021.)

You can accumulate your pension with grants in some cases. In that case you should be part of the Farmer's Social Insurance Institution, Mela. (Eläketurvakeskus, 2021.) Funny, I know.

Final words

This is the end of this e-guidebook. In order to really start your business, you need to find additional and more detailed information, but this e-guidebook has given you the basic information of music entrepreneurship. Hopefully you have enjoyed reading it.

Entrepreneurship gives you freedom, it is a complex world. If you wish to have multiple income sources and variability in workplaces, entrepreneurship is your thing. In order to learn how to operate as an entrepreneur, you have to learn new things, but you need to learn them only once. However, as we know, as a musician you are good in concentrating and learning things.

On the next page I have gathered important links for you. With those you can check and find more and deeper information about the Musicians' Union, entrepreneurship and Stagent.

Please join the Musicians' Union to connect with other musicians and also, to get help if needed!

Useful links in English:

The Musicians' Union: <https://www.muusikkojenliitto.fi/in-english/>

The Musicians' Union tariff list: https://www.muusikkojenliitto.fi/wp-content/uploads/2021/02/Liksalista_2021_ENG_v2.pdf

Tax Deduction Form (FIN): <https://www.muusikkojenliitto.fi/muusikon-vahennykset-vuoden-2017-verotukseen/> You need to sign in!

Uusyrittäjäkeskus (The Finnish Enterprise Agencies): <https://uusyrityskeskus.fi/in-english/>

YTJ - The Business Information Forum: <https://www.ytj.fi/en/>

Trade Register: <https://www.prh.fi/en/kaupparekisteri.html>

The Finnish Tax Authorities and MyTax: <https://www.vero.fi/en/businesses-and-corporations/>

YEL insurance: <https://www.etk.fi/en/finnish-pension-system/pension-security/pension-coverage-and-insurance/self-employed/>

The Unemployment Fund for Finnish Entrepreneurs (FIN): <https://yrittajakassa.fi>

Pension calculator: <https://www.tyoelake.fi/en/pension-calculator/>

Stagent (FIN): <https://www.stagent.fi>

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