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TAX IMPLICATION OF BREXIT REFERENDUM

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TAX IMPLICATION OF BREXIT REFERENDUM

SUMMURY INTRODUCTION

- 23 JUNE 2016: 51,89% of the UK voters choose the detachment of UK from the EU

- UK invokes art.50 of TEU and triggers the future tax and legal aftermaths of an EU member –State exit

- Actual results of ''UK exit'' will be shown after the 2year adaptive period

- Tax effects supposed to be significant for the future ''business life'' of the multinational- national enterprises, investors and the ''common labor'' force of the companies and industries

- Expected changes to the fields of Indirect Taxing (major impact), EU Law (ECJ case law, EU directives and regulations), transfer pricing, social and administrative authority

Indirect Taxes

1. Custom duties

- ''British Exit'' from the common tariff system of imports of Non-EU members and imposition of customs duties to the goods' exportation system of UK. A significant & expensive effect on the UK trading system, considering the number of British exportations of goods (50% of the totality of the national goods' exportation is to other EU member States)
- World Trading Organization: its future crucial role in the tariff rules and duties, under the ''legislative absence of the EU authorities''
- Is there a Necessity for a new, national legal implementation on customs duties, due to the ''lack of EU Treaty laws''?

2. VAT

- Financial restructuring of a new VAT system, (17% of the government receipts originated from the British VAT system- highly difficult to be abolished)
- Probable wide ranging differences between the EU VAT legally binding system and UK national VAT rules, applicable to specific goods and services, due to the ''absence'' of the EU VAT Directive
- The leaving vote leads to the imposition of a VAT debit policy on importations between UK and EU members
- Cash flow costs of corporations due to the time-delay between the chargeable importations and the recovery of VAT and increased compliance costs during the trading of EU members

3. Excise Duties

- Lack of a minimum legally binding rate of excise duties, imposed by EU
- Intra-EU trading laws no longer compulsory to the importation and exportation of excise goods between EU and UK

Primary and Secondary Sources of EU Law & State Aid

1. UK Legal and financial system (e.g. tax regulations, corporate law) no longer supervised by the provisions of EU Treaty and the case law provided by the European Court of Justice (ECJ)

2. Brexit vote would contravene to the implementation of the conventional and juridical protection of the fundamental freedoms of the EU Law (free transfer of goods, services, capitals and people)

3. Separation'' of UK taxation from corporation and business state aid control on ''selective financial advantages granted to enterprises and investors, through the State intervention, distorting the European competition rules

4. UK ''has the chance'' to interact foreign investments, without any limitations and rules. However, British residents and future investors are completely ''helpless opposite'' the selective and advantageous State aid provisions of other EU States

Corporate Tax Directives

Brexit vote ''terminates the effective application'' of the:

a) Parent –Subsidiary Directive which exempts dividends and other profit distributions paid by subsidiary companies of a member state to their parent companies in another member of EU from withholding taxes and eliminates double taxation of such income at the level of the parent company

b) Interest and Royalties Directive - termination of the ''beneficial'' tax exemption for interest and royalties paid by a UK company or an establishment to an associated company of an EU State. UK, now, has to cope with a more expensive intra-group financing

c) Merger Directive and its removal of the fiscal obstacles to the cross-border reorganization including corporations (mergers, divisions, partial divisions etc), without any ''protection'' against the problem of direct taxing , without any deferral of the taxes that could be charged on the difference between the real value of such assets and liabilities and their value for tax purposes

Social Security

- Social security uprising issues, concerning the ''establishment'' of cross-border employees, and especially the migrant labor force of British corporations and industries
- UK ''rejects'' the former binding terms of ''Secure Laws'' such as EU Regulation No 883/2004, Regulation No 987/2009, Regulation 456/2013

Transfer Pricing

- After Brexit, the ''installment of the force of Arbitration Convention'' into UK is challenged and UK ''faces the nightmare'' of the lack of guarantee of a resolution of disputes where double taxation occurs between enterprises of different Member States as a result of an upward adjustment of profits of an enterprise of one Member State.

THE POST- EXIT SHIPPING OPPORTUNITY

The relationships between Britain and EU during the 2year adaptive period will determine the route of the shipping worldwide

- Tax reformations and more competitive tax systems are expected to attract shipping companies (otherwise – if tax system stays the same - London will follow the example of NY during the ‘60s)

- City would become the biggest off – shore base globally, in case of adopting favorable tax system.

GREEK’S ECONOMY AFTER BREXIT

Britain leaving the EU affects Greece in three main areas:

1. **ECONOMY :** Unpleasant aftereffect on real estate, tourism and Greek exports, as well as the income of a large number of Greek households with members studying or working in the UK, regarding the devolution of the pound

2. **POLITICS :** British exit from EU could pressure the bloc to decide whether it wants “more” or “less” Europe ⇒ Grexit would be a possible scenario as a potential solution to the crisis & the tough austerity measures

3. **SOCIETY :** Greeks lose one of their most popular alternatives for employment and residency. A large number of Greeks abroad would be forced to return to unemployment-hit Greece. Greece would have to receive a fresh wave of “migrants”– this time Greek nationals.

Conclusion

Summarizing the foreseeable implications of the UK exiting the Union will be on indirect taxes, VAT system and European statutory legislation. Despite this, the post – Brexit tax consequences will depend on Britain – EU relationship during the 2year adaptive period. For the moment, the future role and position of UK inside - outside of EU cannot be estimated; following the example of "neutral" Switzerland or adapting a status of a non – Member State.

Presently, Britain - as well as the other Member States - are counting on the binding terms of the "agonizing tax – financial – political - divorce" between UK and EU, and its effects into the field of the business life and corporate system.

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