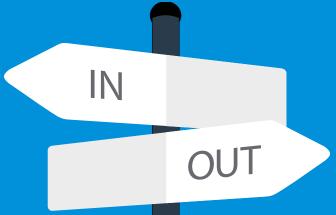


Navigating the EU Referendum

A Tax Perspective



May 2016

Post referendum scenarios

If the UK chooses to leave the EU it will have two years to negotiate the nature of the exit....



- Reformed EU membership based on the draft EU deal negotiated by David Cameron in February 2016
- No fundamental change to UK tax laws
- Certain UK derogations from FU law

Membership of European Economic Area ("EEA")

- Participation in the EU internal market but no access to EU Free Trade Agreements ("FTAs")
- Member of EFTA
- Free movement of goods, services, people & capital
- Not part of EU VAT area
- Certain principles of EU law apply in relation to regulation & employment

Membership of European Free Trade Association ("EFTA")

Leave 🗦

- Participation in intergovernmental organization promoting free trade
- Participate in EFTA free trade agreements
- Not part of EU VAT area
- Negotiate a bilateral trade agreement with the EU (as Switzerland has in place)

Independent

- Not part of any customs free trade area or trade
- Not part of EU VAT area
- Negotiate bilateral trade agreements with EU and other major trading partners
- UK to be excluded from all FTAs agreed by the EU and the EFTA



Indirect tax

Access to internal market

- Customs duty may apply to imports & exports
- No access to EU customs reliefs and special measures

EU excise duty directive

Excise duty no longer subject to EU rules & parameters

VAT is a tax regulated by consistent EU-wide rules

- Intra-community supplies of goods and services will be treated as imports and exports between UK and Romanian companies
- No EU reliefs available e.g. triangulation relief, simplification measures for call-off stock, work on movable goods
- Sector specific EU schemes such as Mini One Stop Shop no longer applicable
- VAT refund Directive no longer applicable between UK and Romania



Direct tax

EU Parent/Sub Directive

 Romanian subsidiary companies no longer able to remit dividends free of WHT under the EU parent/sub directive

Interest and Royalties Directive

• Payments of interest & royalties will attract WHT in certain circumstances

EU reliefs based on mergers directive

 Potential loss of tax relief on certain company mergers, acquisitions and reorganization

Migration

Potential restrictions on free movement of people between Romania and the UK

Social security

 Depending on nature of exit, EU/EEA reciprocal social security arrangements may no longer be available.



Helping clients 'plan to plan'

EU referendum forum:

https://kpmgeuref.online-event.co





Mădălina Racovițan

Partner, Taxation Services

T: +40 744 557 309

E: mracovitan@kpmg.com

kpmg.com/socialmedia

kpmg.com/app













The items set out in this document in all respects do not represent a proposal. Any ensuing proposal will be subject to negotiation, agreement and signing of a specific contract between you and KPMG LLP.

Any proposal based upon this document will be issued separately and subject to the satisfactory completion of KPMG's customary evaluation of prospective clients and engagements, including completion of KPMG's customary independence and conflict checking procedures for SEC-listed Audit Clients.

In the event that these procedures lead KPMG to decline an engagement, KPMG reserves the right to withdraw the content of this document without prejudice.

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Produced by Create Graphics/Document number: xxxxxx