

BRITISH CHAMBERS OF COMMERCE

EU REFERENDUM BRIEFINGS

BUSINESS TAXATION

The UK tax system is affected by EU law via three main channels; rules that stipulate when to levy indirect taxes (and to some extent, within what range), most notably the VAT Directive; rules that assign tax liability in cross-border transactions - these include VAT but also the Parent-Subsidiary and Interest-Royalties Directives concerned with eliminating double taxation on the payment of dividends, interest and royalties; and rules for information disclosure and reporting of corporate and personal incomes. These rules have evolved over time and will continue to do so. In focus groups held across the UK over Q4 2015 - Q1 2016, businesspeople wanted more clarity on how the UK tax system would evolve in the future under either referendum outcome.

An economy's openness to international trade has a big influence over the incidence and administration of tax - through tax competition and resolving liability issues arising from cross-border transactions. Co-operation to combat tax evasion is a growing influence on administration, with both EU rules and bilateral treaties having some impact.

 Vote Leave

 BRITAIN
STRONGER
IN EUROPE

*The official Leave campaign says:

“Our VAT rules would no longer be determined by EU law. Outside the EU's common system of VAT, we could simplify VAT rules substantially.

The current system encourages complex schemes of tax evasion, including acquisition frauds and carousel frauds. These frauds are very costly to legitimate business.

The current system gives far too much power to the European Court. This creates uncertainty for business. On 4 June 2015, the European Court ruled that the UK's reduced rate of VAT of 5% on 'energy saving materials' was contrary to EU law. The Government is now proposing to raise VAT to 20% on energy saving materials, which will cost the sector £310 million between 2016-2017 and 2021-2022.”

*The official Remain campaign says:

“A vote to remain means we can continue to work together with other European countries on tax issues - co-operating to make improvements on tax issues like the VAT treatment of cross-border transactions as part of the EU VAT Forum. This has already included projects like the pilot scheme allowing people to request advanced rulings on what VAT will be due on complex cross-border transactions.”

For more information on the official Remain and Leave campaign positions on this and other issues please visit:

Vote Leave: www.voteleavetakecontrol.org

Britain Stronger In Europe: www.strongerin.co.uk