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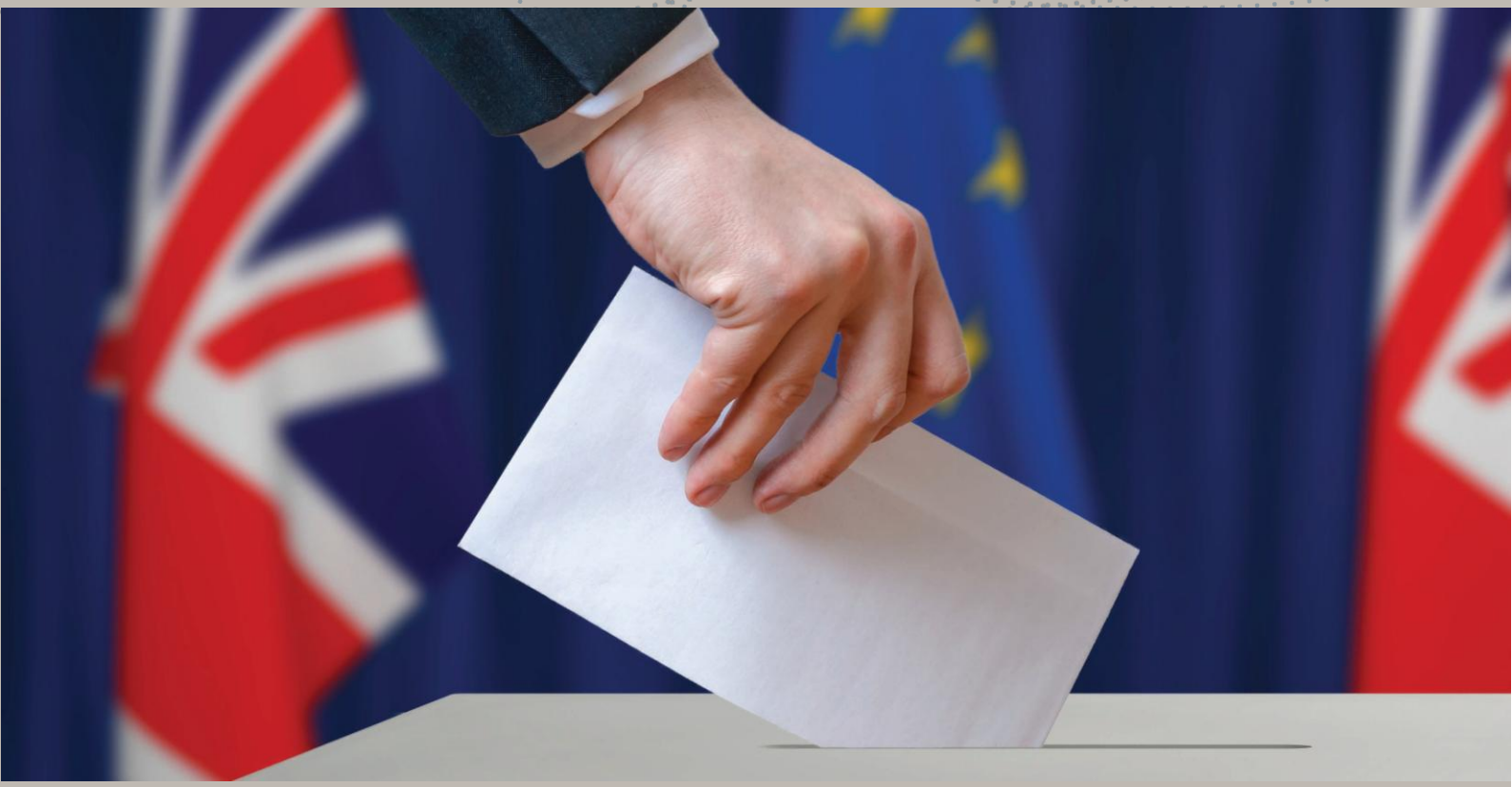
Brexit. The consequences of a divorce.

Further analysis.

JULY 2016



Tonucci & Partners

June 23th 2016

United Kingdom is called to vote in a referendum on the permanence in the EU.

The vote of the 23 June 2016 by the UK in favour of exit from the European Union marks a fundamental shift in the history of Europe, the real consequences of which may only be understood some years in the future.

Article 50 of the Treaty on European Union provides a period of at least two years for negotiations on the terms and conditions of exit by the UK however, in some sectors, we must prepare for the consequences now, assuming that the political situation does not change.

The professionals of Tonucci & Partners offer herein the following thoughts on various issues that may be of interest to the business world, professionals and citizens, including those who may not have regular relations with the United Kingdom.

Anticorruption

The British legislation on anti-corruption is, as known, contained in the "UK Bribery Act", which is recognized internationally as one of the most stringent and strict discipline in terms of fighting corruption, with a geographical scope that extends beyond the borders of the UK.

Presumably, Brexit will not have a significant impact on the Bribery Act, at least in the short term, since the act does not have origins in European legislation, but rather in international conventions relating to the fight against corruption (the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions).

There are, however, a number of potential problems that might occur at the European level. One of the pillars on which the EU has sought to found the work and commitment of the Community institutions in the fight against corruption, consists of the sharing of information collected by national authorities during their respective activities.
From both EU and national perspective, the circulation of information has often proved to be of substantial importance in the prevention and combating of corruption, especially international corruption. This is evidenced by the fact that a few weeks before the vote on Brexit, it was announced that London will host the new International Anti-Corruption Coordination Centre, intended to foster the creation of stable operational synergy and multilateral information sharing in cross-border investigations. The United States, Australia, Canada, New Zealand and Switzerland will also take part.

Brexit could however lead to an interruption or at least a reduction in the flow of information between the UK and the EU in the fight against corruption, with possible negative consequences with respect to the effectiveness and completeness of both preventive and investigative activities. The choice of London to host the new International Anti-Corruption Coordination Centre could also be called into question.

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Antitrust

The current UK legislation on competition, like that of the other member states, is substantially identical to that of the EU: it represses cartels and abuse of dominant position, it provides preventative inspection (although this is not mandatory, unlike in EU legislation) on mergers (merger control) and includes EU legislation on state aid. It is, therefore, unlikely that when withdrawal from the EU is completed, the United Kingdom will alter its legislation on competition, even though, at present, it is impossible to predict the extent of changes which might be introduced.

EU regulations on the protection of competition (including Art. 101 and / or art. 102 TFEU) will continue to apply following the exit of the United Kingdom from the EU with respect to all agreements or conduct that will have an effect within the common market. By way of example, a UK business, which is part of an agreement that restricts competition and with an impact on the common market, will continue to be subject to investigation and possible sanctions by the European Commission, even though the European Commission will cease to have its current powers of inspection in the United Kingdom. Following the completion of the withdrawal procedure and save for *ad hoc* agreements, the relationship between the British authority and the Commission will no longer be the same as that between the Commission and Member States, as governed by Regulation 1/2003. Direct application of EU competition law, as provided by such regulation can no longer be demanded of the British Authorities and they need not abstain if the Commission has already started an investigation.

Under the terms of the merger control regulation, Member States have a mandatory obligation of advance notification before the Commission (the one stop shop). When the UK separates from the European Union, this will no longer extend to British jurisdictions.
Unless *ad hoc* arrangements are concluded that specify otherwise, it could be possible that the Commission and the competent British Authority may, arrive at conflicting decisions regarding the same merger.
Also deserving of attention are the possible effects of Brexit regarding the rules on state aid. As known, the EU legislation prohibits Member States to grant aid to companies which distort competition. If a similar discipline were no longer maintained in the United Kingdom, the latter would have greater freedom of action (whether direct or indirect) compared to EU Member States to support its economy and national firms, which could unbalance the current competitiveness of European enterprises.

In conclusion, in order to assess the exact impact of Brexit on >

competition protection legislation, we must first know what type of agreement will be adopted by the UK and the European Union. If, for example, the United Kingdom maintained the agreements currently in place with the countries of the European Economic Area (or if it entered into an analogous agreement) disruptive changes to the current situation would be avoided. On the contrary, if the United Kingdom chose to give preference to greater independence and flexibility, for example with reference to the rules on state aid, there will certainly be more far-reaching effects.

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Commercial contracts

If in the short-term, little is likely to change in the relations between Member States and the United Kingdom, the same can not be said with respect to the commercial relations of those who have interests within the United Kingdom.

The first immediate result of the vote for Brexit was the devaluation of the British pound (whose exchange rate with the euro has fallen to 2012 levels in just a week), and a general market instability, likely to continue for the whole period of withdrawal, with possible fluctuations in one direction or another, based on the periodic disclosures concerning the progress of negotiations.

These uncertainties will probably have an immediate impact on any short-term contracts in progress. Fluctuating exchange rate conditions and access to credit could affect the economic or legal equilibrium of contracts with consequent risks to their survival (consider for example, cases of excessive burden or possible distortive effects on clauses determining price, withdrawal or termination).

As for the medium and long-term contracts, we must instead consider a greater number of risks and uncertainties, including the possible consequences of the actual exit of the United Kingdom from the European Union.

In this context, although it is not yet possible to get a detailed picture of what the structure and relations between the European Union and the United Kingdom will be, we can certainly assume that there would be a weakening of the Union's four fundamental freedoms: free movement of capital, free movement of goods, free movement of services and free movement of persons.

The impact of possible changes on existing contracts and those currently under negotiation when Brexit will be effective may even be disruptive due to the possible introduction of duties, restrictions on the movement of certain goods or services or the introduction of new financial charges. This could prejudice or render impossible the existence or successful conclusion of some agreements and negotiations.

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However, this must not lead businesses and consumers in the United Kingdom and the European Union to renounce mutual markets, instead businesses and professionals in any industry should conduct a careful analysis of the risks and opportunities associated with Brexit, and allow themselves time to prepare suitable precautions to protect their own interests and those of their customers.

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Corporate

The impact of Brexit on EU corporate law will be different depending on whether the United Kingdom will be admitted to the European Economic Area (EEA), or will reach an agreement with the European Union, in order to be admitted to the free trade system and benefit from freedom of establishment.

The main issue that could arise in corporate law after Brexit relates to the traditional operations of cross border Mergers & Acquisitions, specifically with respect to the applicability of the Community directives on mergers, transformations and cross-border divisions. Without a new agreement, the above could prevent the automatic recognition of such transaction in each jurisdiction.

In case of corporate groups with companies in both the UK and the EU, this could have a significant impact where the United Kingdom will adopt regulations differing from the Community framework, such that the systems were no longer homogeneous.

Currently in the EEA, a European Company is a type of limited liability company derived from Community law which, once established in any of the EEA countries, is automatically recognised in the other member States without any further formalities. Had been such a company incorporated in the United Kingdom, following the exit of UK from the EU, it would no longer be recognised in the rest of the EEA countries and would therefore need to be transferred or transformed.

In the equity capital markets, the role of the London Stock Exchange, which currently has a prominent role in the international financial instruments market, should be reconsidered, specifically with respect to any regulatory changes arising as a result of Brexit.
If, in the future, any EU provisions modifying the principle directives in the capital market sector (the Prospectus Directive, Directive on Takeover Bids, Directive on Transparency and the Market Abuse Directive) and the rules on passporting of products, the English financial instruments may no longer be recognised in the European Union's regulatory system resulting in greater complexity in the preparation and circulation of documents and products.

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Employment

The exit of the United Kingdom from the European Union, resulting from the referendum of 23 June 2016, will surely have an impact on the rules that govern labour relations and the free movement of workers.

Brexit, once effective, could lead to non-application of EU principles of free movement of people between Member States and thus make it more difficult to find a job and a place to live within the UK, with the risk of a complex system of visas and authorisations arising in the absence of specific agreements with the EU countries.

The effects may also impair those already residing in the UK and currently benefitting from the social system. The welfare system could in fact undergo profound modifications, for instance, beneficiaries may lose the ability to pay contributions in their own country for a period of two years, which is currently granted to those who work in the European Community.

The biggest question relates to the manner by which the United Kingdom intends to regulate labour relations with EU citizens.

The exit from the European Union implies a possible general non-application of the entire law system which, although subject to territorial specificity characterising labour law, still ensures a set of common standards, especially with regard to institutions and universal themes such as the protection against discrimination, flexibility of working hours and even more important, workplace safety.

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Energy

The consequences of Brexit on the energy market will be assessed differently depending on the manner by which this exit will be negotiated.

First of all, exit from the EU could be a brake on renewable energy markets in the UK, since the EU will no longer be in a position to press London to achieve the 2020 Community renewable energy objectives. As regards the market for natural gas, the UK imports 50% from Norway and Qatar (through pipelines and on methane tankers respectively). It is therefore likely that in this context there will be no major consequences, since both suppliers are not part of the EU.

Assuming an increase of costs, Brexit could affect oil purchases as they would no longer occur through the facilitations currently available to the European Economic Area (EEA) countries. The development of the electrical grid infrastructure will be surely more problematic.

Currently, the UK imports 6.5% of its national consumption, with an interconnection capacity with Europe which is now undersized.

The National Grid Company has already announced plans to invest 500 million pounds per year in light of an increase in electricity imports. While increased natural gas needs can be met through imports of liquefied natural gas by ship from neighbouring countries, it is much more difficult to apply the same approach to electricity grid market.

With reference to the above, the only possible and sustainable way is to enhance trading of electricity from Europe. Moreover, in light of the integrated EU energy market , which will have as direct effect the construction of high capacity transmission lines, it is necessary to point out that more production will have to be followed by the strengthening of the transnational power grids. In the worst case scenario, in which the UK completely exits from the European Economic Area, infrastructure projects undertaken by UK, such as the planned North Sea network, could not access to the European Union Funds.

In other words, the consequences of Brexit could weaken the UK energy industry and make energy independence much more expensive. It should therefore be observed that the impact of Brexit on these issues will depend on the terms of exit negotiation, being predictable a lower impact in case of a strong cooperation between the UK and EU on energy policy.

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Financial services

The recent exit of the United Kingdom from the European Union has made the need for a recapitalisation of Italian and European banks even more evident. Such banks have particularly suffered from the consequent speculation in financial markets, resulting in sharp declines in security values.

The European Union's institutional system is now more aware of the damaging consequences that the exit of a Member State can generate.

With this in mind, interventions in the defence of credit may be integrated and connected with the protection of savings, demonstrating that the European Union can offer considerable opportunities.

Applying the above within the perimeter of the defence and the reinforcement of the banking sector, we might see a loosening of the rules on state aid and a relaxation of fiscal austerity policies, in order to allow Member States' governments a broader and more effective set of measures aimed at strengthening the assets of their lending institutions. These measures could include granting of state guarantees or direct capitalisation contributions to equity and non-performing loans.

It might be appropriate to provide a direct financial benefit to citizens that could be coordinated with the reinforcement of bank's assets: this advantage could consist of the suspension of the bail-in charged to retail customers of banks.
It has to be recalled that the bail-in ("internal rescue") is a tool that allows, in respect of restructuring of a bank in serious financial difficulties, the reduction of the value of shares and certain credits or their conversion into shares to absorb losses and sufficiently recapitalise the bank to restore adequate capitalisation and maintain market confidence.

Italian banks are among the first in Europe for the number of senior and subordinated bank bonds placed with their retail customers. >

The suspension of the bail-in would foster a new confidence among investors towards new financial instruments issued by banks seeking to recapitalize themselves.

Now as never before, it might be possible to perfectly combine the strengthening banks needs with the measures to help and protect savers that, in addition to promoting the defence of savings, would also increase the confidence of European citizens in European institutions.

It is then possible that the European Union will allow: (i) the suspension or the reduction of the effectiveness of the bail-in perimeter (maybe even by resorting to the Single Resolution Fund (SRF)), (ii) an offer of new and safer financial products for investment and banking support, counter-guaranteed by the Member State and (iii) the maintenance of a low level of interest rates. These measures would help to achieve a virtuous cycle and could generate new liquidity and therefore new investments.

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Information technology

On 25 May 2016 the European Commission submitted a EU Regulation draft on reform and coordination of national laws on electronic commerce and a proposal for supplementing EU legislation on consumer protection. Both should be fully effective by 2017.

Regarding the electronic communications sector, the EU framework on telecommunications is currently undergoing reform through a revision of the package of four directives enacted in 2002, and implemented in 2009. These directives, in the interest of establishing a digital single market, will introduce new rules on electronic communications networks and services including: network access, the reform of roaming rules, e-privacy and the reform of satellite broadcasting and cable, but the departure of the UK from the EU would mean that the UK will not be required to transpose these new directives.

With reference to the protection of copyright (which also includes the protection of computer programs, and is relevant to issues such as outsourcing contracts, technology transfers, licensing, etc), on May 25, 2016, the Commission submitted a EU Regulation draft on reform and coordination of national copyright laws (under the so called Plan of action of the digital single market), which should be fully operational by 2017.

Obviously, these regulations will not apply, unless other agreements are subsequently made with the EU. In these areas, once Brexit will be effective, national rules and regulations should be referred to. However, it has to be considered that the UK Government is committed to structure future national laws in harmony with those of EU. It should also be added that the current UK laws, which are the result of the transposition of EU Directives, which are a part of the English domestic legal system, will continue to be applied, making the UK less "external" to the Union laws.

The situation of uncertainty is heightened by the fear that it is not clear what will happen during what is likely to be an extended period of Brexit-related negotiations during which EU rules – (especially immediately applicable Regulations,) binding the United Kingdom as an EU Member State during the exit process under Article 50 of the Treaty – may be implemented. If, contrary to the fears expressed in some news

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papers, a unilateral suspension of UK participation to EU (by the other EU Member States) does not occur, it must be considered that the United Kingdom will continue to be entitled to rights and obligations and therefore, should continue to apply and implement future rules.

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Insurance

After the referendum marking the will of the United Kingdom to leave the European Union, one sector of the economy in which we might see a major impact from Brexit will be in the insurance sector.

The internal market harmonization and the insurance sector-specific regulations over the last forty years have enabled the expansion of insurance groups and financial conglomerates in the United Kingdom, manly connected to a Community market almost free from barriers (according to the TheCityUK Association, about 17% of the London Market can be traced back to European customers - see. https://www.thecityuk.com/research/a-practitioners-guide-to-brexit/).

While the creation of the Solvency II directive and the Insurance Mediation Directive II and an EU-level supervisory system should further smooth out differences between EU member state's national regulations, the vote in the UK could give rise to new scenarios, including critical issues, which companies should be ready to manage.

Although much will inevitably be influenced by the negotiations that will be conducted between the UK and the European Union in the coming months, in highly regulated industries such as the insurance ones, the most immediate consequences of Brexit could relate to the abandonment of the principles of the "EU passport" and Home Country Control.

Nowadays insurance companies authorised in the Member States where they have their registered office (known as the home Member States) may also carry out insurance activities in the territory of other EU member states, without having to request a new authorisation, being supervised (almost) exclusively by the authorities of the home member States.

If these principles were no longer applicable, freedom of the insurance industry in the United Kingdom to operate in all the European markets would be constrained by the need to apply for a new authorisation in other EU Member States, increasing costs for insurance companies which would be subject to a double supervision, causing a considerable reduction in those markets.

The disadvantages associated with the loss of a sole EU market >

could lead the British companies, as well as the non-EU companies authorised in UK, to decide to transfer their seat to another EU Member State, so as to continue to benefit from the advantages of a single market substantially free of barriers.

Though the foregoing may represent a source of new opportunity, it is also important to appreciate that important issues could arise not only for those EU companies operating in the UK which will decide to continue to operate there, but also for all those EU companies or businesses that, to date, operate and / or maintain commercial relations with UK insurance companies.

The potential link between the separation of the British market from Europe and a possible divergence between insurance regulations in the European Union and the UK, in part exacerbated by the current process of implementation of the Solvency II and IMD II directives, may result in a significant increase in risks, such as those associated with non-compliance with regulations, counterparty insolvency, changes of the laws applicable to pending contracts and / or assets, as well as their "prudential" evaluation.

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Intellectual property

- With reference to trademark protection, the UK will no longer be part of the European trademark system, recently updated with new EU regulations. This means that it will no longer be possible to file a European trademark application with immediate effect in all EU countries (including the United Kingdom), as it currently occurs. For trademark protection in the UK it will be necessary to opt for a separate national filing or for an international application filing with a UK designation.

  Brexit will have similar consequences for patent protection. The recent Regulation No. 1257/2012 (in force from 2017) establishing the European unitary patent system will not be applicable to the United Kingdom.

- The outcome of the British referendum could lead Italy to get a seat of the Unified Patent Court in Milan.

  The Unified Patent Court is a new supranational court specialising in disputes relating to patents, established pursuant to the Agreement on the Unified Patent Court – entered into by 25 EU Member States, which should become fully operational by May 2017 –and shall have broad and exclusive jurisdiction to protect unitary effect in cases of violation and for the validation of European patents.

  In addition to the Court of First Instance based in Paris, there are two other sections, one in Munich and one in London. The Court of Appeals will have its seat in Luxembourg.
  The outcome of the British referendum should, in all probability, prevent London from being the seat of one of the two sections and this raises the candidacy of Milan as a substitute.

  Italy would indeed be the third ranking country in numbers of annual patent filings and this is one of the elements to be evaluated for the applications, together with EU membership and judgments annually issued in the field of Intellectual Property.

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Another likely contender, again considering the number of patents, could be the Netherlands.

Obtaining an Italian seat of the Unified Patent Court would be of great interest for Italian companies, which may benefit from its use, and more generally, for the better recognition of our country and of the variety of interesting aspects of the complicated but fundamental Intellectual Property sector.

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Litigation

EC Regulation 805/2004 of 21 April 2004 established, within the EU, the European Enforcement Order for uncontested claims. In short, it is a proceeding aimed at ensuring the timely circulation of decisions, court settlements or public acts involving uncontested claims. It also avoids delays relating to proceedings for the recognition and enforcement of those decisions, transactions or acts, ensuring in each case the protection of the rights of the claimant and the defendant.

If the terms and guarantees conditions set forth the Regulations are complied with, the judicial decision certified as European Enforcement Order shall be recognised and enforced in other Member States without the need for a declaration of enforceability and without any possibility of opposing its recognition (art. 5 of Regulation).

Following the outcome of the referendum on Brexit, and at the end of the negotiations that will open the complex procedure provided for in Article 50 of the Lisbon Treaty of 2009, it is possible that Regulation 805/2004 would no longer be applicable in the United Kingdom.

Regulation 805/2004 has found many applications since its entry into force and any inability to use this tool against debtors (with certain non-contested debts) who are resident or domiciled in the UK will certainly be a topic deserving close evaluation in the wake of the UK's leave from the EU.

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Privacy

The UK should update existing legislation on protection of personal data in anticipation of the entry into force of EU Regulation 679/2016, effective on 25 May 2018.

It will be necessary therefore to determine whether and what application this new legislation will have to the processing of personal data in the UK upon its departure from the EU. In view of this difficult situation, it is expected that the above Regulation will be applied within the limits of the reforms that the UK adopts during its exit from the European Union, even though it will be necessary to wait before verifying the government's positions.

In a recent statement, the "Information Commissioner's Office" (ICO) of Britain has confirmed the applicability in the UK of the Data Protection Act of 1998 and the need for effective remedies to be implemented in the future in order to maintain continuity of personal data policies with that of the European Union (and thus in line with the new rules). In particular, the non-direct application of the Regulation to the UK territory will be subject to specific attention, especially with respect to the "adequacy" that the new (or existing) UK legislation has in relation to European Union law so as to ensure the continuation of business activities and of relations between organisations and consumers. Under this logic, the "new" UK legislation should therefore be guided by European standards and be the result of negotiations with the European Union (similar to what happened in Switzerland or Canada) . A new legal framework in the field of personal data protection will have a fundamental role in technological fields, finance, marketing, etc. with effects, as it is typical of legislation on protection of personal data, on all sectors which operate (even indirectly) in the processing of personal data.

Furthermore, from a practical and legal perspective, the exit of the UK from the European Union (and any related laws on protection of personal data) could result in a substantial change in the flow of personal data between the UK and the EU with a consequent "transfer" of data. This fact and its implications should be carefully assessed in light of the measures approved by the European Commission in order to legitimize (and make secure) its cross-border flow of data.

It is therefore clear that during this transition phase these aspects should be carefully assessed both from an implementation and practical point of view as well as with regard to "continuity" of relations with participating partners in the EU.

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Project financing

The exit of the United Kingdom from the European Union, unless otherwise agreed with the EU, will entail the non-application of European treaties. However, this would not have immediately detrimental effects with respect to loan agreements already entered into, which are now governed by English law and would therefore continue to be fully valid and effective.

It is not believed that the non-applicability of Community legislation may be invoked by a party to trigger a change of law clause, nor to invoke the occurrence of a relevant adverse change in order to: (i) reneging on contractual obligations; or (ii) claim termination of the contract.
In the long term we will have to wait the outcome of negotiations with the European Union to understand how the UK intends to define relations with other EU countries, especially if the United Kingdom will seek to remain within the European Free Trade Association (EFTA) together with Norway, Iceland, Liechtenstein and Switzerland, so as to continue to operate within the European Economic Area (EEA).
A negative impact of Brexit might be the decrease of economic resources for funding of community projects by the European Investment Bank (EIB).

In fact, the United Kingdom was, after Germany and France, the third largest European contributor having paid - between 2000 and 2014 - approximately 186.5 billion euro to the European budget, of which, after administrative costs, approximately 102.6 billion euro was returned from Brussels, resulting in a total balance of 83.9 billion euro, equal to 5.5 billion euro for each year.

It is easy to see that a significant amount of financial resources will be removed from the European budget, and this will lead to a lower availability of resources for funding projects through the EIB.
Following Brexit, in the short term, significant adverse effects on projects and loan agreements are not expected and it will be necessary to wait until negotiations with the European Union have begun in order to develop an understanding of the long-term effects of Brexit.

With respect to the availability of financial resources, the UK's exit could have a negative effect in terms of reduced availability of financial resources to be allocated to European funding.

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Sport

The unexpected victory of "Leave" in the British referendum on membership in the European Union, in addition to having a strong political impact, will also create numerous consequences in the sporting sector, in particular in the world of English and European professional football.

Those effects, mainly related to the massive presence of foreign players in the Premier League championship, represent today the most serious risk. Because of Brexit, in fact, players from England, Scotland and Northern Ireland will lose community member status, with very little material effect on the departing market, but very significant for the English teams who will no longer benefit from the free movement of EU players.

The stringent rules that, to date have only addressed the membership of professional players from countries outside the European Union may, therefore have to be applied to Community players whose engagement would be allowed only in compliance with the complex mechanism related to attendance of the athlete for the past two years in the referring national team.

The dynamics of the football market, could also be affected, collaterally but substantially, by the economic weight of the clubs. The numerous restrictions on the engagement of foreign players, resulting in a significant decrease in the quality of the Premier League, could create a vicious cycle, which in light of the lower purchasing power of the fans due to the devaluation of the pound, will depress the considerable amount of revenue produced by sports rights.

That this legal regime would apply to Community athletes remains only a hypothesis, as British authorities may even choose to maintain the current rules.
What we can say for certain is that Brexit will have a negative effect on the movement of young talent from the EU, in particular with respect to the applicability of article 19 of the FIFA Regulation. This provision places a ban on international transfers of players under 18 years, except for those players, between 16-18 years, transferred within the European

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Union. If no change in the law is implemented, the English teams will be unable to recruit young players, who might one day be champions.

If protection measures are not implemented it could be expected a more "closed" Premier League championship, which would attract less investments, and fewer foreign players, who have in recent years become ever more important in English football.

From the perspective of the football industry, leaving European Union will be a losing solution that the British Government will be obliged to mitigate by adopting a policy that is not excessively eurosceptic, but is, on the contrary, oriented in favour of confirming the principle of free movement of players.

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Tax

- Now that the UK has chosen to leave the EU, considerable time and especially efforts to rebuild the legal framework for indirect taxation of trade shall be taken.
  Concerning indirect taxation, as long as the United Kingdom remains within the European Union, the British VAT system will continue to follow the general principles laid down by Community Directives providing the common system of the Value Added Tax. In short, according to these principles, the sale of goods for consideration between traders established in different Member States constitutes intra-Community supply and as a rule VAT is applied "at destination". The services rendered follow the "Business to Business" rule in which VAT is applied in the country of the principal in case of a taxable person. The legal framework inspired by the EU Directives on intra-Community trade may no longer be applicable. For Italian operators this will lead to a modification in the valuation of the English market in light of the new provisions they could enact there.

  This change will undoubtedly be significant: the sale of goods between the English and Italian entities would qualify as imports / exports, so that, for example, Italian companies which purchase goods from an English operator will pay VAT at customs; services will not suffer substantial changes in the benchmark, but most service operations will be excluded from VAT payment for lacking the territorial requirement. For these types of operations, the invoice integration system be abandoned in order to adopt a self-invoice and reverse charge system. The UK exit (not only of Great Britain, but also its relevant territories from a tax perspective such as, for example, the Isle of Man) from the EU will also have an affect on procedures that previously were simplified within the Community through uniformity of documentation. Similarly, the documentation accompanying the movement of goods will change as there will be again a need for accompanying documents to escort moving goods destined for Great Britain's territories.
  Last but not least, we must also re-evaluate the amount of customs charges and duties applicable to goods from British territories. All this will have more than a social impact of course, which, to the extent herein relevant, will mean an incremental increase in the costs of goods and services for businesses.

  One last mention of VAT rates. In the interests of Community harmonization, the 1985 White Paper envisioned a rationalisation of tax rates (for all Member States one rate not lower than 15% and not more than 25% , and one reduced for some operations, provided that is was not less than 5%): the purpose was to avoid the distorting effects of competition in intra-Community trade that could be generated as a result of differences in tax rates that, notwithstanding the equality of the taxable amounts, would irreparably affect the final price to the consumer of a good.

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The freedom of the United Kingdom from the obligation to adjust its VAT rates according to this EU system could affect the market, with noticeable effects for Italian businesses and consumers.
All transitional arrangements and the development of any bilateral agreements which, with an eye to the "common good", will be negotiated to avoid post-Brexit damage on the fiscal and economic front and in trade relations between the countries, should be closely followed.

- We should also consider the consequences for the direct taxation of British companies, or those which are based in the UK. Brexit will not create a legal vacuum since the law of the European Union and Community tax rules will continue to be applicable up to the signing of an agreement on the exit of a Member State as provided under the EU Treaty (Article 50).

  The first special rule concerning EU companies is the parent - subsidiary Directive (Directive 90/435 / EC, 2011/96, 2015/121), whose purpose is to ensure fiscal neutrality of corporate groups through exemption from taxation and or by withholding of dividends paid to subsidiaries or affiliates.

  The aim of this directive was and is to eliminate double taxation by eliminating tax constraints which limit the creation and development of corporate groups in the EU member countries.
  The requirements for exemption are: minimum holding of 10% of the other's company capital; minimum of two years possession, reducible by the Member States; residence of the parent and child company in the EU and being the same subject in their Member States to the imposition of tax on national resident enterprises.
  European law provisions widely used by companies based in the United Kingdom are those of Directive 49/03 on the regulation of interest and intercompany royalties. If companies meet the requirements set out in the parent - subsidiary Directive, except for the minimum holding percentage which rises to 25% , Directive 49/03 provides for the total exemption from taxation of interest payments on loans and of fees from royalties made by a resident company of a subsidiary or associate in another member State.

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