



Brexit Readiness Update

20 December 2019

In this update:

[Latest developments](#)

[High level tax implications](#)

[Business impact](#)

[How can you stay tuned?](#)

Latest developments

The Conservative Party's 80-seat parliamentary majority has transformed the UK political scene. What does it mean for the Brexit timeline?

- Boris Johnson, the confirmed Prime Minister, has said that the UK will leave the EU on 31 January "no ifs, no buts". The Conservatives are expected to put forward their government programme to Parliament on Thursday 19 December, based on the political agenda in their [election manifesto](#).
- The EU Withdrawal Agreement Bill which was discussed in Parliament prior to the General Election will be brought back to Parliament later today (20 December), with Boris Johnson stating that every Conservative MP will support the legislation.
- The ratification of the Withdrawal Agreement by the UK Parliament will allow the deal to pass onto the European Parliament for ratification in January, after which the UK will formally leave the EU on 31 January 2020. If the European Parliament votes against ratification (which is not expected),

the UK will in principle leave the Union with no Brexit deal.

- Assuming ratification proceeds as planned, the UK will move into a Transition Period (due to end on 31 December 2020), during which negotiations on its Future Relationship with the EU will take place.
- Boris Johnson's cabinet is working on amending the Withdrawal Agreement so that the Transition Period must end on 31 December 2020 and legally prohibiting any extension.

High level tax implications

Throughout 2019, HMRC issued over [60 pieces of draft legislation](#), including regulations about the UK's future tax system. During the Transition Period, most UK tax rules will remain unchanged. The major changes will become effective on 1 January 2021:

- **Customs duties:** Customs duties will be payable at the rate set out in the UK tariff for UK imports and at EU rates for EU imports, unless a preferential bilateral agreement between the UK and the EU would provide for a preferential regime); importers and exporters will need to prepare and submit customs declarations.
- **VAT:** Movement of goods between the UK and EU will be treated as imports and exports for VAT purposes.
- **Immigration:** All EU nationals arriving as of 1 January 2021 will require work visas. The new UK immigration system will be an Australian style Points Based System, while applicants coming to work in the National Health Service (NHS) would receive preferential treatment.
- **Direct tax:** The EU Parent-Subsidiary Directive, the EU Interest and Royalty Directive and the EU Merger Directive – all aiming to avoid double taxation - will cease to apply to transactions between UK based and EU based businesses.

Unless stipulated otherwise by the Future Relationship Agreement, and unless the transition period is extended, the trade at the **Irish border** will be subject to following regime as of 1 January 2021:

- Northern Ireland would remain aligned with the EU's single market rules for trade in animal, food and manufactured goods. However, if there is a risk of goods being shipped from the UK to the EU under the Irish duty-free arrangements, then EU customs duty would become due.
- Supplies of goods that move between Northern Ireland and the Republic of Ireland would continue to be treated as intra-EU Dispatches and Acquisitions of goods, and not as exports and imports for VAT purposes.

Business impact

Trade

Imports into the UK grew faster than exports, widening the UK trade deficit to GBP 7.2bn in the three months to October 2019, according to the [ONS](#). The ONS states that the total trade deficit widened from GBP 23.2bn to GBP 48.7bn in the 12 months from November 2018 to October 2019.

Economic forecast

The [British Chambers of Commerce](#) (BCC) has forecast that UK GDP growth will slow to 1.0% in 2020, from 1.3% this year. Although the BCC has upgraded its forecast by 0.2% due to “stronger expected levels of government spending”, a “weaker outlook” for business investment, trade and consumer spending are “expected to weigh on the UK’s growth prospects”.

How can you stay tuned?

- Sign up for [Deloitte Brexit Readiness Webinar](#) on 9 January 2020 to discuss next steps in the Brexit timeline and key tax considerations from a Belgian perspective.
- Subscribe to Deloitte Belgium’s [Brexit Readiness Updates](#) to keep up with the latest Brexit developments and their impact for businesses.
- Visit [Deloitte Belgium’s Brexit Readiness Centre](#) for insights, resources and solutions to help your business prepare for Brexit.

Brexit Help Centre

Find the assistance needed for your Brexit readiness

For all your Brexit-related questions, **please contact your usual consultant** at Deloitte in Belgium, or access our [Brexit Help Centre](#), which features a directory of expert contacts, and many other resources.



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