Deloitte. Laga

Deloitte Belgium | Laga cvba | 31 October 2019

Brexit readiness update
31 October 2019

Readiness Centre

In this update:

Latest political developments

The UK will not be leaving the EU (with or without a deal) on 31 October. And on 29 October, UK Members of Parliament (MPs) agreed to hold an early election on 12 December 2019.

This followed nearly two full weeks of feverish political activity in London. While a majority in the UK Parliament agreed in principle (on 19 October) to proceed to the next stage of debate of the new Withdrawal Agreement, the short timetable proposed by the government for consideration of the Agreement was rejected. The Prime Minister then wrote to the EU requesting an extension to Article 50, as required by the Benn Act adopted by Parliament in September.

On Monday 28 October, the EU granted the UK a further extension to the Article 50 process, postponing the Brexit date to 31 January 2020. The new UK Parliament will thus have time after the election to consider the Withdrawal Agreement. If it is approved in the UK, the European Parliament will then consider ratification on the EU side. All of these steps will need to be accomplished before 31 January to avoid either a no-

deal exit or potentially yet another extension. If ratification occurs, the UK will cease to be a Member State of the EU at the end of that month.

Read the latest Brexit blog published by Deloitte UK for more detailed coverage on, inter alia, the political developments and an outline of the new deal.

Business Insight

Manufacturing

According to a report by MakeUK, 64% of manufacturers say Brexit uncertainty has already had a "directly negative impact" on profit margins and "almost half have already experienced a noticeably negative change in EU customer/supplier appetite" in their business.

The report highlights manufacturers' concerns over a potential no-deal Brexit, such as an increase in product prices, staff cuts and a loss of customers or suppliers. The report calls for the Government to secure a deal which covers frictionless trade, access to skills, regulatory alignment with the EU and an implementation period.

Deloitte FTSE survey

A Deloitte survey on the annual reports of 100 listed UK companies across the FTSE has found that 86% of companies addressed Brexit in their risk reporting, with 25% identifying Brexit as a 'stand-alone' principal risk.

The report found that the most common concern among large companies is the macroeconomic impact of Brexit, followed by regulatory changes and supply chain friction.

Northern Ireland–UK Trade

Appearing in front of the House of Lords EU Select Committee, Brexit Minister Stephen Barclay said "exit summary declarations will be required" for goods between Northern Ireland and the rest of the UK.

The new customs arrangements in the revised Withdrawal Agreement mean that businesses in Northern Ireland exporting goods to other UK territories could potentially face additional administrative burdens on top of the declarations.

Speaking to Parliament's Treasury Select Committee, HMRC's new chief Jim Harra said the government does not "envisage a significant level of physical checks", but some would be required "to give effect to EU regulatory standards".

Business reaction

In reaction to the latest political developments, the British Chamber of Commerce called on the government to answer

businesses' questions on the potential impact of the new deal with the EU.

UK No-Deal Readiness

The UK government issued a report on the UK's no-deal Brexit readiness. The report provides updates on preparations in a number of key Brexit areas including borders, citizens, data, the environment and services.

The foreword, written by Cabinet Minister Michael Gove, highlights that as it is the current government's policy to leave the Customs Union and the Single Market, many of the preparations will be "needed in any case".

Belgian Customs preparedness

Belgian customs chief executive Kristian Vanderwaeren and Minister of Finance Alexander De Croo recently presented the work done by Belgian Customs to prepare for Brexit and its impact on companies. According to Mr Vanderwaeren, Brexit will increase the number of export declarations by 14% and those for imports by 47%.

As a response to this growth in activity the Belgian Customs administration has put plans in place to hire 386 full-time equivalents (which would result in the largest headcount ever).

Customs also contacted 300 companies in the UK exporting to Belgium and reached out to 1,700 of the 7,000 companies in Belgium trading with the UK that have not yet obtained an EORI number (Economic Operator Registration & Identification). Customs informed them of the opportunity to avail of a simplified customs declaration and control of goods at the company's location of establishment, instead of having to select Zeebrugge or Antwerp (in an effort to avoid the expected congestion at the two ports). A call centre (number 0257 55 555) has also been set up, with hundreds of calls received already.

Belgian Customs has also organised a stress test of its own readiness. Kristian Vanderwaeren stated that the test showed further measures would be necessary to cope with the impact of Brexit, and that these were under way.

Impact of Brexit on truck driver wellbeing

In a statement (Dutch | French) released on Friday 25 October, the socialist transport union (UBT) expressed its concerns regarding the wellbeing of Belgian truck drivers, stating that they will "bear the brunt" of the United Kingdom's exit from the European Union.

According to the union, Brexit is likely to provoke endless queues at borders, which will not be without consequences for

driver wellbeing. "A 'live' test conducted several months ago on the British side has shown that waiting times may reach two to three days, and the union called for support in such circumstances, including secure parking and additional resting facilities.

Belgian transitional tax provisions

The Council of Ministers approved a pre-draft law (Dutch | French), proposed by Finance Minister Alexander De Croo, introducing various transitional tax provisions regarding the withdrawal of the United Kingdom from the European Union. The law is intended to come into effect upon the UK's exit from the EU in a potential no-deal scenario.

This draft adds new transitional provisions to the Belgian Income Tax Code and amends the law of 3 April 2019 on the withdrawal of the United Kingdom from the European Union.

The pre-draft bill has been transmitted to the Council of State for its opinion.

Brexit Readiness Webinar report

Deloitte hosted a Brexit Readiness Webinar on 23 October to allow companies and stakeholders to understand the state of affairs and obtain important advice on how to manage in the short term. The Webinar featured:

- an update on the latest political and legal developments - and their consequences for business readiness;
- insights on Brexit preparations at both government and business levels in Belgium and the UK;
- an economic view of the likely impact of Brexit.

The recording of the webinar can be found here.

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.