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Brexit readiness update
16 January 2019

Readiness Centre

In this update:

Political developments

On 15 January 2019, the draft Withdrawal Agreement was decisively rejected in the UK Parliament's so-called "meaningful vote". Immediately after the result, the opposition tabled a vote of no-confidence, which is scheduled to take place this evening, 16 January. The Government is expected to survive the vote.

Assuming that the Government will remain in place, the Prime Minister has 3 parliamentary working days to propose a "plan B".

Theresa May will therefore have to come back to the House of Commons by Tuesday 22 January at the latest and give a statement on what she intends to do next. This will come in the form of a motion, which MPs will be able to amend.

The following are potential scenarios after the Withdrawal Agreement's rejection:

- If nothing else happens, the default position would be a "no-deal" Brexit which would automatically occur on 29 March 2019; The UK could decide to cancel Article 50 unilaterally, reversing Brexit and keeping the UK within the EU;
- The UK Government could propose to negotiate a new Brexit deal, although both Theresa May and the European Union have stated several times that there is no real alternative to the Withdrawal Agreement;
- The UK Government could propose to hold an early general election, a decision which would require support from two-thirds of all Members of Parliament;
- A second referendum on the UK's relationship with the EU could be organised.

The last three possible outcomes would almost certainly require a delay in the implementation of Brexit after 29 March 2019. Such a delay would need to be requested by the UK and approved unanimously by the European Council. If it were to occur, and the UK were still in the EU in July, it would be obliged to take part in these elections.

Impact for Global Trade

In case of a "no-deal" scenario, businesses will have to deal with a new trade border, including the application of related tariffs under WTO rules as of 29 March 2019.

The MFN rules of the WTO option are the 'non-discriminatory' tariffs agreed between the EU and all other WTO members (164 in total). WTO non-preferential rules of origin would also apply. This would be akin to current trade with any third country with which there is no special trade agreement in place. In case of a "no-deal" Brexit, there would be no mutual recognition of standards and approvals, which would create non-tariff barriers. It would bring new burdens in controls and risk management, and a need to adapt IT systems. All of this would have flow-on effects for staffing.

Furthermore, in what can be regarded as a productive development in the Brexit debate, the UK announced it has an agreement to remain in the Common Transit Convention after they leave the EU, even with a "no-deal" scenario.

This Convention is used for moving goods between EU member states, EFTA countries (Iceland, Norway, Liechtenstein and Switzerland) as well as Turkey, the former Yugoslav Republic of Macedonia and Serbia. Its

objectives are to ensure simplified cross-border trade for EU businesses exporting their goods.

Countries outside the Convention are subject to additional administrative burdens for the cross-border movement of goods. This decision could therefore help mitigate the impact of Brexit on trade between the UK and EU.

EU Commission preparing a Brexit Contingency Plan

On 19 December 2018, the EU Commission published information on its own preparations for a "no-deal" Brexit.

This document includes unilateral measures for damage limitation in a limited number of areas where a "no-deal" scenario would create major disruption for citizens and businesses in the EU27.

The propositions established in the Plan are only applicable in case of a "no deal" Brexit. Should a new Agreement be ratified between the UK and EU, the mitigating measures of the Commission's Plan would not be implemented.

This document concerns measures in important sectors, such as financial services, air transport, customs, export of goods, climate policy, etc.

Belgium preparing a Brexit emergency law

Belgium is working on an emergency law to mitigate the "no-deal" Brexit impact on companies and citizens. The objectives include recruiting new customs agents and FAVV-AFSCA employees (to perform sanitary and veterinary controls), as well as ensure the social rights of Belgian citizens living in the UK.

This emergency law will be drafted and submitted to Parliament in the days following this Brexit readiness update.

Market/industry developments

Several companies have already taken initiatives to mitigate, as much as possible, the impact of a "no-deal" Brexit on their supply chain.

Many companies in the automotive industry decided to close their UK factories for the first days or weeks after Brexit begins, in order to avoid any supply chain disruption. They have also decided to move several production lines to EU27 Member States.

This relocation strategy has already been chosen in other sectors. For example, many companies in the financial sector have decided to move their offices to Frankfurt, Germany. One insurance company notably decided to transfer its UK staff to Ireland. Similarly, companies in the technology sector have already moved to Brussels, Belgium.

Finally, many companies have rushed to import goods and have stocked them in UK warehouses.

Helping you prepare for a "no-deal" Brexit

The political developments and market/industry movements outlined above only increase the likelihood of a "no-deal" Brexit, and therefore reinforce the importance for companies to prepare for such a scenario to minimise operational disruptions.

To help businesses in this regard, Deloitte has several tools and solutions available, which can be found in our Brexit Readiness Centre. Two of these are featured below.

Brexit starter workshops

As an entry level solution, Deloitte's Brexit specialist team can provide on-site workshops for a general update on negotiations and an overview of impact areas. Depending on business needs, there is an added possibility to treat one or more of customs/logistics, supply chain, VAT, legal, HR and corporate tax aspects in more detail. **Find out more**

Deloitte's Brexit impact tool

To further help with Brexit readiness, a free online questionnaire can be completed to see the possible Customs and VAT implications for a company in case of an increasingly likely "no-deal" Brexit.

Those interested in completing this self-analysis questionnaire are invited to complete this form to request access to the tool. Those who have already requested access can complete the questionnaire by visiting http://trc.deloitte.be, and accessing the tool with the credentials provided via a separate email. Users who

encounter any issues can contact the dedicated team at BETRC@deloitte.com.

Brexit webinars

EMEA Tax Dbriefs | Brexit – Tax Readiness

Host: Amanda Tickel

Presenters: Alexander Linn, Johan Hollebeek, Barney Horn

Businesses need to be ready to adapt to the Brexit developments, including managing the tax implications. What are the latest developments and key tax impacts from both a UK and EU perspective? We'll discuss:

- Customs duty implications: impact on trade agreements, use of customs regimes to mitigate or suspend additional duty costs, applying for Authorised Economic Operator status, and managing submission of customs declarations.
- VAT implications, including loss of simplifications, cash flow and registration requirements.
- Corporate Tax and Social Security considerations arising when EU Directives no longer apply.

Find out what this means for your business.

Replay this webcast

Contacts

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