



European Company/ Societas Europaea Impact of a no-deal Brexit

Action required

UK-registered Societas Europaea (SEs) to consider converting to UK Public Listed Companies (PLCs) following Brexit, or consider the future need for the entity within a group structure

European SEs with a permanent establishment (PE) in the UK must register the PE at Companies House within three months of Brexit

Summary

Any European Company/Socetas Europaea (**SE**) will automatically convert to a new corporate form, UK Societas, upon a no-deal Brexit. This corporate form is intended to be temporary and all UK Societas should consider whether they should convert into a UK PLC following Brexit.

Alternatively, if the SE entity is no longer required within the group structure, the group may wish to consider implementation of a wider restructuring of the group potentially resulting in a dissolution of the SE.

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SEs registered in the EU which have a branch or establishment in the UK must register that branch or establishment with Companies House within three months of the Exit Time.

Deloitte Legal has experience working with SEs and can assist you with the conversion from a UK Societas to UK PLC, as well as a registration of a branch or establishment of an EU SE. The Deloitte Legal Corporate Reorganisations team are experts in advising on corporate law aspects of domestic and global group reorganisations, work as part of a multi-disciplinary team, and can also assist you with any wider group reorganisation required as a result of Brexit.

Detail

Unless there is a fully-ratified withdrawal agreement prior to 31 October 2019, or a further Brexit extension, all EU law will cease to apply from 11pm UK time on 31 October 2019 (**Exit Time**). The SE will cease to be a legal entity form within the UK.

Any SE registered in the UK at Exit Time will be automatically converted into a UK Societas and the name of the SE will automatically be amended to end with UK Societas rather than SE.

The entity can then choose either to remain as a UK Societas or convert into a UK PLC. Existing "employee participation" provisions are grandfathered into the UK Societas and any UK PLC into which that UK Societas converts. However, the main benefit of an SE, the ability to transfer its registered office out of the UK, will be lost at Exit Time.

As no new UK Societas will be capable of registration, the government has, in the **explanatory memorandum** to the UK Regulations, shared its intention that the UK Societas will be a temporary solution for entities, rather than a long-term choice of form.

Therefore, existing SEs should consider whether to convert a UK PLC following Exit Time, rather than retaining the UK Societas corporate form.

Alternatively, Brexit may be a trigger to consider a restructure of the group, for example where the SE served a particular function within the group which is no longer relevant.

Any SEs which want to transfer out of the UK prior to Brexit should already be part-way through that process – any transfer must be completed before Exit Time and, if not completed, the SE will automatically be converted to a UK Societas. In the event there is an extension to Exit Time, it may be possible, depending on the length of the extension, to re-consider a transfer out of the UK, that process taking around four months at its quickest.

SEs registered in the EU which have a branch or establishment in the UK must register that branch or establishment with Companies House within three months of Exit Time.

Conversion to a UK PLC

Currently, under EU Law, the conversion of an SE to a UK PLC cannot take place until two years have elapsed since the SE was registered in the UK and two sets of annual accounts have been approved. These requirements will be removed from Exit Time, meaning any UK Societas, irrespective of the duration of its registration in the UK, can be converted to a UK PLC.

The conversion requires certain documentation to be prepared, and shareholders of the UK Societas then need to consider and approve those documents. The conversion is effective upon registration of the conversion application and supporting documentation at Companies House.

Restructuring

Many SEs were introduced into group structures for a particular purpose, whether commercial, tax or flexibility. Where that function is no longer relevant, Exit Time, and the conversion of these entities into the "temporary" UK corporate form, UK Societas, could be the trigger the group needs to consider a restructuring of the group. The UK Societas could transfer its business and assets to a more suitable corporate form followed by the dissolution of the UK Societas.

Contacts

Rachel Hossack
Partner, Deloitte Legal
Tel: +44 20 3741 2008
Email: rhossack@deloitte.co.uk

Nirosha Perera
Director, Deloitte Legal
Tel: +44 20 3741 2825
Email: npperera@deloitte.co.uk

Rebecca Flanagan
Director, Deloitte Legal
Tel: +44 20 7007 4939
Email: rjflanagan@deloitte.co.uk

Deloitte.

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