



Is your business ready for Brexit?

Is your business ready for Brexit?

Brexit will affect everybody living in the UK. Businesses will need to adapt, as *free trade* in both services and goods across the European Union (EU), as well as the *free movement* of employees, are about to change.

A No-deal Brexit is seen as a very likely outcome.

The Confederation of British Industry (CBI) recently issued an announcement about this possibility:

“Having analysed Brexit preparations by the UK government, the European Commission, EU member states and companies in the 27 areas of the UK’s relationship with the EU that are most important to businesses, the CBI has concluded that no one is ready for no deal.”

In a nutshell, there is an immediate need to re-evaluate business practices for all businesses.

It is essential that individuals and companies acquaint themselves with how Brexit will affect them, impact tax and duty reporting, personal data, safety standards, the free movement of people and the free movement of goods – as well as numerous other things.

This article addresses the most frequently asked questions concerning Brexit that may help in the transition process for you and/or your organisation.

It covers the following key points:

1. What exactly is Brexit
2. When will Brexit happen?
3. How will Brexit affect trade and how will Brexit affect me/my business?
4. How long will it take for me/ my business to prepare for Brexit?
5. What key issues does Brexit cause for businesses?
6. I employ EU staff. Will I still be able to employ EU citizens after Brexit?
7. After Brexit, what business laws are changing?
8. What revisions and changes do I need to make during the transition period and after Brexit?
9. My clients are UK based but my business is not based in the UK or EU. Will I still be affected by Brexit?
10. How will Brexit affect rules governing the GDPR?
11. Will financial markets be affected by Brexit?
12. Can VA-UK help me prepare for Brexit?

1. What exactly is Brexit?

In a referendum that took place on 23 June 2016, the UK electorate voted to leave the EU. 52 percent of British voters backed leaving while 48 percent voted to remain in the bloc. Prime Minister David Cameron, who called the referendum, resigned immediately afterwards. Negotiations are being ratified by the UK and EU governments to decide how the movement of goods, services, people and finance across the UK/EU borders will be processed following Brexit.

Britain is currently a member of the EU's single market and customs union, which enables its 28 member states to function as a single trading area with no tariffs or border checks, and with a combined VAT system.

For UK businesses however, all of this will change following Brexit.

There are in essence two possible Brexit outcomes:

Withdrawal agreement

The UK government hoped a withdrawal agreement would be in place when the UK was due to leave the EU on 31 October 2019.

Because this is still being negotiated, very little is known by the general public about the possible outcome and what the withdrawal agreement will entail.

The UK parliament rejected an earlier attempt to create a withdrawal agreement drafted by Theresa May, the former prime minister.

A withdrawal agreement with a transition period is likely. During this transition period the majority of EU legislation will continue to apply to the UK, and subsequent negotiations between the UK and EU will continue.

The length of the transition period is yet unknown, however it is anticipated that there will be a withdrawal agreement lasting just under two years.

There is government documentation on Brexit which still refers to a transition period ending on 31 December 2020.

During the transition period, businesses should be able to continue in much the same way as before, whilst making preparations for business changes.

No-deal Brexit

The claim that "no deal" remains a possibility is broadly correct, although it's important to emphasise that this is a different type of "no deal" to the one that's commonly discussed. The new "no deal" refers to not having agreed details of the UK and EU's future trading relationship by the end of the transition period, which could be in December 2020 at the earliest.

The UK could still leave with no deal if the withdrawal agreement is not approved by 31 January 2020, or at the end of a transition period.

Under the terms of the Withdrawal Agreement agreed by the government and the EU in October 2019, the UK will enter a transition period when it leaves the EU. This was the same in the Withdrawal Agreement negotiated by Theresa May's government which was voted down by parliament three times.

The purpose of the transition period is to provide time for the UK and the EU to negotiate on what their future relationship will look like.

During the transition period the UK won't be a member of the EU but will still have to abide by its rules. For example, the UK would still have to contribute to the EU budget until 2020 along with paying for any other

financial commitments made as an EU member. The latest estimates put the total ‘divorce bill’ at £33 billion. If the transition period is extended then extra payments may need to be made and these would be decided on by a joint UK-EU committee.

As with the agreement Theresa May’s government put forward, the end date for the transition period is set at the 31 December 2020. It is possible the transition period could be extended for one or two years—provided that is settled before 1 July 2020.

As for how likely that will be, Jill Rutter at UK in a Changing Europe says: “At the moment, no one is talking about an extension to the transition period, but with so much of the negotiating time already eaten up, and the need to get all the new arrangements for the NI border with GB in place, it may prove unavoidable.”

The government says businesses remain unprepared, and the timing of no-deal Brexit is also problematic. The Operation Yellowhammer document says the following:

“[...] in general larger businesses across sectors are more likely to have better developed contingency plans than small and medium-sized businesses. Business readiness will be compounded by seasonal effects, impacting on factors such as warehouse availability.”

It’s clear that work needs to be undertaken immediately by businesses.



**Need help getting your business
ready for Brexit?**

We're here and ready to support
you to make the necessary
changes for your company

Get in touch

2. When will Brexit happen?

A Brexit deal has been agreed in principle with the EU.

Both the UK and the EU need to approve and sign the withdrawal agreement. They will then start to negotiate new arrangements. There would be a transition period to prepare for new rules.

As we said earlier, the UK could still leave with no deal if the withdrawal agreement is not approved by 31 January 2020, or at the end of a transition period.

However, there are two extenuating provisos when it comes to the regulations businesses operate under:

- Most EU laws applying to the UK will still apply because they will become “retained EU law” as part of the European Union (Withdrawal) Bill (with necessary modifications to remove references to, or reliance upon, EU institutions).
- If there is an agreement between the UK and EU, then the transition period will follow, during which some EU regulations will still apply to the UK. This is intended to ease the impact on businesses and create an orderly exit from the EU.

3. How will Brexit affect trade and how will Brexit affect me/my business?

The EU is the UK’s largest trading partner, although its importance has been slightly declining. Official UK figures show that 44% of all UK exports went to the EU in 2017, while 53% of all UK imports came from the EU. As a bloc, EU countries sell more to the UK than vice-versa.

The consequences of a “no-deal Brexit” – particularly on trade – have been the subject of fierce and increasingly acrimonious debate in the UK. Opponents have predicted cross-border disruption, higher prices and a shortage of essential goods. The European Commission has said that no-deal would see a hard border on the island of Ireland.

In broad terms, and outside of niche industries such as farming or medical research, the following areas of business will likely

have to be examined and potentially revised once the UK leaves the EU.

This is largely because the UK will no longer recognise institutions that oversee these areas, or will no longer be a part of the EU free trade area:

- Import and export of goods and services to and from EU countries, including associated VAT payments and (potentially) custom and excise duties.
- Employment of EU citizens in the UK, and UK citizens in the EU.
- State aid, including grants and block exemptions.
- Transport and logistics, including fulfilment.
- Product safety or eco-compliance, including packaging and labelling that references EU licensing.
- Copyright, trademarks and patents.
- Environmental industrial standards, including emissions.
- Transfer of personal data between the EU and UK.
- Mutual recognition of qualifications and relevant licences (including audit, banking and insurance licences).

Operation Yellowhammer is the codename used by the UK Treasury for cross-government civil contingency planning for the possibility of a no-deal Brexit. In the event of exit with no-deal, the UK's unilateral departure from the EU could disrupt, for an unknown duration, many aspects of the relationship between the UK and European Union, including financial transfers, movement of people, trade, customs and other regulations.

Here are those that will affect general business functions directly and will require planning measures to lessen the impact:

- Blockages at EU ports affecting the flow of goods into and out of the UK, with 50% to 85% of HGVs likely to be not ready for French customs requirements. Delays of up to two-and-a-half days could occur for goods leaving the UK.
- Business travel could be affected by new immigration checks. Employees who are UK nationals working in other countries may lose their rights and healthcare coverage, with the situation varying depending on the country they're working in, with many countries still lacking legislation.
- There might be price increases for business energy such as gas and electricity, with some energy suppliers exiting the market, exacerbating this impact.
- Some cross-border financial services will be disrupted.
- The flow of data to and from the EU of the kinds protected by the GDPR will be affected, something that could last for a significant period (see "How Will Brexit Affect the GDPR" below).

Fuel availability could be affected, especially in London and the South East, with panic-buying potentially affecting fuel availability across the country.

4. How long will it take for me to adapt for Brexit?

Given all the new processes and systems that the government will be setting up in the UK, there will be a lot of new British bureaucracy for businesses to deal with, including filling out customs declarations, changing labels on food products and

getting export health checks for exports containing animal products. So it's impossible to say but according to a survey, businesses in the UK reported that they anticipate spending an average of 15 months preparing.

If the UK leaves the EU without a deal then businesses will have little if any time to adapt, which is why it's important to start planning and putting in place measures immediately, if you aren't already.

5. What key issues does Brexit cause for businesses?

There are virtually no businesses in the UK that won't be affected by Brexit. The question is one of "how much" and all businesses should examine their processes.

How Brexit will affect business will be different across the board. Every organisation will face different challenges when it comes to the UK leaving the EU, but there are some key challenges that we all need to be aware of and prepare for.

- Supply chain - Brexit brings a real risk of increased costs and delay to supply chains. Take action now to reduce the impact of cost hikes and delays.
- Customs/border tariffs - It's crucial for importers and exporters to understand the potential customs implications for their businesses - whatever the outcome from this date.
- Workforce - While much of British employment law derives from Europe, some areas are purely UK provisions. So to what extent would existing laws be affected by Brexit

and what wider implications might we expect? Something you'll need to consider and look at how best to be prepared.

- Regulation - To what extent Brexit will affect current regulation will vary from sector to sector, but the impact is potentially enormous. In many areas, the UK largely works to European-wide standards and it is likely that UK regulation will continue to comply with those standards (but with no ability to shape the policy behind them). However, there will be difficult transitional adjustment issues where the UK opts to diverge. Consider the potential scenarios, what barriers these might create to trade and how to prepare for possible changes.
- Economic issues - Whether we have a Brexit deal or a 'no deal' Brexit, one thing we know for sure is that it will affect all parts of the economy, and every sector in which the UK operates.

Of course, there are likely to be business benefits provided by Brexit. UK manufacturers serving UK businesses are likely to be in demand because of the potential difficulties and issues surrounding imports from the EU.

Similarly, the potential difficulties in data transfer between the UK and EU – at least initially – might mean UK companies switch to UK-based data storage.

As such, there are certainly business opportunities presented by Brexit that should be part of any preparedness plan, in addition to measures to overcome issues.

6. I employ EU staff. Will I still be able to employ EU citizens after Brexit?

Key employer actions

While uncertainty still prevails around Brexit it can feel difficult to plan. However, the following simple steps will help your organisation prepare for Brexit:

- Remind and encourage EU nationals currently in your employment to apply for settled or pre-settled status.
- Consider how you will assist and support current EU staff with their applications (for example, providing information, training or access to legal advice).
- Brief managers and recruitment teams on what we know so far about upcoming immigration changes.
- Consider whether you need or want to apply for a sponsor license to employ EU nationals under the new skills-based immigration system.

Your business will very probably still be able to employ EU citizens after Brexit if they are already living and working in the UK.

Under current proposals, EU citizens will have to apply for and receive “settled status” (indefinite leave to remain) if they’ve been living in the UK for a continuous five years period, and started living in the UK by either 31 December 2020 or the date the UK leaves the EU without a deal.

There are some caveats, though, and you should view the government’s notice about this.

If the individual doesn’t have the five years’ continuous residence then they can apply for pre-settled status if they’ve

been in the UK for between six months and five years (even if they're married to a UK citizen).

Again, they will have to have started living in the UK by 31 December 2020, or the date the UK leaves the EU without a deal.

Settled or pre-settled status gives individuals the right to continue to work in the UK. Notably the application for settled or pre-settled status must be carried out by individuals and not the businesses employing them.

The government says employers will continue to have to check an applicant's right to work in the UK, as they do now. This can be done via their passport or national identity card (including biometric residence card), or via the Home Office's online right to work checking service.

There is a small fee required and the government will use background checks based on existing tax and NI payments among other things.

It's not yet clear what paperwork (if any) businesses will have to process when employing EU citizens in terms of tax and National Insurance.

7. After Brexit, what business laws are changing?

Information from the government says no laws will change significantly. The European Union (Withdrawal) Act aims to incorporate EU laws into UK law.

Therefore, the only changes should relate to requirements for interaction with EU institutions or bodies – and then the law should only be modified to that extent.

For example, some aspects of what was previously EU law can't remain that refer to the Court of Justice of the European Union, because they will no longer have jurisdiction in the UK.

Additionally, laws governing import and export duties and taxes such as VAT may have to change because these previously allowed for free trade within the EU and reciprocal VAT arrangements.

However, while these changes might be minimal, their effects on businesses could be huge depending on the nature of the Brexit agreement achieved between the EU and UK.

8. What revisions and changes do I need to make during the transition period and after Brexit?

Businesses should discover how Brexit will impact them in order to revise existing processes and plan any necessary changes (including contingency plans for the Brexit transition period).

The first step is to organise an impact assessment. Here are some questions to kick-start the planning and discussion processes. (This list is by no means exhaustive or authoritative.)

Employment and services

- How is your workforce affected?
- Do you employ any EU citizens, in the UK or in the EU, or do you plan to?
- Does your business rely on any specialist or service located in the EU – even if you ordinarily communicate with a UK branch of the business?
- Do any of your staff need to travel to EU countries?
- Does your business have any European trade union obligations?

Operating standards

- Do any standards govern the work you do, such as European EN standards?

Import/export and logistics

- Does your business import or export goods to or from the EU?
- Do you use an agent or utilise license schemes?
- Do you or any of your suppliers temporarily store goods in a warehouse based in the EU, even if they're manufactured elsewhere (such as China)?
- Do you work with fulfilment agencies?

Taxes and money

- Is your business VAT registered or do you operate under the MOSS agreement?
- Does your business hold money in EU financial institutions, or use any other financial instrument located outside the UK?
- Does your business rely on funding or grants that comes from the EU? (Notably, even some funding that appears to come from the UK government is often backed by the EU.)

Manufacturing

- Does your business own any patents, trademarks or registered copyrights?
- Does your company manufacture products that must certify to EU safety, security or ecological standards?

Information technology

- Is any of your data hosted in an EU country (including cloud storage)?
- Do any employees travelling within the EU have mobile phone coverage for both data and calls?

Data

- Do you hold personal data about people based in the EU on UK servers?

Professional qualifications

- Do you provide any services that are restricted to people holding a relevant qualification?

Miscellaneous

- Do you dispatch goods or documentation to the EU via postal or courier services?

9. My clients are UK based but my business is not based in the UK or EU. Will I be affected by Brexit?

Rules covering imported goods from outside the EU aren't changing post-Brexit, so little should change on a practical level for manufacturers or resellers.

It's likely there will be new import documentation required, though, and it's unlikely you will be able to use the same documentation as is used for other EU countries. Logistics methods and costs might alter slightly, too.

However, watch for incidental and/or hidden costs within all of your existing business processes. For example, should any of your employees need to visit the UK then existing travel insurance that covers the EU might no longer cover the UK.

Hiring a car or using a mobile phone might be more complicated for the same reason, and moving freight within the country might be more complex too.

10. How will Brexit affect rules governing the GDPR?

The UK government has adopted the GDPR into national law as part of the Data Protection Act 2018, so once the UK leaves the EU, the same protections and requirements will apply.

In other words, how your business handles personal data won't change if you have correctly implemented the GDPR within your processes.

The UK is hoping to become a “favoured nation” via an “adequacy decision” on behalf of the EU, which should facilitate the free transfer of data without the need to implement additional safeguards.

However, this will not be in place immediately following the Brexit date in the event of a no-deal Brexit. In the Operation Yellowhammer document, that details a “reasonable worse-case”; the government says “an adequacy assessment could take years”.

This could be severely disruptive for virtually any business that works across borders and could affect everything from retaining emails, to databases and cloud services.

If a withdrawal agreement is in place, the adequacy decision will probably be completed during the transition phase.

The EU has published a Notice to Stakeholders discussing potential outcomes for data protection.

11. Will financial markets be affected by Brexit?

As the negotiations continue, Brexit continues to affect business confidence both in the EU and UK, with both positive and negative swings.

YouGov's research shows 57% of UK enterprise companies are concerned Brexit will have a strong impact on their business, with 49% of EU enterprise companies feeling the same way. 66% of UK companies say Brexit will impact them, while 53% of EU businesses echo this statement.

There is clearly a lot of uncertainty and this is likely to continue past Brexit and into the transition period. This will undoubtedly affect the financial markets.

Brexit uncertainty is also affecting euro and US dollar exchange rates against pound sterling, with both showing huge volatility reflecting the market's consideration of the latest Brexit announcement from either the UK or EU leaders.

It might be that once the withdrawal agreement is ratified by the UK and EU parliaments, this uncertainty settles at least a little.

12. Can VA-UK help me prepare for Brexit?

VA-UK has project teams who are focusing on preparing for implementations influenced by Brexit, whatever the outcome.

These include a programme of work designed to ensure all areas of our business and products will be ready for Brexit, irrespective of whether a withdrawal agreement is reached.

VA-UK places a high level of importance on legal compliance and clients can trust that VA-UK will address Brexit with the same attention and focus as is customary.

Resources to help you with your Brexit preparations

While uncertainty remains around Brexit, it's important to take the steps to get your business prepared as best as possible for any outcome.

To help you along the way, here are series of resources worth using:

FSB Small Business Brexit pack

[The Federation Of Small Businesses](#) (FSB) shares information for small businesses on what Brexit means for them, provide tips on a variety of areas including financial issues, and offers advice on how companies can prepare ahead of the UK leaving the EU.

British Chambers of Commerce Brexit page

The [British Chambers of Commerce](#) shares research it's carried out on Brexit preparedness, news updates and analysis, and has created a checklist to help businesses track what they need to do to get ready for Brexit.

Tech UK Brexit Hub

[Tech UK offers insights into Brexit](#), advice for technology companies on how to prepare for a no-deal Brexit and there are series of publications providing details on the implications of the UK leaving the EU.

How will Brexit affect businesses? Final thoughts

There's no doubt that preparing a business for Brexit continues to be difficult due to the current uncertainty. If the UK leaves the EU, as planned, businesses are likely to face one of their most difficult periods for decades.

In the event of a withdrawal agreement and transition phase being put in place, in all likelihood, the situation isn't likely to change until the transition period ends and there will continue to be significant requirements for businesses to adapt quickly.

However, as we've shown here, there's a surprising amount of information available to help you prepare. Making good use of it can mean the difference between being ready for Brexit and being left behind.

Need help getting your business ready for Brexit?

We're here and ready to support you to make the necessary changes for your company.

[**Get in touch**](#)

