RALSTON
FINANCE PARTNERS

The Brexit Preparation Checklist

A guide for Founders

Considerations and recommendations from CFOs of UK based businesses at ralston.co

Contents

Overview

Employment

Data & GDPR

Taxes

Trade

Borders & Traveling

Overview

Brexit will officially be coming into law on **1st Jan, 2021**. With it comes a sweeping set of changes which will affect most businesses in the UK.

It's important that business owners act to get informed about what these new regulations mean for them.

Here's a Brexit guide & checklist to help businesses get prepared.

As lawmakers continue to negotiate ahead of the Brexit deadline, there remains considerable uncertainty on how regulation will change in either a deal or 'no-deal' scenario .

Businesses need to take action to ensure they operate legally regardless of the outcome. In this document, we highlight the key areas which will impact most businesses, and we outline recommendations on what to consider in each case.

We also recommend visiting the UK Government website here to get the latest official news and guidance on preparing for Brexit. There is also a government checklist here

For further information or guidance, please contact us at contact@ralston.co.

Brexit Considerations
Employment

- A new immigration system will apply to people arriving in the UK from 1st January 2021 and EU citizens moving to the UK to work will need to get a visa in advance.
- EU citizens applying for a skilled worker visa will need to show they have a job offer from an approved employer sponsor to be able to apply for a visa.
- EU, EEA or Swiss citizens and their family members who are living in the UK before 1st January 2021 need to apply to the EU Settlement Scheme to continue living in the UK after 30th June 2021.

- Employees are subject to legislation of the country where they work as an employed or a self-employed person. It doesn't matter where they live or where their employer is based.
- The country where you work is responsible for your social security benefits.
- Businesses should expect to incur more admin costs complying with local employment laws, contract law, accounting, as well as additional tax work.

Brexit Checklist
Employment

It's still unclear what effect Brexit will have on contractors and consultants. This will largely depend on the results of the exit negotiations, which leaves a lot of uncertainty. However the rules and guidelines for workers with employment status are mostly already set.

- [ ] Share information with your employees about the EU Settlement Scheme using the government's employer toolkit.
- [ ] If planning to sponsor skilled workers get early approval
- [ ] If employing more than a few people in the EU, consider setting up an EU subsidiary
- [ ] If employing less than a few people in the EU, determine a PEO service to employ workers.
- [ ] Maintain a list of settlement status for all employees, confirming with copies of work visas

Brexit Considerations
Trade

On December 31 2020; the future trade relationship between the UK and EU will either be a Free Trade Agreement or on WTO terms.

A Free Trade Agreement (FTA): The UK and EU are aiming to conclude an FTA by the end of the transition period. The details of this are still unknown but it is likely that an FTA would mean, broadly, that tariffs and quotas would not be applied on the majority of goods traded between the UK and EU. There could be some exemptions to this, however, and an FTA is unlikely to eliminate all customs checks so additional paperwork and other formalities could still be required.

WTO terms: If an FTA cannot be agreed by the end of the transition period, the UK and the EU will trade on World Trade Organisation (WTO) terms. Shipments will be subject to customs clearance and inspections, while tariffs are expected to be imposed on goods sent between the UK and EU.

Brexit Checklist
Trade

While nothing will change until the post-Brexit transition period ends on December 31 2020, the future trade relationship between the UK and EU depends on the outcome of current negotiations.

- [ ] From 1 January 2021, begin making customs declarations when moving goods between the EU and UK
- [ ] Get required licenses for moving goods and prepare for correct labeling
- [ ] Check if you're able to delay customs declarations for 6 months.
- [ ] Check if you need an EORI number
- [ ] Check with your customers and partners to agree terms, incoterms / confirm changes in their setup
- [ ] Consider a deferrment account to delay tax and duty payments

Brexit Considerations
Data Sharing

On 1st Jan 2020, pending a **data adequacy decision** by the EU, the treatment of personal/customer data transfers from the UK to countries in the EU/EEA may no longer fall under the current **EU General Data Protection Regulation (EU GDPR)**. This however will not affect treatment of IP or Copyrights, which are expected to continue under existing frameworks.

If a positive decision is not received, the treatment and legal convention for personal data transfers from EU/EEA to the UK will change. Transfers of personal data from the UK to EU/EEA will not be affected.

If your business and/or your server provider receives and holds data from EU/EEA countries, you will need to review your terms and conditions, and implement measures such as standard contractual clauses (SCCs) and/or other alternative transfer mechanisms

Brexit Checklist
Data Sharing

All data flow regulation changes currently depend on the EU's pending data adequacy decision for the UK. Until this has been defined, current GDPR regulation apply until 1st Jan 2020. Latest guidance can be found on UK.gov's website here.

- [ ] Review current level of compliance with GDPR. A helpful GDPR compliance guide can be found here.
- [ ] Review Information Service Provider agreements to check whether you receive data from EU/EAA countries
- [ ] In the event of a no data adequacy decision by the EU, review agreements with your Service Providers and set up Standard Contractual Clauses with your Service Providers
- [ ] To find out more about SSCs and how to set them up, use the guides, tools and templates on the Information Commissioner's Office's (ICO) website here.

Brexit Considerations
Tax

- Once Brexit is effective, the UK Global Tariff will apply to goods imported into the UK, except goods imported from a developing country, or countries that have a separate trade agreement with the UK.
- You can check the UK Global tariff for the relevant goods on the gov.uk website.
- From 1 January 2021 businesses will have to pay the appropriate VAT rates for all goods imported from EU-member states.
- From 1 January 2021 UK businesses will be able to charge customers zero-rate VAT (0%) on most goods exported to the EU.
- Withholding tax (WHT) costs for some businesses may increase post-Brexit, since exemptions provided by EU directives may no longer be available. Not all of the UK's treaties will reduce these taxes to zero.
- Brexit may also impact access to reduced WHT rates under relevant US treaties where investments to and from the UK are made indirectly via other EU member states.

Brexit Checklist
Tax

During the Brexit transition period (before the 1st January 2021), there is no impact on customs or taxation and there will be no changes as EU law continues to apply in the UK. After this point, it will be up to businesses to be informed and strictly adhere on short notice to all new tax conventions which applies to them.

- [ ] Review that current VAT rates are correctly being applied
- [ ] Review cash-flows into and out of the UK to determine potential withholding tax positions and future exposure
- [ ] Review existing contracts to ensure tax compliance
- [ ] Quantify potential duty cost in both the UK and the EU, assuming no-deal tariffs apply
- [ ] Continue to monitor announcements by UK and EU member state tax authorities
- [ ] Meet with your tax advisor ahead of time

Brexit Considerations
Borders & Travelling

- British citizens will not need a visa to travel to the EU until 31st December 2020 as freedom of movement continues to apply during the transition period.
- The EU has agreed to add the UK to the EU's list of visa-exempt countries meaning that British citizens can travel to the EU after the transition period for up to 90 days without a visa within any 180 day period
- Visas for short business trips and longer visits to the EU will be a matter for negotiation between the UK and the EU.
- After the transition, EU border guards may ask people travelling from the UK for additional information including the duration and purpose of their stay. Passports must be valid for at least six months after the end of the trip. They will also need valid travel insurance.
- British citizens looking to move and work in an EU country will need to apply in accordance with that country's existing immigration rules.

Brexit Checklist
Borders & Travelling

Travel requirements to the EU, Switzerland, Norway, Iceland or Liechtenstein will change from 1 January 2021.

- [ ] Check passports for validity. You need at least 6 months validity
- [ ] Get travel insurance that covers healthcare when traveling to the EU
- [ ] Check work qualifications will be recognised in the EU if you provide regulated services like legal or healthcare.
- [ ] If working in the EU for an extended period, notify HMRC.
- [ ] Confirm if social security contributions will be due for any employees working abroad in the EU.

RALSTON
FINANCE PARTNERS

Thank you!

Ralston is an organisation of startup CFOs and finance professionals that work specifically with growth stage businesses in the UK.

For more information or to speak with one of our CFOs about questions you have, you can reach us at contact@ralston.co