NOTES FROM BREXIT SEMINAR
27th February 2019

The chairman began the seminar by introducing the speakers, who each gave their own perspective on Brexit:

FRANK MYERS
Chairman, Herefordshire Business Board
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Frank runs three different businesses:

- Providing road safety equipment
- Providing information for business
- Running his own vineyard in Herefordshire

He mentioned three examples of work with Europe:

- Legitimately carrying exhibition material to Amsterdam with paperwork stamped at each border crossing was challenged by the French Government 3 years later – ***Moral: Keep All The Documentation!***
- An export order to Switzerland worth £1,400, rightly stating "EU preferential origin" was referred by the Swiss to HMRC for verification – HMRC visited for half a day checking the paperwork
- A German supplier of spare parts will not quote beyond the end of March, as a No-Deal Brexit could result in an extended lead time of 16 weeks

Stockpiling stories also raise cash flow implications – for example a successful firm spending £1M on stockpiling could be looking at a resulting cash shortage, meaning less money for other investments.

Recommended actions for all companies:

- You may not think you can be affected, but look at who your customers are supplying, as their cash flow problems could affect you
- Study each line in your profit & loss account (including labour costs) to see how they may be affected by each Brexit scenario (Deal, No Deal, Further Delay), giving you a structured approach to a planned response
- Also check each line in your business overheads

There are also some positives to look out for:

- There may well be Government initiatives post-Brexit, such as support for exports, so prepare to take advantage
- More digital marketing of your products can also be a way to help make a positive difference
- Look at import substitution, finding UK sources for material and goods – this could be particularly vital if exchange rates go wrong in the aftermath of a No Deal

- Don’t import at all if you can help it?

MATTHEW CLAYTON
Employment Team, Willans LLP Solicitors
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After Brexit, the UK will be an external country to the EU, and your business will be treated accordingly. In terms of GDPR, there are a lot of definitions in UK law in terms of being a member of the EU, and some will no longer apply post-Brexit. So, anticipate a new data protection regime and legislation – if there is a deal there will be a transition period, but if No Deal, the implications will be felt immediately. If sharing data within the EU, you may have to comply with two regimes, so ***be clear about data channels and the legal basis***. You will have to answer to each country’s equivalent of the Information Commissioners Office (ICO).

Company activity will be governed by the country of your head office – if not in the EU, you will have to nominate a representative there to act as your business’s “front door”.

In terms of employment, if EU citizens working in the UK wish to stay beyond December 2020, they will have to register under the Settlement Scheme. If there is No Deal, deadlines will be brought forward. New people coming to work from the EU will have to register under a separate scheme.

After January 2021, there will be a new points-based immigration scheme, details are still under consultation if you wish to comment.

So, in preparation:

- Make sure you know who you’re employing e.g. a US citizen married to an EU citizen may suddenly have to get a work visa
- Diarize key dates in the Settlement Scheme / immigration process
- Communicate with your people, discover how you can support them through the process
- You will need a (costly) EU sponsorship licence before January 2021 if employing EU citizens, get your application in early to beat the rush

TIM WARD
Corporate Team, Harrison Clark Rickerbys Solicitors
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A report on February 26th suggested businesses and institutions are not prepared for Brexit – not preparing could mean you find yourself on a cliff edge, while some preparation could be wasted if we’re not on a cliff edge. Suggest businesses use a

traffic-light system when preparing, identifying what can be done at minimum cost (green), and what are expensive decisions with long-term implications (red).
There are several ***risks to manage***:

- LEGAL – the legal environment may not alter rapidly during a transition period, but it will be a different matter in the event of No Deal
- CURRENCY – manage risks around the exchange rate, note the pound went up in value on news of a possible Brexit delay
- TARIFFS – an uncertain prospect at this stage, you may need country of origin certificates and suffer customs checks
  [*Are WTO rules so great, why would they be a good starting point? Ben Hall advised WTO rules are only used by Mauretania*!]
- COMMERCIAL VIABILITY – if there are sudden changes, will your contracts become unviable? Do they contain obligations for signatories to meet to find solutions to any problems? Someone recently tried to use Brexit as force majeure to get out of a rental agreement, it didn't work – but what if your counterparts don't meet their obligations, will you become liable if they let you down?
- CASH – if you have a bigger inbound inventory, it may take longer to get the money in to pay for it. Delay payments? What if there is a fall in demand for what you are selling?

On an upbeat note, depreciation of the pound can be helpful, such as overseas firms buying UK businesses. We can all promote a Global Britain. Currently, lawyers are busy, suggesting commerce has not slowed down - during the crash of 2008, the phones stopped ringing, but all the indicators now are good.

BEN HALL
Managing Director, Millhall Consultants
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There will either be a Deal (staying in the EU would be a deal) or No Deal. If there is any deal, nothing much will change for a while, so there is a lot of focus on No Deal.

Some of Ben's clients are already being impacted by the decision to leave the EU, many by currency issues. In November 2015 the pound was trading at $1.55 and €1.42, but there was an unprecedented step-change after the referendum on 24th June 2016, as projections had only factored in a 25% chance of a vote to leave.

Some other examples:

- A firm providing plants for offices gets all their plants from Holland, but costs have now gone up by 15%, wiping out all profits. It is difficult to substitute such imports quickly [*a point also made from the floor*].

- Similar story for an air conditioning firm importing equipment from Belgium and Germany.
- Convenience stores are showing hardly any impact from currency changes, they have been able to manage costs due to using different sources, but someone must be suffering somewhere in the supply chain
- On the other hand, a fashion company that deals entirely outside the UK, with all its income in dollars, had an immediate post-referendum boost worth thousands

Import substitution can be helpful where possible. There has been some reluctance to do business deals, due to general nervousness. Googling on the Internet has found HMRC advice on No Deal published only last Thursday – due to the need to prepare for a potential No Deal, plans for making tax digital from April 1st will probably slide.

Top tips:

- Get an EORI number (Economic Operator Registration and Identification Number) if trading with Europe – vital in the event of No Deal
- Look at all No Deal guidance, including from your sector institute or professional body (ICAEW for chartered accountants)
- On a personal level, for travel in Europe, renew your EHIC health insurance cards now!

Discussion from the floor was opened by representatives from two key Forest business sectors:

GEORGE BOSTOCK
Gloucestershire County Adviser, National Farmers Union

On the issue of EU labour, there are 80,000 seasonal workers in UK horticulture each year. The government have just announced a scheme to allow in 2,500 workers – this would be just enough to supply the farms within a few miles of Ross-On-Wye. Fruit picking is actually highly-skilled and well-paid work, it can't be simply automated.

85% of official animal workers in meat establishments are not UK nationals with a number coming from Spain and Portugal, which could be a loss to the farming and food industries as they carry out TB tests and work with abattoirs. 50% of workers in dairy farming come from continental Europe. George has met with Home Secretary Sajid Javid, who understands these issues.

The lambing industry is also at risk – transport requirements mean that lamb is currently traveling around the world and won't arrive at port until post March 29th so farms don't know what they will receive. 40% of British lambs go to continental Europe, No Deal could mean the industry facing a 40% tariff, pricing UK farmers out of the market. There is also an issue about the British Government lowering food tariffs in the event of No Deal, which would hit local producers by being faced by competition from cheap imports – WTO rules mean all imports are treated the same, regardless of origin - it is not permissible to be selective.

STEPHEN TULIP
South West Membership Development Manager, Make UK

Many manufacturers are not sufficiently prepared for Brexit, but there are some easy things to do to help understand risks. For example, the Government has posted 90+ technical notices explaining what will happen under a no-deal Brexit, which are high-level (and tedious), but contain important information. You can find these along with a wide range of free Brexit support on the Make UK website https://www.makeuk.org/Services/Brexit

There is a law of unintended consequences, it's not just about tariffs. For example, UK workers going overseas, even just for a meeting, can be treated as a "posted worker" – this requires paperwork, including an A1 tax form.

> [*Matthew Clayton added that if there is no such paperwork by February 28th, there may need to be a month's notice given on employment contracts*].

There is also the issue of freight capacity at major ports. Companies are advised to check with their freight forwarders what impact there may be to their goods' transportation times. Stephen noted that manufacturers need to know where they are selling to – one firm selling to South Korea felt there was no cause for concern as no tariffs were in place, but this is because of an EU trade agreement with South Korea– in the event of No Deal, they could be suddenly faced with a 30% tariff because the UK has not secured agreement that the same trade deals will apply in the case of a no-deal Brexit.

Other issues raised from the floor included:

- VAT rates are already not aligned within Europe, nor set by the EU. The UK Government who sets our rates can always use them as a mechanism to raise tax income – VAT rates are unlikely to decrease post-Brexit
- Importing from China, paying in dollars and paying import duty into the UK, is unlikely to receive a big impact from Brexit
- If we lose 10% of our trade with the EU, we would have to double our trade with India and China to make up the difference
- No Deal producing a weaker pound would give our goods more export value
- As Dover / Calais ports delay may be an outcome of No Deal, check how long are your lead times (both importing and exporting)

In answer to a question about opportunities post-Brexit:

- Look out for future Government subsidies, such as productivity grants for energy efficiency, though some may be loans not grants
- Join chambers of commerce etc., organisations that are more aware of grants – check out the GFirst LEP website, get advice from Growth Hub navigators
- County libraries are also connected to the Growth Hub, in particular see the Innovation Lab at Coleford library that has a 3D printer, great new technology
- Look at what is being imported into the UK, go overseas to find out more about those businesses, there could be opportunities in distributing EU goods

All the main speakers kindly said their email addresses could be shared with anyone wishing to ask further questions.