BREXIT PLANNING GUIDE

HELPING YOU FIND YOUR WAY ONE STEP AT A TIME

MARCH 2018

ENTER

BDO

CHALLENGES AND OPPORTUNITIES ARISING FROM BREXIT

The world we live in is dynamic and many of the traditional boundaries that once governed the way organisations do business are being replaced by new and often uncertain ones. The one certainty about the UK's decision to leave the European Union is that it will trigger fundamental changes in the way organisations do business. While the final details of the UK's exit terms remain uncertain, businesses must begin preparing now so that they can adapt quickly to the new environment as it evolves.

There is the potential for boundaries to be resurrected between the UK and their partners, where none have existed for over 30 years. These could create additional costs and will introduce friction into businesses' supply chains and sales operations, whilst also having the potential to reduce access to the skills they require.

Yet despite the uncertainty, our view remains the same; nothing matters more than our clients' success. This is why exceptional client service will remain at the heart of everything we deliver. We have considered what tax and legal changes could arise from Brexit and how these may drive the need for businesses to reconsider their European group structures and global supply chains. Those businesses that can react in an agile and well planned way will be best placed to succeed. As well as issues to be managed, there will be new opportunities to take advantage of – particularly from any new trade agreements that the UK may be free to negotiate once it is no longer part of the EU.

The following pages set out a range of business scenarios and challenges that business may face in Belgium as a result of Brexit, exploring both the indirect and direct tax consequences and what actions can be taken to either minimise their impact or seize the opportunities they offer.

However, a transitional period, lasting from Brexit day on 29 March 2019 to end of December 2020, will give businesses the time to start planning their route to post-Brexit success. In the mean time, the current way of doing business with the UK will remain more or less unchanged.

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BDO BELGIUM

TURNOVER PER BUSINESS LINE 2017

AUDIT & ASSURANCE	ACCOUNTING & REPORTING	TAX & LEGAL	ADVISORY	=	TOTAL
23,6 Million EUR	15,7 Million EUR	20,9 Million EUR	14,7 Million EUR	=	74,9 Million EUR

PARTNERS & STAFF (Average FTE) 2017

Partners	77
Professional Staff	370
Support Staff	100
=	
Total	547

OTHER STAFF-RELATED INFORMATION 2017

Revenue per staff	136.900€
Staff retention	83,1%
Number of staff October 1st (headcount)	600

BDO INTERNATIONAL

GLOBAL REVENUE	COUNTRIES AND TERRITORIES	NUMBER OF OFFICES	PARTNERS AND STAFF
8,1 Billion US$	162	1.500	+73K

TURNOVER FEE SPLIT 2017

Turnover (Million EUR)	7.369
Audit/Accounting	57%
Tax	22%
Advisory	21%

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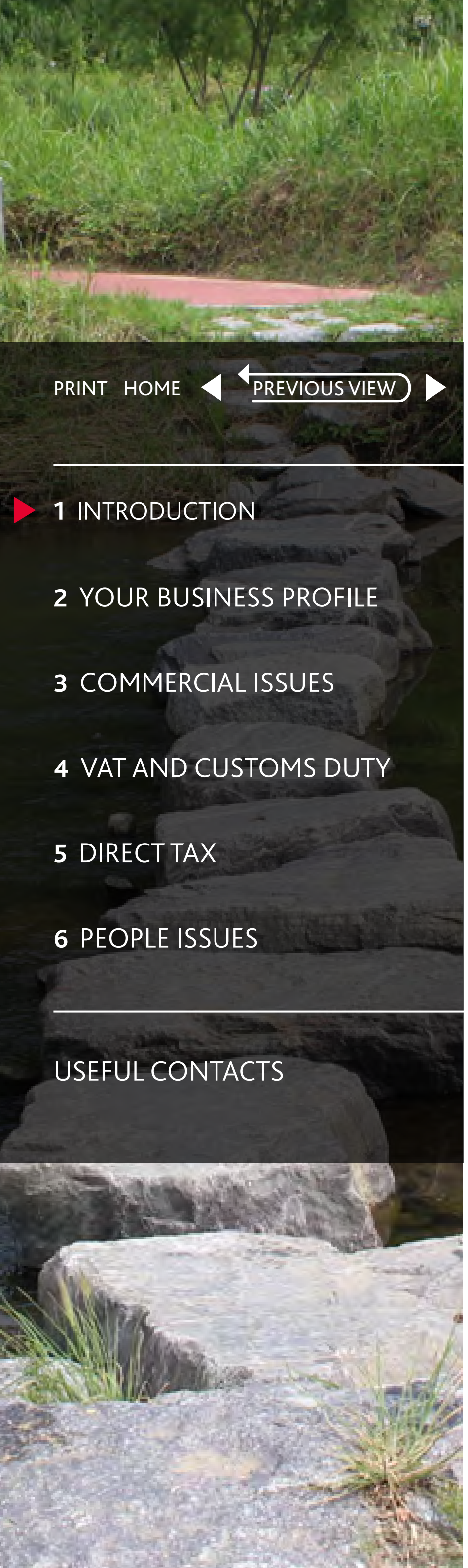
INTRODUCTION
NEW ECONOMY

We are living in a time of unprecedented change. Brexit, emerging markets, technology and regulation are changing the fundamentals of the way we live and do business, particularly international business.

But with great change there is also great opportunity. At BDO we are campaigning for policies to continue to help British businesses flourish.

We advocate a 'new economy' to continue to encourage fast growth entrepreneurial and mid-sized business, to balance growth by sector and by region and ensure open and simple access to world markets and global talent.

As well as campaigning for the future we are also offering the practical expertise to help businesses now. This guide is part of that and will tell you all you need to know about investing in the UK and/or Belgium.



INTRODUCTION

BREXIT TIMETABLE

The exact timetable for Brexit may prove to be a moving target but it is currently expected that the following dates will be significant.

Key: BREXIT TIMETABLE | YOUR TIMETABLE

2017

Brexit timetable

- **29 MARCH** – Article 50 triggered
- **29 APRIL** – Remaining EU states adopt negotiating guidelines
- **7 MAY** – French presidential election
- **8 JUNE** – UK general election
- **EARLY JUNE** – Formal Brexit negotiations start
- **24 SEPTEMBER** – German federal elections
- **31 DECEMBER** – EU target date to finish initial Brexit negotiations

Your timetable

1. ASSESS YOUR POSITION
2. DEVELOP OUTLINE PLANS
3. IMPLEMENT QUICK WINS

2018

Brexit timetable

- **JANUARY** – Draft exit deal put to European Council
- **SPRING**
  - Target date for UK Great Repeal Bill to receive Royal Assent
  - European Council summit to review / amend deal terms
- **SUMMER** – UK Parliament legislates to fill any legal gaps
- **30 SEPTEMBER** – EU target date for agreeing Brexit terms
- **AUTUMN** – Possible start for post-Brexit trade talks
- **LATE 2018**
  - EU Council must approve
  - UK Parliament must vote
  - EU Parliament must vote

Your timetable

4. TEST PLAN ASSUMPTIONS AGAINST THE OUTLINE TERMS OF BREXIT
5. REVISE PLANS
6. START IMPLEMENTATION

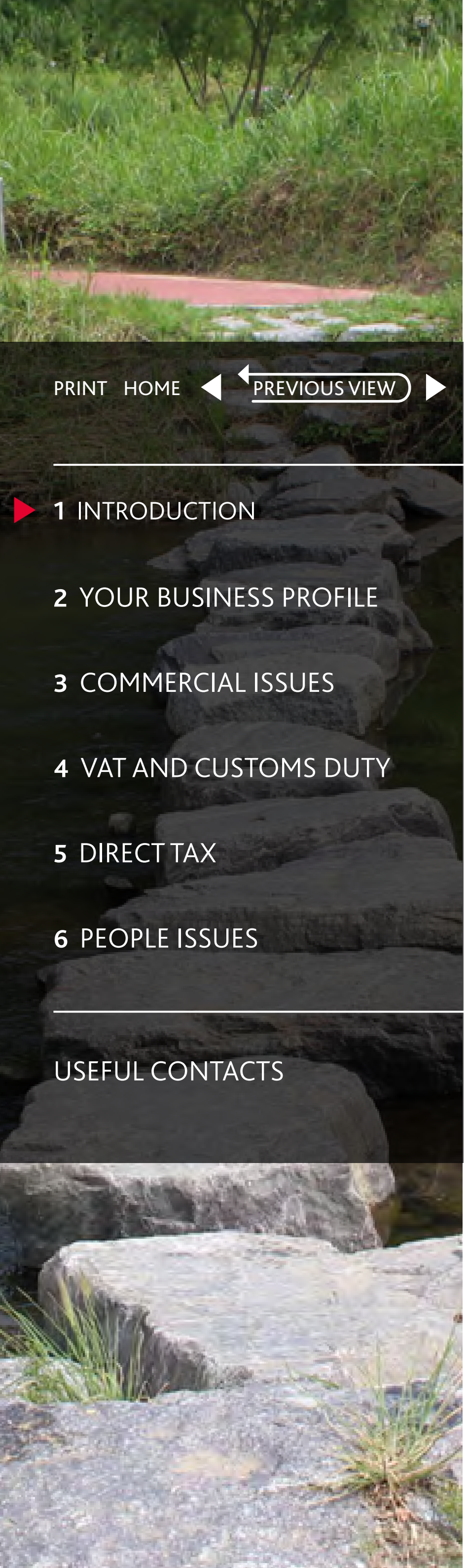
2019 2020

Brexit timetable

- **JANUARY** – Any transitional rules and period finalised
- **EARLY 2019**
  - EU Council summit to extend negotiating deadline beyond two years
  - UK Parliament passes any final legislation necessary
- **29 MARCH** – Brexit (or negotiations extended)
- **31 DECEMBER 2020** – End of transition period
- **POST-BREXIT**
  - Great Repeal Bill takes effect
  - Any transitional period commences

Your timetable

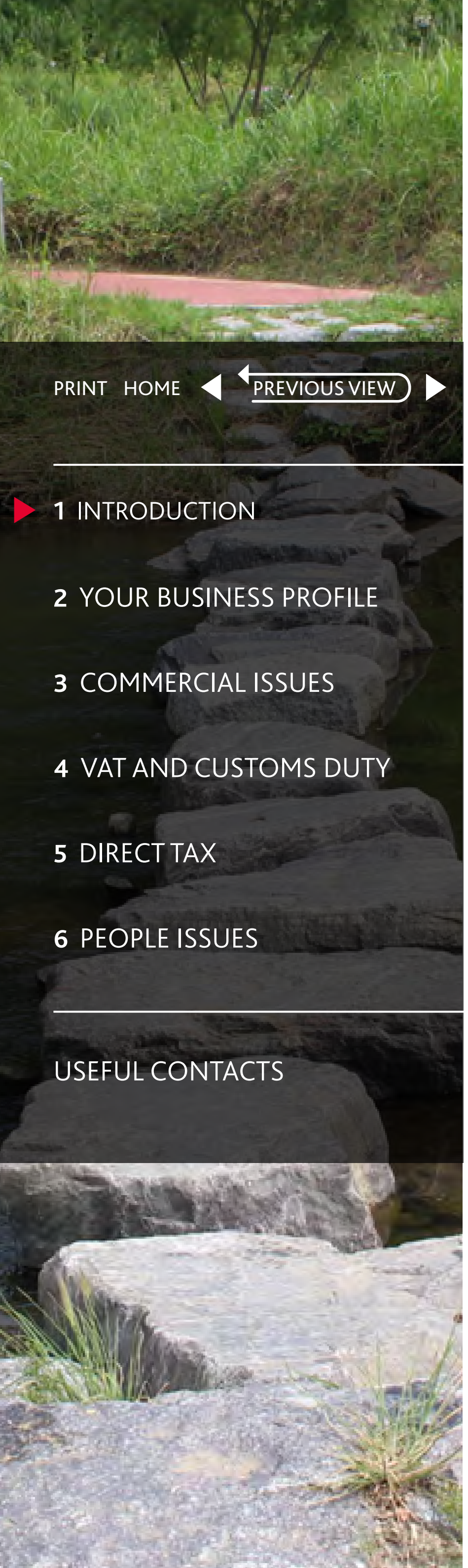
7. TEST NEW SYSTEMS (EG CUSTOMS PROCEDURES)
8. PLAN FOR END OF TRANSITIONAL PERIOD
9. REVIEW NEW STRUCTURES TO FIND EFFICIENCY SAVINGS



INTRODUCTION
GLOSSARY

MULTI-GOVERNMENTAL ORGANISATIONS	
Customs Union	A group of European countries which allow cross border tariff free trade between themselves.
EEA	European Economic Area which comprises all EU member states plus Iceland, Lichtenstein and Norway.
EFTA	European Free Trade Association comprised of Iceland, Lichtenstein, Norway and Switzerland which allow tariff-free trade between its members.
EU / EU member state	European Union – comprised of the remaining 27 country members.
Euro Area	Countries using the Euro as their currency.
OECD	Organisation for Economic Co-operation and Development – the global standard setter for member countries.
WTO	World Trade Organisation - the global organisation that sets minimum trading standards (eg on use of import/export tariffs) for countries signed up to its rules.

OTHER TERMS	
Article 50	The clause in the EU's founding Treaty of Rome that sets out the process for a country to leave the EU.
BEPS	Base erosion and profit shifting – the OECD's global project to protect countries tax revenues from tax avoidance by multi-national businesses.
Brexit	Means Brexit, UK's exit from the European Union (but not any future trade deal).
CE mark	A symbol meaning the product conforms to European standards for manufactured goods.
CFC	Controlled Foreign Company, ie a non-UK company controlled by a UK company.
DTA	Double tax agreement/bi-lateral agreement to ensure that cross border profits or income are not taxed in both states.
Parent Subsidiary directive	Rules applying to all EU member countries to abolish WHT on payments of dividends, interest and royalties between associated companies in different EU member states.
Incoterms	Incoterms® rules provide internationally accepted definitions of the tasks, costs and risks involved in the delivery of goods from seller to buyer. Incoterms do not cover transfer of title to the goods.
PE	Permanent Establishment –a business base in a country.
SSE	Substantial Shareholdings Exemption – a UK corporation tax relief on the sale of companies.



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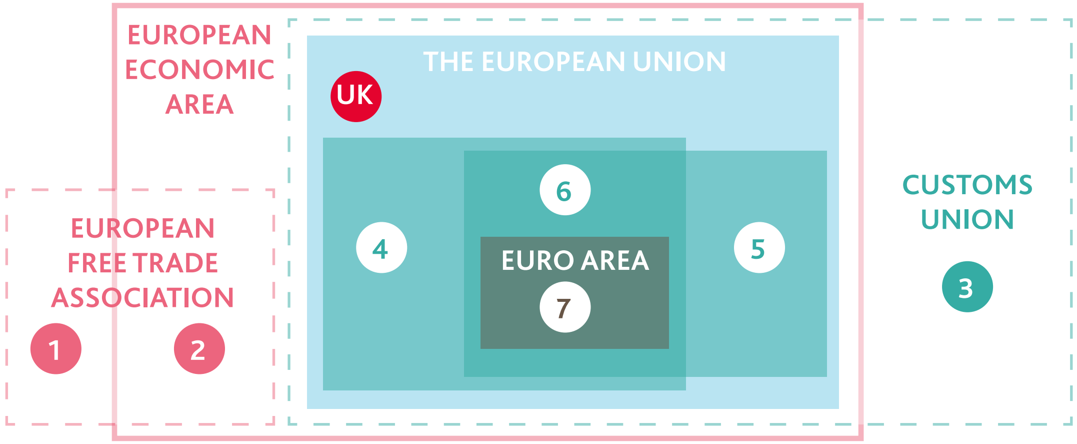
INTRODUCTION

EU AND RELATED MEMBERSHIP GROUPINGS

This diagram shows which countries are of the various groupings associated with the EU.



1 EUROPEAN FREE TRADE ASSOCIATION
- Switzerland

2
- Iceland
- Lichtenstein
- Norway

3 CUSTOMS UNION
- Andorra
- Monaco
- San Marino
- Turkey

4 FISCAL COMPACT
- Denmark

5 OBLIGATION TO JOIN EURO
- Czech Republic
- Croatia

6
- Bulgaria
- Hungary
- Poland
- Romania
- Sweden

7 EURO AREA
- Austria
- Belgium
- Cyprus
- Estonia
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Portugal
- Slovakia
- Slovenia
- Spain

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YOUR BUSINESS PROFILE

A. BELGIUM AS A HOLDING COMPANY LOCATION

BELGIUM is an attractive location for holding companies and, especially after the latest tax reform, it is likely to remain an attractive location for holding companies even for investment in and out of the UK.

Belgium has a well-developed legal system and a strong set of financial governance regulations.

The Belgian tax system is mature, transparent and complies with international tax initiatives such as Base Erosion and Profit Shifting **(BEPS)**, where the EU has been an important contributor and early adopter.

Belgium imposes few **withholding taxes** when businesses make payments to companies outside Belgium (including the UK)

Dividends payable by a Belgian company to a UK based corporate shareholder are, if certain threshold are met, not subject to **withholding taxes**.

Based on the double tax agreement (DTA) between Belgium and the UK, no Belgian withholding tax is due on interest and or **royalty** payments from a Belgian to a UK corporation.

Dividends received by a Belgian company are generally exempt from Belgian tax as are gains arising on the disposal of a subsidiary (if certain thresholds are met).

In case a Belgian holding company holds shares in a UK subsidiary the VAT impact is limited. A passive holding company is, due to its activities, not considered as a taxable person from a Belgian VAT point of view. If the holding company also renders management services to its UK subsidiaries, these services are deemed to take place in the UK. After Brexit no further formalities will need to be fulfilled by the holding company.

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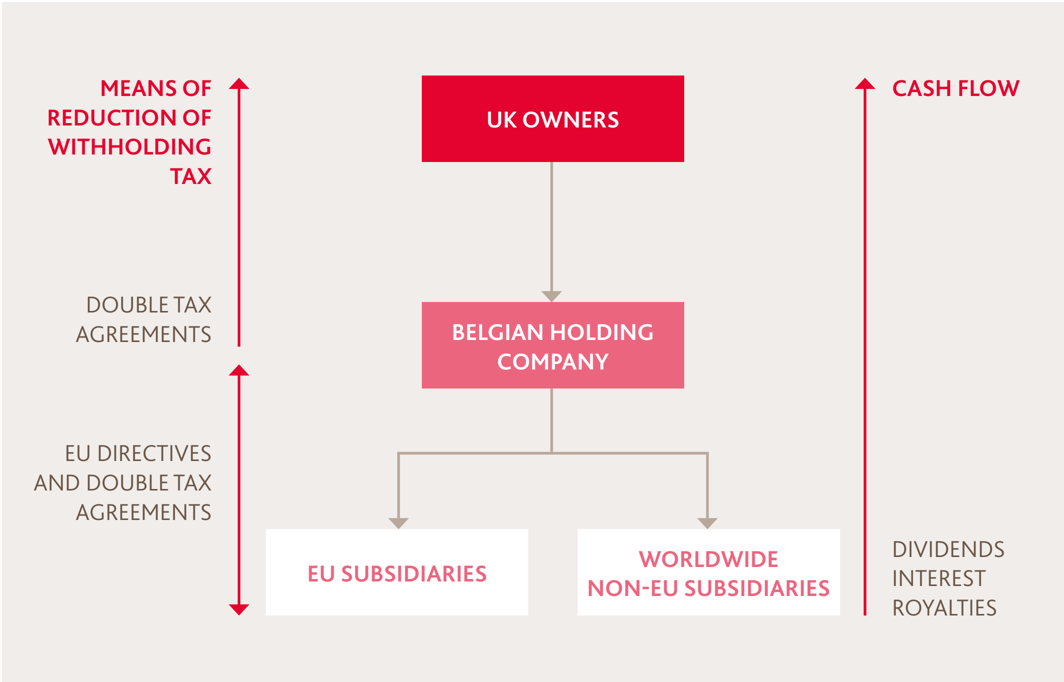
YOUR BUSINESS PROFILE

A. BELGIUM AS A HOLDING COMPANY LOCATION



Read more on these issues:

- EC directives and withholding taxes
- Belgian taxation of dividends
- Double tax relief
- Foreign exchange and hedging
- Business restructuring

YOUR BUSINESS PROFILE

B. BELGIAN BUSINESSES WITH UK SUPPLIERS SELLING (DIRECTLY) TO EU MEMBER STATES

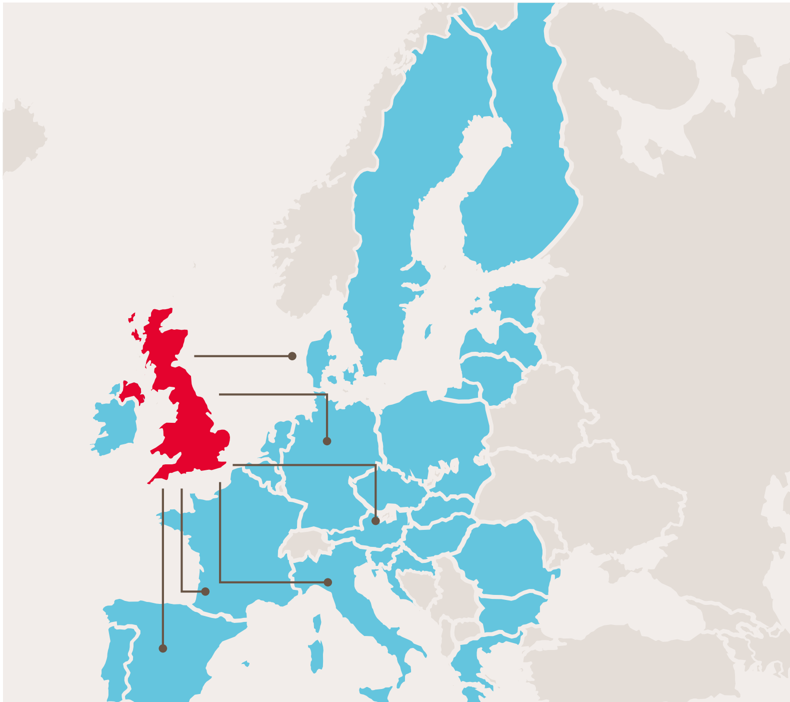
Whether making B2B or B2C sales directly into the EU, UK businesses with a UK supply chain are currently exempt from many of the administrative burdens normally associated with exporting.

Leaving the EU may involve leaving the EU Customs Union which allows trade among member states to flow tariff free. After Brexit, UK businesses may need to comply with Customs-related rules when selling to EU member states. This includes paying duties, **trade tariffs, Customs Warehousing,** and **deferment account guarantees**.

Belgian businesses with UK suppliers that deliver the goods directly to customers established in other EU Member States will lose access to the mechanism of the simplified triangulation whereby they are acquitted from the obligation to VAT register in the Member State of arrival of the goods when certain conditions are met. As a result Belgian businesses may need to register for VAT purposes in other EU Member States and be obliged to file periodic VAT returns in that Member State. On the other hand Belgian businesses might be required to complete additional import declarations.

UK businesses should review their contracts for 'grossing up clauses' regarding **withholding tax** and confirm their eligibility for **double tax relief** either under relevant DTA or the UK's domestic law.

Depending on the cash flows and profitability derived from sales to EU member states by the direct delivery from a UK supplier, Belgian businesses could consider some form of business restructuring to help minimize the VAT impact if this is an issue.



Read more on these issues:

- Import and export declarations
- Appointment of an individual VAT representative
- VAT refunds
- Simplification measures in jeopardy
- Impact of financial and insurance services industry
- EU directives and withholding taxes
- Double tax relief
- Business restructuring

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YOUR BUSINESS PROFILE

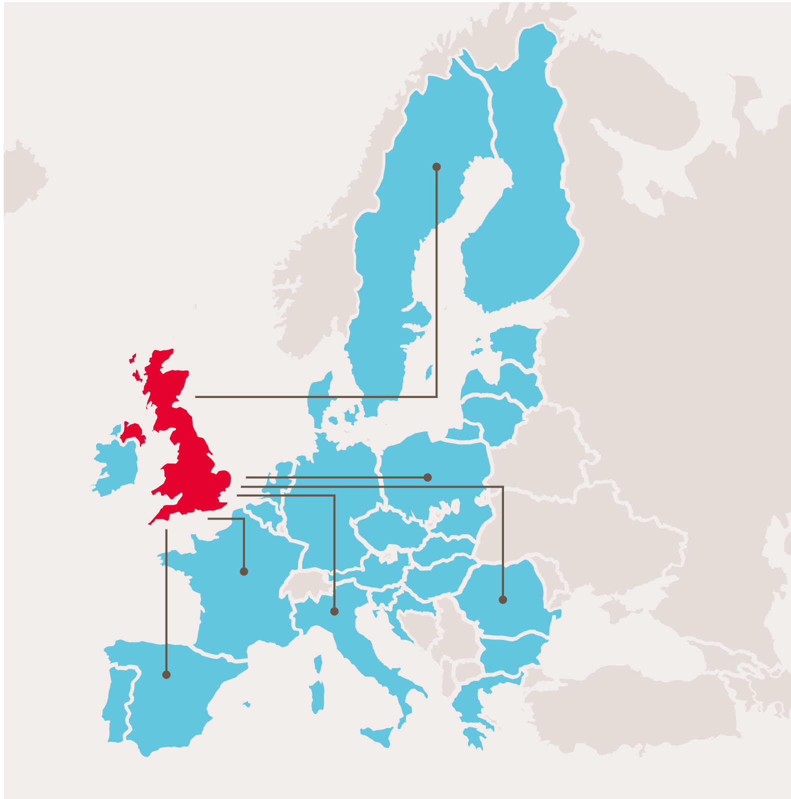
C. BELGIAN BUSINESSES WITH EU SUPPLY CHAINS SELLING (DIRECTLY) TO THE UK

Many Belgian businesses have built their business models on access to the UK and will have complex EU supply chains involving cross-border movements of components and goods – often back and forth before sale. After Brexit, such cross-border movements may well trigger cumulative tax costs.

After Brexit EU VAT simplifications, such as triangulation, will no longer apply in the UK. As a result Belgian businesses may need to fulfil VAT and compliance obligations in the UK.

Moving goods between Belgium and the UK will change from being intra-Community acquisitions and supplies to becoming imports and exports, potentially liable to customs duties. Import and export declarations are likely to be required, which may also have an impact on the prefinancing of import VAT (unless a deferral regime is available).

It is still unclear whether customs special procedures such as Customs Warehousing or Inward Processing Relief can be applied in the UK.



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YOUR BUSINESS PROFILE

C. BELGIAN BUSINESSES WITH EU SUPPLY CHAINS SELLING (DIRECTLY) TO THE UK

Businesses may also wish to reconsider the location of manufacturing or distribution operations.

Brexit will also mean that UK businesses would no longer benefit from the **EU directives** which minimise the impact of **withholding taxes**. Therefore, without further action, net cash received from customers may be reduced and or profit margins may be adversely affected.

UK businesses should review their contracts for 'grossing up clauses' regarding withholding taxes and confirm their eligibility for relief from overseas taxes either under relevant DTAs or the UK's domestic law.

Depending on the cash flows and profitability derived from sales to EU member states, UK businesses could consider some form of **business restructuring** to help minimise **withholding taxes**, and/or **business relocation and migration**.

Read more on these issues:

- Import and export declarations
- Appointment of an individual VAT representative
- VAT refunds
- Simplification measures in jeopardy
- Impact of financial and insurance services industry
- EU directives and withholding taxes
- Double tax relief
- Business restructuring

YOUR BUSINESS PROFILE

D. BELGIAN BUSINESSES IMPORTING FROM THE UK

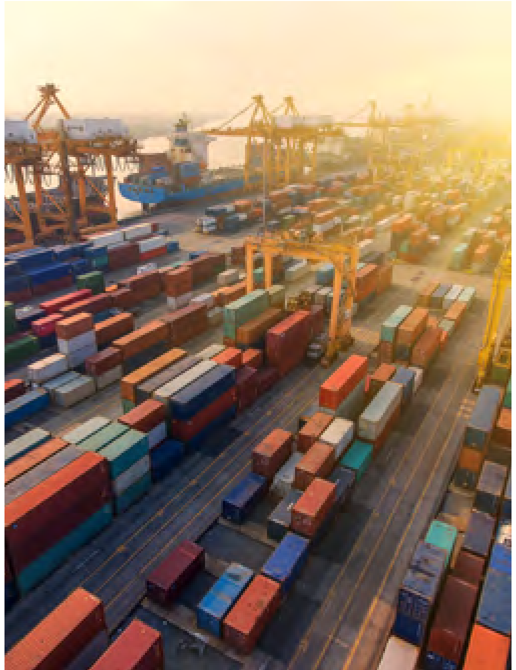
As leaving the EU may involve leaving the EU Customs Union, tariff-free trade with Belgium could end with Brexit. Belgian businesses sourcing goods in the UK in view of selling them within the EU should recognize that their suppliers will have to comply with Customs-related rules which may have an impact on prices and delivery lead times.

Although importers may face direct cost increases if tariffs (e.g. at WTO rates) are imposed on imports from the UK, it is possible to manage these. For example, it may be possible to import the same goods from an intermediary in a non-EU jurisdiction at a lower tariff rate. Sensible use of Customs Warehousing and Inward Processing Relief can also allow a better cash flow management for Customs duty costs or even limit/avoid such (additional) costs.

However, importers should remember that their UK suppliers are likely to face additional administration costs themselves so may have to increase their prices.

If the goods sold by the Belgian suppliers can be sourced from within the EU market, simply switching suppliers may also be a sensible option. Alongside due diligence checks on suppliers it will be necessary to carry out a full analysis of the new supply chain.

Where Belgian sales operations are supported by imports from a UK subsidiary manufacturer, the cost profile for that subsidiary will have to be assessed carefully. It may even be more cost-effective to simply relocate that business to another EU Member State. Where such a business restructuring exercise takes place, it will be important to document the business rational and ensure that e.g. transfer pricing policies are updated accordingly.



Read more on these issues:

- Import from the UK
- VAT administration
- Business relocation and migration
- Transfer pricing

YOUR BUSINESS PROFILE

E. GLOBAL BUSINESSES TRADING WITH BELGIUM AND THE UK

Global businesses with significant sales and or production in Belgium and the UK will no longer be dealing with a single market after Brexit.

How supply chains are organised going forward may have a significant impact on the profitability of the two new markets. For example, where assembly of products (from globally sourced components) currently takes place in the UK but the finished goods are sold in Belgium, double customs duty charges may arise. Similar problems may arise for Belgian manufactured goods sold in the UK.

Global business will need to assess the attractiveness of the separate UK and Belgian markets after Brexit and plan how to serve them in the most efficient way. In many cases, the new administrative burdens of trading between the UK and Belgium (VAT imports and exports, customs duty declarations etc.) may be only a minor inconvenience for a global brand. For example, additional costs may simply be absorbed by accepting lower margins in the UK than Belgium, or recovered by adopting a premium branding strategy in one market so prices can be increased.

Alternatively, in the long run it may be cost-effective to build up manufacturing facilities in both markets or segregate supply streams in another way. For example, a Belgian based business may choose to manufacture in the EU for its EU customers but export direct to the UK from Belgium if a tariff-free trade deal is struck between the EU/Belgium and the UK post-Brexit.

Although it is far from clear what the terms of the UK's exit from the EU will be, planning for the post-Brexit trading environment is not an issue that should be delayed. Where significant business restructuring is needed it is likely to be beneficial to complete this before Brexit takes place so that the group can benefit from the EU directives in minimising the tax costs of the restructure.

While all aspects of the business model will need to be considered, from the impact of preferential customs duty rates to business relocation and the impact of relocating the work force, it is the fundamental attractiveness of the UK and Belgian markets that should drive global businesses' response to Brexit.

BDO can help you identify and model the relative tax environments for both corporate and employee costs to support your overall business analysis for your response to Brexit.

Read more on these issues:

- Imports and exports
- Business relocation and migration
- Business restructuring
- EU directives and withholding tax
- Impact of relocating your work force

COMMERCIAL ISSUES

MANUFACTURING – COMPLYING WITH EU DIRECTIVES FROM THE OUTSIDE

Manufacturers will be acutely aware of the many EU directives covering products sold within the EU and what it takes to comply with them. After Brexit, the Great Repeal Bill should ensure 100% convergence between UK and EU standards but, over time, there is bound to be some divergence as technologies and scientific knowledge advances.

Brexit is expected to mean that the UK leaves the EEA as well as the EU. Therefore, after Brexit a manufacturer based solely in the UK will (as a non-EU manufacturer) have to appoint an EEA based Authorised Representative to act on its behalf in all interactions with the **CE marking** authorities from EU and EFTA member states.

Along with the CE mark that denotes compliance with European directives, products from non-EEA manufacturers must carry the name, address and contact details of the manufacturers Authorised Representative.

While this is initially a relatively straightforward administrative process, it is a clear reminder that UK-based businesses will be out of the EU/EEA loop. While this may have some limited advantages for those manufacturing only for the UK market (as the more onerous terms of some Directives may gradually be removed from corresponding UK law), it could present difficulties in the longer term.

As new products using new materials are developed, it may become a more complex process for these to be cleared as meeting CE mark standards and the UK Government will have little or no input to the development of existing or new European product directives.

Aside from the financial considerations set out in business profile B, this is a clear commercial reason for UK-based businesses to consider creating or acquiring manufacturing capacity within the remaining EU/EEA member states if they plan to sell goods within Europe in the long term.

Read more on these issues:

- Business restructuring
- Business relocation and migration
- Transfer pricing
- Impact of relocating your workforce
- Short term business visitors

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COMMERCIAL ISSUES

BUSINESS REGULATIONS

After Brexit, it is intended that the Great Repeal Bill will implement the vast majority of EU law and regulations that currently apply to the UK directly into UK law so that there is little immediate change to the regulatory environment in the UK. However, despite this aim of continuity, there are expected to be many areas where differences in regulations have a direct impact on businesses.

TERMS OF BUSINESS

If a business trades throughout the EU using the same terms and conditions in its contracts, these may need to be amended for UK transactions after Brexit as new UK law develops. **Incoterms** are global standards and, where adopted, are not likely to change materially because of Brexit.

GOVERNMENT SUPPORT

The ending of EU state aid rules has been seen by some as an advantage of Brexit – without them, the UK Government would have considerably more freedom to create business incentives. However, the terms of any continuing trade agreement between the UK and the EU may well impose new limits on the incentives that can be offered. Equally, the UK will no longer have a voice in how the EU develops and applies the State Aid rules within the EU so its ability to protect UK businesses from unequal competition by subsidised EU businesses will be reduced.

Businesses should not assume that existing tax incentives for the long term as the UK Government may choose to completely overhaul incentives and subsidies. For example, in the post-Brexit agricultural sector, the Government has only committed to match the existing arrangements until 2020.

Similarly, sector specific regulations and administrative easements can be expected to evolve after the UK leaves the EU. For example, the Tour Operators' Margin Scheme (TOMS) is a special set or VAT rules for businesses that buy-in and re-sell travel, accommodation and certain other services. It is an EU simplification measure which enables VAT to be accounted for on travel supplies without businesses having to register and account for VAT in each member state where the services and goods are enjoyed. TOMS applies to many businesses and not just 'traditional' tour operators.

Businesses must normally account for VAT on the full selling price of their supplies, but can reclaim the VAT charged on purchases. Under TOMS, businesses cannot reclaim any UK or EU VAT charged on the travel services and goods they buy-in and re-supply. However, they only account for VAT on the profit margin they make in the member state in which they are established. Margin scheme supplies are standard-rated when enjoyed in the EU, and zero-rated when enjoyed outside the EU. It remains to be seen how the UK TOMS rules will change following Brexit: they may simply be abolished.

CONTINUED

DATA PROTECTION

The General Data Protection Regulation (GDPR) comes into force throughout the EEA from 25 May 2018 so the UK will have to adopt this before Brexit. As the changes are generally seen as positive by the UK Government, it is likely that they will continue to apply in the UK long after Brexit. While complying with the GDPR may be challenging for businesses, at least data transfers between businesses in the UK and EU member states should not cause further difficulty after Brexit.

DIGITAL PRODUCTS AND SERVICES

Aside from the VAT issues that may arise on **cross-border supplies of digital services**, the EU is currently developing proposals for a harmonised 'digital single market, 'including rules on e-commerce. While the UK may choose to adopt similar rules, it may still be necessary for EU based businesses to develop a commercial base within the UK to achieve full access to the UK market on an equal footing and to avoid a possible competitive disadvantage to UK competitors in that market.

MERGERS AND ACQUISITIONS

Currently, large scale mergers fall within the EU Merger Regulations where a UK business is involved. This is likely to change on Brexit with the UK regulations applying for subsequent deals where there is no EU involvement. The process of obtaining approval for mergers involving UK based entities and EU based entities is likely to slow down considerably as they may require both UK and EU approvals.

Similarly, over time UK competition law may diverge from EU competition rules as, after-Brexit, **European jurisprudence** will no longer be binding on UK courts. Protecting a business on an exclusive territorial basis and creating restrictions on purchasing parallel traded products may be possible in some circumstances (subject to any continuing trade deal the UK strikes with the EU).

VAT AND CUSTOMS DUTY

SUPPLY OF GOODS TO THE UK

KEY POINT

Supplies of goods from Belgium to the UK will qualify as export of goods.

CURRENT SITUATION

One of the four fundamental freedoms of the EU is the "free movement of goods" which is guaranteed by the abolition of customs duties and quantitative restrictions.

The supply of goods to the UK is currently referred to as "intra-Community supply", which is VAT exempt in case the supply is made to a person registered for VAT purposes in the UK and proof of transport to a destination outside Belgium is available.

The cumbersome issue for this kind of supplies is that duly signed transport documents need to be made available during a VAT audit. However, the Belgian VAT Authorities have provided a simplification measure whereby a destination document can be drafted as an alternative.

POST BREXIT

Unless agreed otherwise during the "divorce" negotiations, the supply of goods to the UK will become an export of goods.

For VAT purposes the export of goods is also exempt from VAT. But the goods are no longer in "free circulation", meaning they have to be declared through customs via an export declaration (and an import declaration upon arrival in the UK).

This additional declaration requirement may impact the speed of delivery of the goods.

REMARK

The transfer of own goods from Belgium to the UK will also qualify as an export of goods. Following the change in the VAT qualification of the supply of goods to the UK, Belgian taxpayers dealing with these supplies possibly need to adapt their ERP system.

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VAT AND CUSTOMS DUTY

SUPPLY OF GOODS FROM THE UK

KEY POINT

Deliveries of goods from the UK will qualify as the import of goods.

CURRENT SITUATION

Currently the acquisition of goods from the UK is qualified as "intra-Community acquisition" of goods.

This acquisition is taxable in Belgium, meaning that the recipient of the goods must pay the VAT due in its Belgian VAT return, and when the acquired goods are used for taxable transactions, the VAT can (partly) be deducted in the same VAT return.

As the goods are sold within the EU, the goods are in free circulation, meaning that there are no customs duties due.

POST BREXIT

When the UK leaves the EU, the acquisition of goods from the UK qualify as the import of goods.

The goods will need to pass through Belgian customs procedure and the customs duties and import VAT due is determined on the import document.

Instead of accounting for the VAT due on the intra-Community acquisition via the Belgian VAT return, the import VAT is immediately payable at the customs office when entering Belgium. (Part of) the import VAT is potentially only deductible in the next VAT declaration.

REMARK

The transfer of own goods from the UK to Belgium will also have to be declared to customs and a taxable import is deemed to take place in Belgium.

The customs duties that are possibly due on the import of goods into Belgium represent an absolute cost as they cannot be deducted.

Following the change in the VAT qualification of the acquisition of goods from the UK, Belgian taxpayers dealing with these acquisitions need to adapt their ERP system.

To optimise the cash flow the taxpayer performing imports in Belgium can request a so-called import VAT deferral or ET.14.000 license, which allows the taxpayer to defer the payment of the VAT due until the periodical Belgian VAT return.

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VAT AND CUSTOMS DUTY

VAT REGISTRATION

KEY POINT

VAT payers established in the UK exploring activities in Belgium that require Belgian VAT registration will have to appoint an individual VAT representative.

CURRENT SITUATION

For taxable persons established within the EU that require **a Belgian VAT identification number various possibilities** exist to register for VAT purposes in Belgium:

- Direct VAT registration whereby the foreign taxable person will be solely liable for all VAT debts or liabilities in Belgium;
- Direct VAT registration via the appointment of a fiscal agent whereby all relevant books and documents should be present at the offices of the fiscal agent in case of a VAT inspection;
- VAT registration via the appointment of an individual VAT representative whereby the individual VAT representative will be severally liable with the foreign taxable person for all VAT debts or liabilities in Belgium;
- VAT registration via the appointment of a global VAT representative for certain transactions.

POST BREXIT

Taxable persons established outside the EU can only register for VAT purposes in Belgium via the appointment of a fiscal representative (individual or global).

Unless agreed otherwise UK businesses applying for a Belgian VAT identification number after the Brexit will always need to register for VAT purposes in Belgium via the appointment of a fiscal representative.

It is not yet clear whether UK businesses already VAT registered in Belgium via direct VAT registration, possibly via the appointment of a fiscal agent, should change this registration into a VAT registration via appointment of a fiscal representative, but this will most likely be the case (in order to ensure equal treatment of all non-EU based tax payers).

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VAT AND CUSTOMS DUTY

VAT REFUND

KEY POINT

The procedure to request a VAT refund will change after Brexit.

CURRENT SITUATION

When incurring input VAT in other EU Member States where the taxable person is not registered for VAT purposes, VAT can be claimed back under the arrangements of EU Directive 2008/9.

When the request relates to a period of less than one calendar year, but more than 3 months, the minimum amount for which a refund can be claimed is EUR 400.00. When the request relates to a period of one calendar year or the remainder of a calendar year the minimum amount is EUR 50.00.

This request for a VAT refund is done electronically through the portal of the tax authorities of the country in which the claimant is established at the latest on 30 September of the calendar year following the refund period. An electronical copy of an invoice/import document/credit note must be submitted when the taxable base exceeds EUR 1,000.00 (or EUR 250.00 for document related to fuel costs).

The tax Authorities have a period of 4 months to decide whether a refund will be granted (this can be extended when additional information/documentation is requested by the tax Authorities).

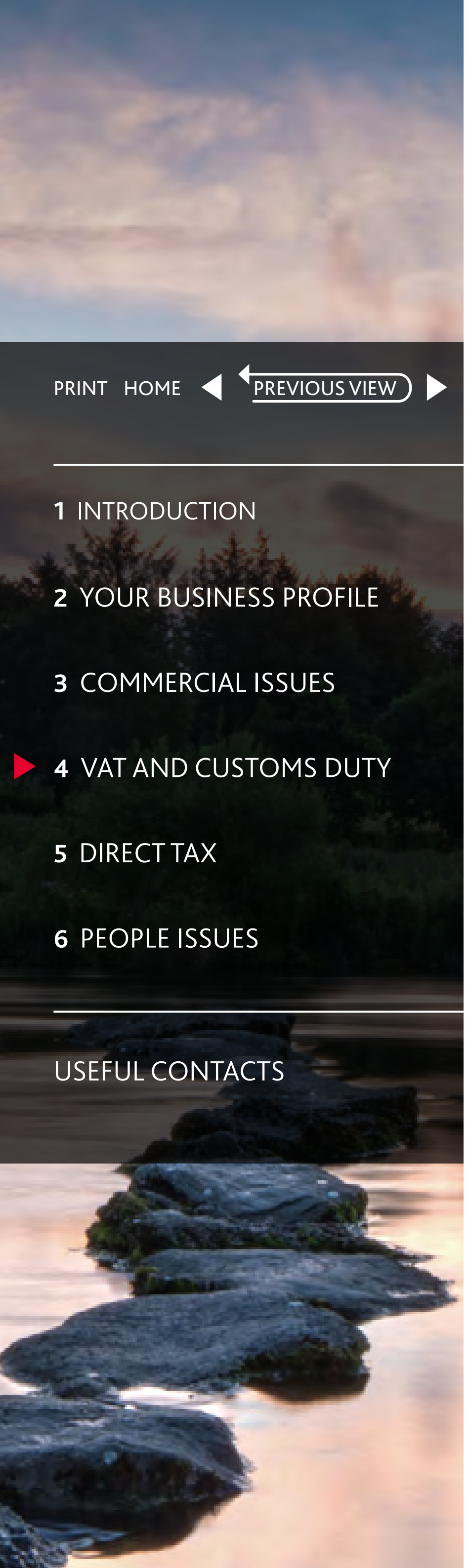
POST BREXIT

UK companies incurring European VAT after Brexit will have to request a refund under the arrangement of the 13th EU Council Directive.

The minimum amount for which **a refund can** be requested is EUR 200.00 when the refund period is less than one calendar year but more than 3 months. The minimum amount is EUR 25.00 when the refund period is one calendar year or the remained of a calendar year.

The request must be submitted to the Tax Authorities of the country from which the refund is claimed (before 30 September of each year for Belgium). Original invoices and import documents must be included in the application.

The tax Authorities have a period of 6 months to decide whether a refund will be granted.



VAT AND CUSTOMS DUTY

EU SIMPLIFICATIONS

KEY POINT

Several simplifying measures for transactions with the United Kingdom are in jeopardy.

Within the EU there are several simplification measures in place to lower the administrative burden.

DISTANCE SELLING

Triangulation is available for EU VAT registered businesses and allows intermediate suppliers involved in EU cross-border supply chains of goods to avoid the cost and administrative burden of having to register for VAT in multiple EU member states. For example, the simplification enables a UK business in a supply chain between an EU manufacturer (e.g. in Italy) and an EU customer (e.g. in Belgium) to avoid the need to register for VAT in the EU customer's country as a UK business acquiring goods there. The obligation to account for the VAT can be shifted on to the EU VAT registered customer.

SIMPLIFIED TRIANGULATION

When 3 taxable persons established in different Member States of the EU are involved in the supply of goods and the first person delivers the goods directly to the last person, the middle man can make use of the so called "simplification measures for intra-Community triangulation".

Hereby the middle man will not be required to register for VAT purposes in the country of destination of the goods.

When the UK is treated as a third country, these simplification measures can no longer be applied, meaning the middle person will in principle be required to register and account for VAT in the country of destination of the goods, unless it would currently already be VAT registered in another EU Member State and that Member State would allow the application of these simplification measures.

CONSIGNMENT STOCK

Some EU Member States have developed special VAT rules for companies holding their stock in their country whereby these companies under certain conditions are not required to VAT register in the country where it is warehousing its goods.

After Brexit UK companies applying such simplification systems might be obliged to VAT register in the country of storage in any case.

MOSS

Taxpayers supplying telecommunication services, radio and television broadcasting services and electronically supplied services are in principle required to VAT register and account for VAT in the countries where the recipients, private individuals, are established.

As this would cause a huge administrative burden in the hands of the service suppliers, the EU foresaw in a MOSS (Mini One Stop Shop) system whereby the supplier can declare the transactions taking place in other EU Member States and pay the foreign VAT due in one single declaration.

Unless agreed otherwise the MOSS arrangement will no longer be available in the UK, meaning that suppliers established outside the UK might in any case need to register in the UK.

On the other hand the UK and non-EU businesses with a UK VAT registration will have to register for the MOSS arrangements for non-EU businesses and need to VAT register in another EU Member State to use this arrangement.

VAT AND CUSTOMS DUTY
FINANCIAL SERVICES

KEY POINT

Belgian banks and insurance companies rendering financial and insurance services to the UK may be able to substantially boost their VAT recovery percentage.

CURRENT SITUATION

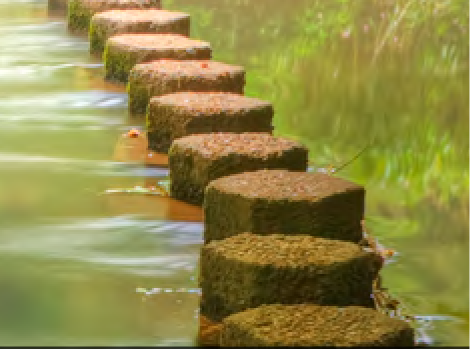
Financial transactions, such as insurance activities, payment and collection transactions, security transactions,… are, in principle, exempt from VAT.

As input VAT is basically only deductible when the goods or services concerned are used for taxable transactions, the financial institutions have no or a limited right to deduct input VAT.

POST BREXIT

As an exception on the above rule, the input VAT on goods and services used to perform financial services to clients established outside the EU is deductible under certain conditions.

Therefore it is recommended for financial institutions to investigate whether they could revise their right to deduct input VAT when rendering services to clients established in the UK, as such services may start to generate a right to input VAT deduction post Brexit.



DIRECT TAX

EU DIRECTIVES AND WITHOLDING TAXES

KEY POINT

After Brexit, businesses may no longer be able to rely on the EU directives to eliminate double taxation and withholding tax on dividends or payments of interest and royalties.

The EU directives were designed to:

- Abolish withholding taxes on payments of dividends, interest and royalties between associated companies of different member states, and
- Prevent double taxation of parent companies on the profit of their subsidiaries.

Regarding the last point, provided a parent company holds at least 10 % of the shares of its subsidiary of an EU member state, either the income (e.g. dividends) is exempt from tax in the hands of the parent or double tax relief is available for the tax already paid on the profits of the subsidiary.

Regarding the first point where there are cross border payments of dividends, royalties and interest, the directives prevent withholding taxes being levied on payments made between member states.

After Brexit, Belgian business with associated companies in the UK may have to rely on the Double Tax Agreement (DTA) between Belgium and the United Kingdom to establish whether payments from a British subsidiary are exempt from withholding taxes or subject to a reduced rate of withholding taxes.

Businesses should review all payments and receipts to identify the transactions that currently benefit from favorable treatment under the directives. Businesses should then assess the **long term** impact on their income streams (e.g. whether withholding tax is an absolute cost) and the double tax relief options available to them (e.g. foreign tax credits).

We can assist with analysing your transactions to determine what the additional costs will be. We can also review your arrangements to assess if transactions might be structured more efficiently.

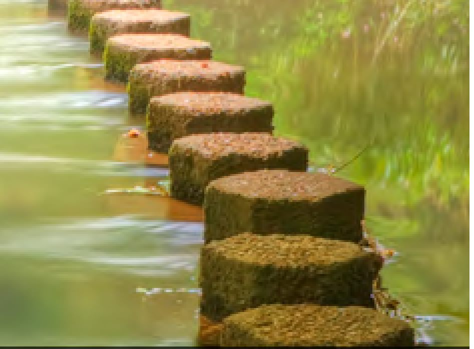
ACTION

1. Assess your income streams from subsidiaries in EU member states and potential future withholding tax.
2. Review contracts for gross-up clauses.
3. Investigate restructuring options.

DIRECT TAX
BELGIAN TAXATION OF DIVIDENDS

When the UK leaves the EU, Belgian businesses will not, despite the fact that they can no longer rely on the Parent Subsidiary Directive, suffer any withholding tax on the profits to the Belgian parent company by means of **a dividend**, since under UK internal law, there is no withholding tax on dividends paid by UK companies.

Belgian companies receiving dividends from a UK subsidiary will still be able to benefit from the dividend received deduction as long as the UK company is subject to corporate income tax and the common UK corporate income tax legislation remains not considerably more favourable than the Belgian legislation. The latter is in general deemed to be the case if the normal corporate income tax rate is lower than 15%. However, the rule that common tax legislation applicable on companies established in the EU is considered not to be considerably more favourable than the Belgian tax legislation will in principle no longer be available.



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DIRECT TAX
DOUBLE TAX RELIEF

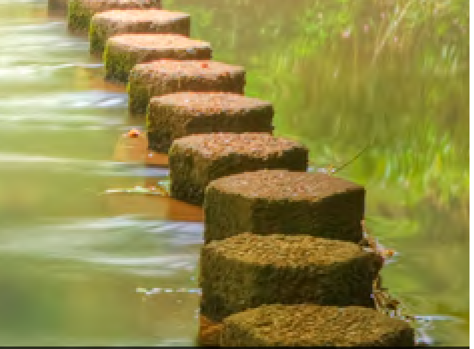
Withholding tax is calculated by reference to the gross payment without deductions of expenses. Where UK withholding tax is applied to a payment, the Belgian recipient will have to consider claiming the overseas tax paid against its Belgian liability.

Double tax relief is available under the DTA between Belgium and the UK. Please note that this treaty will be updated by the OECD's BEPS multilateral instrument (MLI) which, amongst other things, introduces additional anti-treaty shopping measures and is **expect** to take effect in the coming years. DTAs' either exempt the payment from withholding tax or provide for a reduced rate of withholding tax to be applied. If the withholding tax rate is reduced to nil, no double taxation arises.

Where withholding tax is suffered at source, the DTA allows the overseas tax to be claimed as a credit against Belgian taxes arising on the same income (foreign tax credit (FFB/QFIE))

Under UK domestic law there is no withholding tax on dividends paid to a Belgian parent company. Furthermore the DTA between Belgium and the UK reduces the 20% UK domestic rate on interest payments to nil for interest payments between a UK and a Belgian company.

The DTA further reduces the 20% UK domestic rate on royalties to nil.



DIRECT TAX
TRANSFER PRICING

KEY ISSUE

Transfer pricing rules apply to transactions and restructurings and comes into sharper focus post-Brexit.

Transfer pricing rules are designed to prevent the sheltering of income and profit in low tax territories through the manipulation of pricing between connected parties within a multinational enterprise. Governed by the OECD's Guidelines on Transfer Pricing, these are adopted by tax authorities in Europe and more widely: they will continue to apply following the UK leaving the EU.

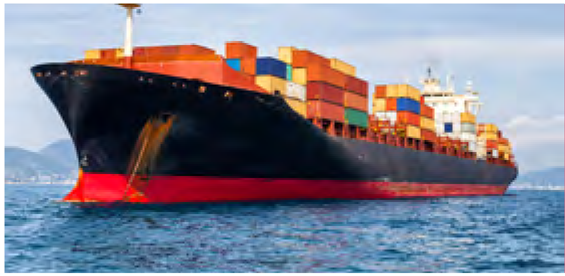
Tax authorities are expected to focus on ensuring that local entities receive an arm's length reward for their activities. They will test this through a businesses transfer pricing documentation. The EU side of transactions will need to be compliant even for those companies exempted from transfer pricing risk in the UK.

Businesses restructuring their activities in response to Brexit will need to:

- Collate supporting evidence that transactions undertaken as part of restructuring a group would have taken place on those terms between third parties (including an analysis of realistically available options)
- Ensure that the provision of goods, services and assets is demonstrably at arm's length going forward.

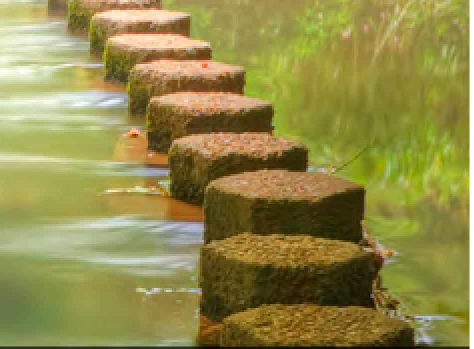
Until now, any double taxation arising from a successful tax authority challenge could be addressed through the mutual agreement process between EU tax authorities. This will only remain available where DTAs are agreed post-Brexit with the appropriate clause.

We can assist you with reviewing your intragroup transactions and proposed group restructuring to determine the transfer pricing risks and how these are best addressed. We can help you to identify, implement and support robust positions.



ASSESS

1. Do you have a transfer pricing policy and documentation in place?
2. Is it a good fit to the reality of your business model?
3. If a change of business structure or model is expected, how should your transfer pricing change?



DIRECT TAX

FOREIGN EXCHANGE AND HEDGING

KEY POINT

Brexit may cause greater uncertainty over foreign exchange movements but preparing accounts in a functional currency other than sterling may reduce that uncertainty.

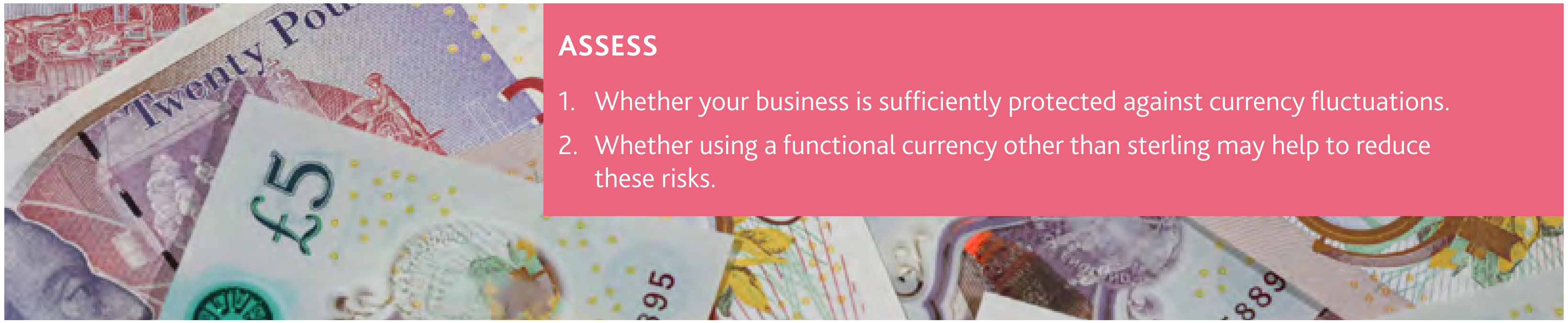
One of the most significant and immediate outcomes of the referendum in June 2016 was the sharp fall of sterling (to its lowest level since 1985).

Continuing uncertainty around what the post-Brexit economy will look like and the outcome of trade negotiations means businesses without sufficient protection in place could be exposed to significant risk of currency gains and losses.

Business can put in place bespoke operative and financial hedging operations to minimise their forex exposure or they could consider to preparing their financial statements in another functional currency like the UK sterling.

A functional currency is the currency used in the primary economic environment an entity operates. This is the environment in which the business primarily generates and spends cash.

Belgian business might be able to recognise their activities whereby activities denominated in UK Sterling can be undertaken in a single (separate) Belgian entity. This should allow the entity to use that currency as its functional currency in order to prepare financial statements in that currency and file corporate income tax return based **on this financial statements** – reducing the entity's exposure to forex movements (and possible undesirable tax consequences) on its operating and financial activities. There will still be an exposure to currency fluctuations when profits are repatriated to the parent company and/or individual shareholders.



ASSESS

1. Whether your business is sufficiently protected against currency fluctuations.
2. Whether using a functional currency other than sterling may help to reduce these risks.

DIRECT TAX
BUSINESS RESTRUCTURING

KEY POINT

If, as a result of Brexit, Belgian businesses incur substantial customs duty and/or VAT liabilities which cannot be mitigated, they should consider restructuring their business with the UK.

Restructuring a business often involves closing operations in one country and starting new operations in another country.

Restructuring can be a lengthy and complex process often requiring the movement of people and assets and involving a considerable amount of senior management time. Furthermore, pre-Brexit restructuring review should consider all anti-avoidance measures under Belgian law (e.g. the GAAR) and the EU Anti-Avoidance Tax Directive (see **page 45**).

The benefits of restructuring, therefore, have to be clearly identified and measured from the outset.

As a consequence of the UK leaving the Customs Union, the subsequent imposition of new Customs/VAT procedures and the additional liabilities that arise from the implementation of those procedures could be significant and a substantial cost for some businesses.

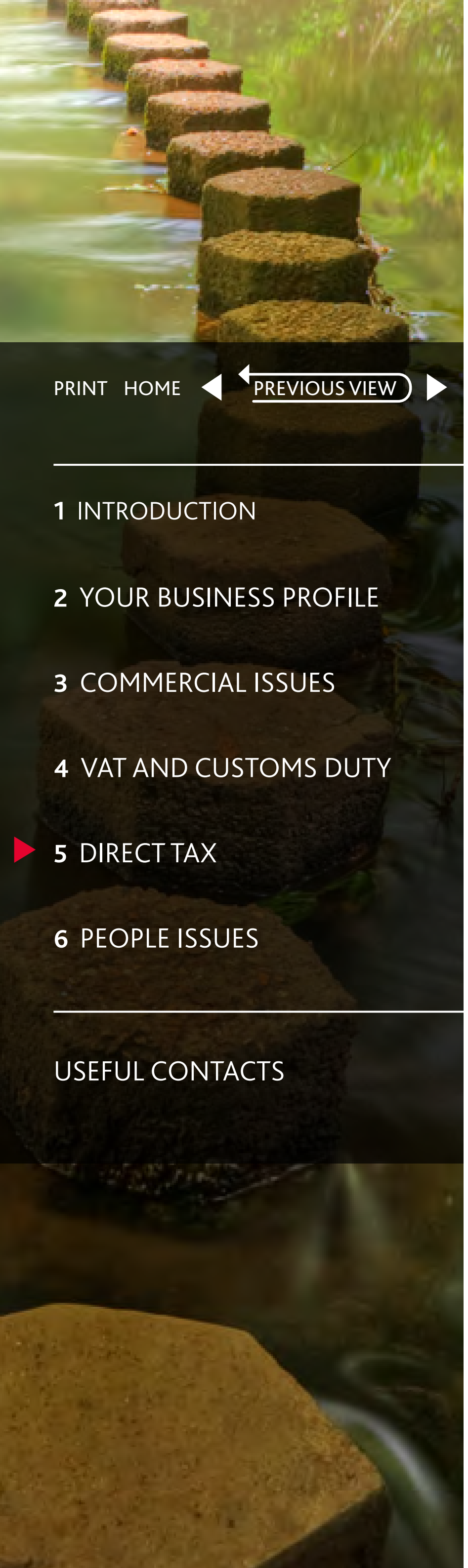
Where additional costs cannot be passed onto customers, Belgian businesses should consider how these costs can be mitigated by restructuring their operations.

All businesses operate in a complex environment and there is no single restructuring solution that will apply to every business looking to restructure. Each case will need to be considered based on their specific facts and circumstances.

IDEAS

Here are a few of the many reasons why a Belgian business with UK operations may want to restructure:

a. Processing businesses, which import from non-EU countries, carry out a process in the UK and sell finished goods to EU countries but which cannot mitigate the double tariff charges. The process and selling business may be more profitable based in the EU.
b. Processing businesses, which import from non-EU countries, carry out a process in the UK and sell finished goods to EU countries may be able to mitigate tax charges by relocating head office functions to another EU country (eg Ireland).
c. Belgian retailers importing finished goods from outside the EU in the UK may consider another location in the EU to import those goods.



DIRECT TAX

BUSINESS RELOCATION AND MIGRATION

KEY POINT

Businesses may need to move people, assets and functions as a consequence of Brexit. There are many tax consequences of such moves. Some are obvious, some are not!

CLOSING YOUR UK OPERATIONS INSTEAD OF SETTING UP OVERSEAS ENTITIES

Moving operations outside the UK may often require setting up a legal entity in the overseas country ie a branch or a company. This can be a long process when compared to the UK process and creating an overseas company often requires more than a nominal amount of share capital to be introduced. The legal and commercial considerations will be very important in deciding what legal entity is set up and the tax consequences of using either entity will also need to be considered.

PERMANENT ESTABLISHMENTS (PE)

Belgian businesses should be aware that a taxable presence in the UK in the form of a permanent establishment may continue to exist despite the closure of the legal entity. Such a PE will normally have the same tax consequences as an overseas branch.

A PE is normally created if a fixed place of business exists through which a business carries on its activities and/or a dependent agent has the authority to conclude contracts on behalf of the business.

The definition of a PE is currently being addressed as part of the BEPS Action plan. Once the new rules are adopted into tax laws across the EU, the scope for creating a PE will increase. For example, in future a PE may be created where contracts are significantly negotiated in a country.

UK tax legislation broadly treats the trading operations of an overseas branch or an overseas company as not taxable in the UK by electing to exempt overseas branch profits and by exempting company's profits under the CFC rules and by exempting dividends received.

Withholding taxes either on remittance of branch profits and or dividends may apply, which may be mitigated under the appropriate DTA. In addition, remittances of income to the UK may need to be more closely monitored by reference to exchange controls and legal procedures - eg it may only be possible to pay dividends at certain times coinciding with the approval of the accounts.

TRANSFER PRICING

Once a Belgian business starts to transact with an overseas entity, the prices charged between each entity must comply with each jurisdictions **transfer pricing** policies – these are designed to ensure that transactions between connected persons are conducted at prices equivalent to prices charged between third parties. **Transfer pricing** applies to all transactions between connected persons ranging from the provision of finance, intellectual property and goods and services.

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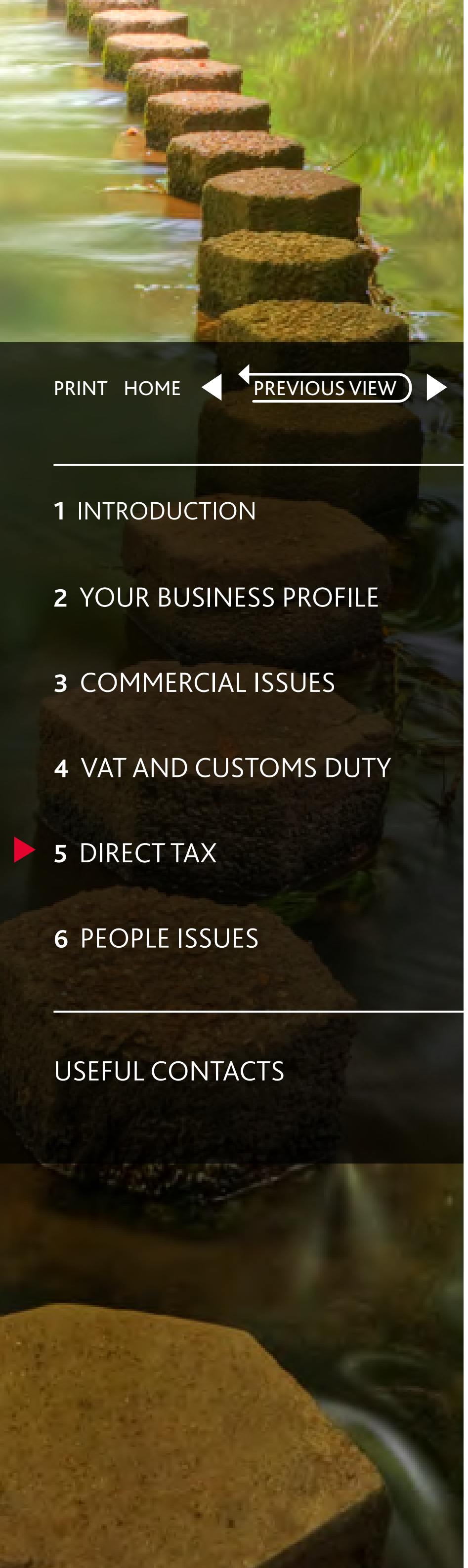


PRINT HOME PREVIOUS VIEW

DIRECT TAX

BUSINESS RELOCATION AND MIGRATION

TRANSFERRING ASSETS OVERSEAS

The transfer of any UK asset is normally a disposal for UK tax purposes and a transfer between connected parties is normally deemed to be made for market value. Transferring a bundle of assets may indicate part or all a trade has been transferred and therefore intangible assets including 'goodwill' need to be identified to understand what assets have been transferred.

Valuation of assets may be required for UK tax purposes - particularly for intangible assets which are not included on the balance sheet. Gains arising on asset transfers may be capable of being deferred under UK tax law. However, deferral can be dependent on transfers taking place between entities resident in two EU countries. Therefore, the timing of such transfers will be important.

ANTI-AVOIDANCE TAX DIRECTIVE (ATAD)

ATAD will implement the OECD's BEPS recommendations on a EU-wide basis – including measures on CFCs, anti-hybrid rules and tax interest deductions. In addition, ATAD will implement new exit tax measures (eg when a company changes its tax residency or transfers a PE) and a general anti-avoidance rule to cover gaps in domestic measures. All EU wide, UK and local member state anti-avoidance legislation may have an impact on business relocation and migration plans so should be considered carefully as plans are drawn up.

MOVING SENIOR PEOPLE

Moving senior people can result in significant business tax consequences, such as:

a. Creating a PE in an overseas country
b. Changing the tax status of a company
c. Amending processes which effect **transfer pricing** policies.

CHANGING A COMPANY'S TAX STATUS

As well as the many people issues that arise from **relocating your workforce**, moving people who are directors of a company could lead to a change in the tax resident status of the company. Residence status is often determined by the place of management of the company (eg under DTA tie breaker clauses) and, therefore, where directors make decisions is important in establishing the place of management.

Changing a company's tax residence can give rise to an 'exit charge' on any assets transferred. If certain conditions are met it is possible to defer the exit charge where a subsidiary company migrates but advice should be sought at the planning stage.

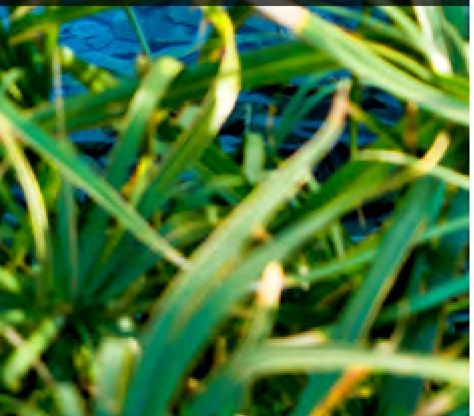
For companies that are seeking to operate under a different commercial code to the one they were originally registered under requires a change in the company's domicile. Currently, the European company or 'SE' offers UK companies an opportunity to change their domicile. It is currently unclear whether this option will remain available post-Brexit

MANAGING TAX CASH FLOWS

Profits arising in different jurisdictions will affect the effective rate of tax and ultimately the cash leaving the business. Losses arising in one country are unlikely to be relieved against profits arising in another country. This could lead to a higher effective rate of tax, more tax cash flowing out of the business and trapped losses.

ACTION

If you are thinking of moving people, assets and businesses across borders as a result of Brexit, this is likely to alter your tax profile. Seek advice before you make the move.



PEOPLE ISSUES

IMPACT OF RELOCATING YOUR WORKFORCE

KEY POINT

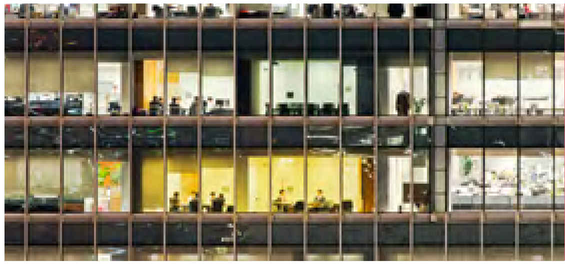
There are a number of people issues to consider if any decision is made to relocate your workforce.

You may be considering relocating your business operations to a different country (e.g. into a remaining EU member state or into the UK), whether for practical, regulatory or other financial reasons.

The relocation of workforces creates a number of issues employers will need to consider:

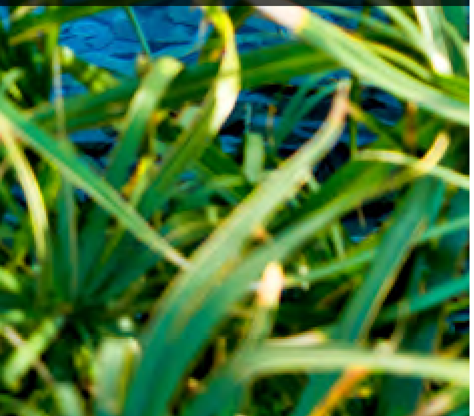
- Comparison of tax rates across the two jurisdictions;
- Consideration of tax policies an employer can implement if they want to make sure their employees are not worse off from a net income perspective;
- Determination of employer and employee social security payable;
- Identifying payroll and other compliance obligations for both the employer and employee (tax returns, registrations with tax authorities etc);
- Currency policies and how to deal with paying employees;
- Pay benchmarking and cost of living allowances;
- Visa and immigration issues;
- Relocation assistance and costs;
- Housing – is it comparable in terms of standard and cost?
- Schooling - is it comparable in terms of standard and cost?
- Healthcare - is it comparable in terms of standard and cost? Will employees need private medical cover?
- Understanding of the culture / living environment and where difficulties might arise either in doing business in such a location or for employees and their families to settle.

BDO can help run scenario planning so you can get a full picture of what any such move will mean in terms of costs for you and the impact on your employees.



ACTION

1. Identify the tax and social security costs of any move for both the employer and employee.
2. Consider any additional benefits you might need to provide employees moving out of the UK (or into the UK).



PEOPLE ISSUES

SOCIAL SECURITY

KEY POINT

Post-Brexit, the UK may no longer be covered by EU social security regulations.

All **31 member** states of the EEA, plus Switzerland, have agreed a common social security policy. The purpose of these regulations is to protect equality of treatment and social security benefits and healthcare rights for workers and their dependants regardless of where they work or live in the EEA. Currently, where EU regulations conflict with UK domestic social security law, the EU regulations take priority.

Any individual covered by the EU regulations will only be subject to the social security legislation of a single member state at any particular time - so there can be no double contributions on the same income. The basic rule is that contributions are paid where work is performed. **However** there are special rules for employees working in more than one member state at the same time and workers who are posted temporarily between member states with the aim of ensuring continuity of home country social security coverage.

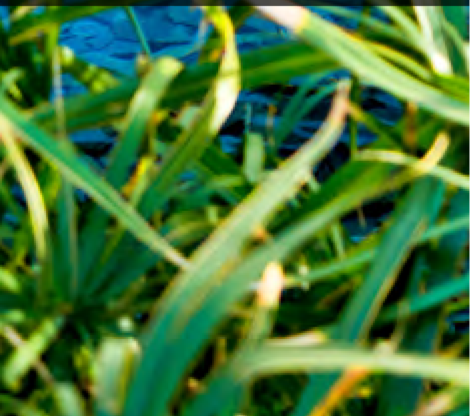
Employers will, therefore, be concerned about how Brexit potentially affects employer and employee social security costs for their inbound and outbound mobile workforce, multi-state workers, commuters and business travellers. The coordination rules regarding social security for migrant workers (Regulation 883/04) apply to EEA Member States. If the UK chooses to join the European Economic Area, then the coordination rules can be expected to remain more or less the same. Should the UK not join the EEA, issues will arise with regard to the social security rights of workers, both for the past (already-acquired rights) and the future (risk of discrimination).

In such a scenario, employees are likely to be concerned about the impact on their access to healthcare and social security benefits. If employees are no longer able to access a host country's healthcare, either under a S1 certificate or a European Health Insurance Card (EHIC), this will lead to additional worries as well as costs.

We can help you navigate these issues and provide a risk assessment covering your current social security costs and the impact of potential changes in rules. This will compare your current social security costs against potential costs on a risk basis. We can also help undertake an assessment of the social security costs if you have any plans to move your workforce or set up in new locations.

ACTION

1. Review your mobile workforce (including secondees, commuters, multi-state workers and business travellers) to identify who may be affected by any change in legislation.
2. Consider the viability of current and future secondments.



PEOPLE ISSUES

IMPACT ON EMPLOYEE PENSIONS

KEY POINT

Cross-border pension schemes and workers may no longer be governed by EU legislation.

Currently pension schemes are, in the main, the responsibility of the individual EU member state. However the EU has a regulatory framework which covers pensions and in particular: cross-border co-ordination of social security; setting up an internal market for company pension schemes and protection for scheme members; minimum guarantees in case of the insolvency of the sponsoring employer; and anti-discrimination rules.

The rules currently allow workers across different EEA countries and Switzerland to aggregate state pensions built up across their working lives and make one application to the country in which they reside during retirement. Without this system in place, UK or EEA nationals who have spent periods living and working in other member states would be disadvantaged with additional administration and potentially find their pension rights significantly reduced.

European regulators have also agreed service level agreements for the **cross border** application process. Pension schemes located in one EU state need to apply for authorisation and approval to accept contributions from employers employing members who are subject to the employment law of another EU state. There is also the requirement for crossborder pension plans to be fully-funded at all times.

It is possible that much of the existing EU-derived legislation will remain in place, mainly because it was designed to protect members. Existing regulations will continue to apply until changed specifically by the UK Government. The Pensions Regulator has been clear that pension scheme trustees should avoid 'knee jerk' reactions to market volatility although it is recommended that their position is reviewed to understand risks of the scheme's investment strategy and the employer's legal obligation.

Finally it is important to note that the taxation of pension contributions or pay outs is determined by reference to either domestic tax rules or double taxation agreements in existence between the countries concerned. Therefore, Brexit should have no impact on the tax treatment of pension contributions or pension payments.

ACTION

Consider whether you have employees moving between the UK and other EU member states who will be affected by any shift from the current EU pension directive.

PEOPLE ISSUES
SHORT TERM BUSINESS VISITORS

KEY POINT

Brexit is likely to increase the number of internationally mobile employees but there may be compliance and reporting obligations for short term business visitors.

National tax authorities across the globe are now increasingly scrutinising internationally mobile employees – often viewing this as an area of likely noncompliance and a soft target to increase their tax take by applying penalties.

Some authorities (including the UK) now insist on compliance reporting of business traveller populations on an annual basis and employers signing an agreement to track them. With the onset of the BEPS, the requirement for country-by country reporting and the movement to more closely align transfer pricing practices with value creation, employers face an increasing need to monitor the whereabouts of their employees.

In the UK, companies with short term business visitors are required to sign up to an agreement with HMRC and track their visitors. There is a requirement for annual reporting on those visitors that are eligible for inclusion in a report on the basis that they qualify for DTA protection for any earnings attributable to UK workdays. If you have business visitors in the UK but do not have an agreement with HMRC, PAYE should be operated for these individuals (unless an NT code is in place).

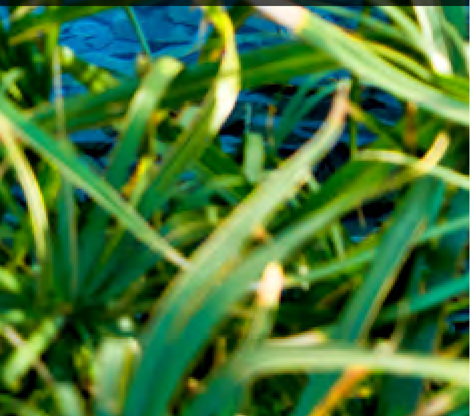
BDO can help you further understand your obligations, provide guidance on tracking, monitoring, preparing and submitting any necessary applications to tax authorities.

We can also provide BDO QuickTrip – our business traveller app and platform which is designed to help HR and Finance teams manage the increasing number of tax and immigration challenges for their business traveller communities.

BDO QuickTrip enables employers to track their business travellers' international movements, it includes an alert system for impending tax events and enables employers to produce reports to manage their compliance obligations.

ACTION

1. Identify your business travellers.
2. Review your systems for tracking business travellers and meeting all necessary compliance and reporting requirements.



PEOPLE ISSUES

IMMIGRATION AND EMPLOYMENT ISSUES

KEY POINT

Brexit challenges the EU pillar of free movement of persons between the UK and other member states.

After Brexit, it is expected that employees' ability to transfer between the UK and the other EU member states will be restricted.

Employers will need to consider the impact on UK nationals currently working in their business and their recruitment policies, and on EU nationals currently working in their UK businesses.

Your people are your greatest asset. In a communications vacuum, employees will fear the worst and, therefore, employers will need to review the potential impact and give what reassurances they can.

It is expected that the Brexit 'divorce settlement' will include some special rules for certain groups of workers: it is possible that EU workers in the UK will be subject to the same conditions and restrictions as migrant workers from outside the EU. Similarly, people from the UK who want to work in EU member states may need a valid work permit or a long-term residence permit to be able to do so.

Although the 'Great Repeal Bill' will import EU directives into UK law on Brexit, over time, British lawmakers will then be free to deviate from European legislation and the rulings of the European Court of Justice. This may affect (amongst others):

- Working time
- Temporary staff
- Transfer of business / collective redundancy
- Family-friendly measures, including pregnancy and parental leave
- Minimum wage
- Stipulations regarding equality and the prohibition of discrimination
- Trade under the WTO rules.

However, it is important to note that in many cases UK regulations have greater scope and offer more protection than the European minimum standards.

Moreover, if the UK chooses to join the European Economic Area, then the provisions of the European internal market will remain applicable and immigration regulations should be expected to remain more or less the same.

ACTION

1. Review employee contracts and consider what action may be needed to ensure that non-EU and EU talent is protected and retained.
2. Assess the cost implications for your business in case free movement of labour should cease.

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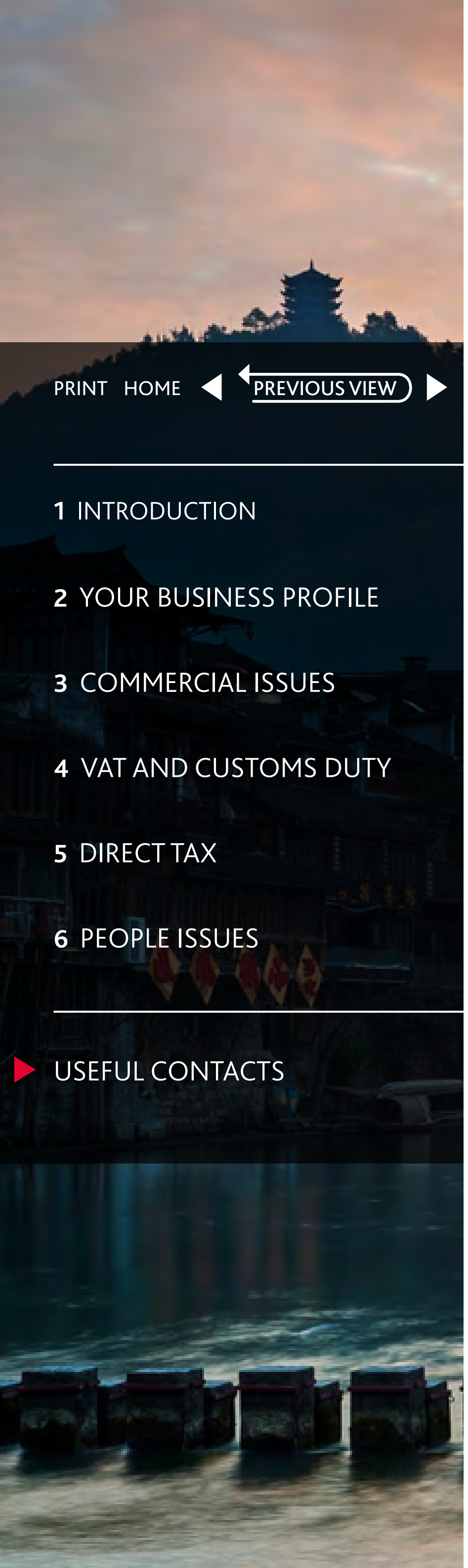

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