



# How to deal with the Brexit



# Relevant Questions

Following the UK's decision to leave the EU, business operations and legal structures must be reviewed to identify any unforeseen consequences.

## People and culture

- How soon would your business feel the impact of restrictions on the availability of EU labor?
- What is your resourcing plan?
- How many UK nationals do you employ in Switzerland and vice versa?
- What is the administrative cost of retaining them?
- How will your workforce change – and thus your staff culture?
- How will you deal with employment policies after Brexit if English and Scottish law diverges from the rest of the EU?
- How will the new regulations on free movement of labor impact immigration and social security?
- What is your company policy on assisting EU nationals in becoming UK passport holders if that becomes available to them?

*Remark: The exit vote will not lead to immediate personal tax implications. However, if the UK leaves the EU social security scheme, there will be an impact on the social security tax costs and administrative requirements for those that work regularly across the EU/EEA; for example, senior executives with global roles and those on international assignments.*

## Financials, liquidity, funding, capital structure, pensions

- What effect does the potential uncertainty have on the availability and cost of capital?
  - What is the impact on your interim reporting?
  - What does your forecast look like now?
  - How does that affect your asset evaluation?
  - What type of capital structure do you need to support your business requirements, manage any uncertainty and take advantage of opportunities?
  - Which financing options may be available to meet your funding requirements?
  - Will investors continue to fund capital investment programs?
  - What should your financing strategy be to provide best execution of any funding process?
  - What preparation will any financing process require and how long is it likely to take?
  - When should you approach the market to complete your refinancing?
  - How is Brexit likely to impact your future financing costs and banking terms?
  - Will ERP systems require updating to reflect changes in transactional taxes, such as VAT? Will VAT remain a pass-through disbursement or will it be trapped due to the use and enjoyment rule?
- To what extent does your business rely on EU grants? This may not change in the short term, but future plans and projects should be taken into account.
  - Does a major project or a significant proportion of your activity rely on funding from EU-based investors? This will not change in the short term, but you should consider future plans and projects, in particular bids or major contracts where EU members may be given precedence.
  - Scheme sponsors and trustees should consider how Brexit affects the employer and its medium and longer-term covenant to the scheme, in order that they can assess their ability to weather covenant, investment and liability risk in the new environment.
  - Although much of the focus in the pensions industry is on the implications of funding defined benefit pension schemes, pensions savings and wider savings vehicles have seen falls in capital values. Employees may find their expectations have now changed and they may need to revisit this. You may also want to consider offering advice to anyone in the process of retiring.





## Core business processes

- Will you need to review your “go-to-market” approach in the UK?
- Does your distribution footprint and network still make sense in light of the UK’s decision to leave the EU?
- Do you understand your supply chain sufficiently to identify threats?
- Do you have natural hedges in place?

## Operations, technology and infrastructure

- Will restrictions on cross-border activities increase the administrative burden of UK operations?
- Will IT systems need to be adapted?
- What is the lead time for the required process and technology adjustments?
- To what extent does delivery of any of your services rely on data sharing between EU countries?
- Do you have data centers or analytics capability for UK businesses based in any EU member state?
- Could your enterprise data cope with a legal separation of company entities, new trade agreements or changes to data privacy legislation?
- What impact does the exit vote have on your logistics systems and processes? If you are considering any back-office system implementations in the short to medium term, coding terms will be affected.

## Organizational structure, governance and risk

- If you do business in the UK, how will your corporate structure mitigate risks, take advantage of opportunities and respond to future changes in regulation?
- If you restructure your organization, will you face exit tax costs?
- What customs (if any) and import and export formalities for the transport of goods between the UK and the EU can you expect?
- Can you manage your business if you face travel restrictions?
- What does the abolition of ECJ case law entail?

## Measures and incentives

- Do you have sufficient data to understand the resiliency of your business in terms of this development?
- How can you improve monitoring to identify in advance any further shocks?
- Have you quantified the potential changes to the effective tax rate?

## Tax and tariffs

- Do any of your UK legal entities have branches, representative offices or other types of presence (such as VAT registration or ownership of inventory) in other member states?
- Do you have an EU corporate or divisional headquarters in the UK?
- Is the UK used as an international holding company location in your group structure?
- Are you committed to long-term agreements that implicitly assume the status quo? Do they represent ticking time bombs? For example, do you have fixed price contracts beyond two years that do not take account of tariffs?
- Do you receive goods or services from other EU member states? How will Brexit threaten the continuity of your short and longer-term supply chain?
- Does your supplier base, or indeed your suppliers' supplier base, include companies on which you rely to deliver to your customers that may face cash flow difficulties?
- Do you have material flows of royalties or interests between the UK and other EU member states?
- Will the preferential origin of any products change because of UK parts or UK processing?
- Are your systems and processes prepared for increased logistics, tax impacts and new pricing structures?
- Will you need to review pricing policies for changes in tax or costs?
- Which specific EU VAT schemes for cross-border supplies will no longer apply?

## Markets

- Will trade decrease between the UK and Switzerland in your industry?
- Which alternative markets should be explored?
- How concentrated is your EU customer base? If one or more of your customers is EU-based, you may be exposed to contract renewals. How do you plan to communicate with your customers?
- Will the UK market require new regulatory (product) approvals?
- Will the cost of products manufactured, or partially manufactured, in the UK change (reduced or preferential duty rates in the country of destination)?
- Will prices destined for the UK consumer market have to be adjusted due to different duties levied on imports into the EU?

**In 2015, UK was Switzerland's third most important trading partner.**



Source: Eidgenössische Zollverwaltung – Schweizerische Aussenhandelsstatistik

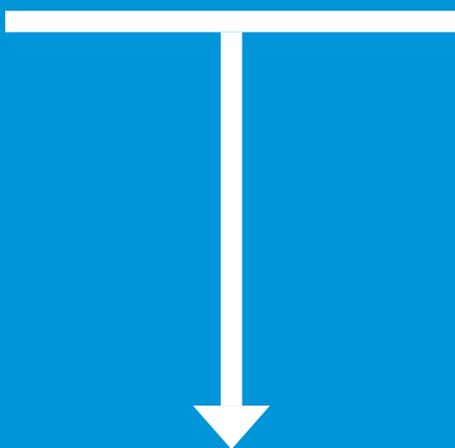
# Impact on Swiss organizations



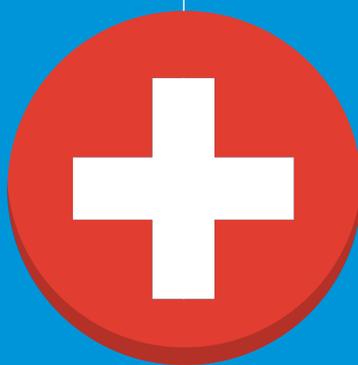
Direct consequences



Indirect consequences



## Market consequences



## Impact on corporate operations



# How can we help?

## Economic and legal review

We conduct an independent and objective review of the impact of Brexit on your business. The deliverable will be a KPMG-branded assessment that you can share with your Board, audit committee and key investors. It demonstrates that you have the issue well in hand (in a way that many organizations still do not), that you have taken appropriate steps to identify and understand the key benefits and risks to your business and you are able to develop the right strategies (e.g. commercial engagements or changes to pension fund allocations).

## Assessment and preparation of board papers

Facilitation of internal discussions: KPMG can help through attendance at internal meetings in which you discuss the Brexit issue. Led by you, we will share thinking and identify challenges (and opportunities) based on our professional experience.

Based on the before mentioned intensive assessment we identify key challenges as well as opportunities through our professional experience and set defined actions in order to tackle this topic at best. KPMG helps to prepare the business cases by considering all aspects and impacts of the Brexit and possible ways forward. Finally we create a comprehensive report your board is able to take decision on.

## Terms-of-trade mapping

To quantify the potential costs to your business of a change in terms of trade in your key markets from existing EU agreements to WTO trade rules, we will a) undertake a mapping of the terms most at risk of change, and b) quantify the potential effect on your business.



## Contacts

### KPMG AG

Badenerstrasse 172  
PO Box  
CH-8036 Zurich

### Anne van Heerden

Head of Advisory  
+41 58 249 28 61  
annevanheerden@kpmg.com

### Lukas Marty

Head of Audit  
+41 58 249 36 49  
lmarty@kpmg.com

### Philipp Rickert

Head of Financial Services  
+41 58 249 42 13  
prickert@kpmg.com

### Peter Uebelhart

Head of Tax  
+41 58 249 42 24  
puebelhart@kpmg.com

[kpmg.ch](http://kpmg.ch)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received, or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The scope of any potential collaboration with audit clients is defined by regulatory requirements governing auditor independence.

©2017 KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.