



How to deal with the Brexit



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On 23 June 2016, UK voters decided to leave the European Union in a referendum. This decision has a far-reaching economic impact within all of Europe and, in particular, also on Switzerland due to strong foreign trade relations between these two countries. KPMG is well positioned to help clients identify their UK exposure and define the necessary steps to deal with various direct and indirect consequences.

Relevant Questions

Core business processes

As the UK will leave the EU, operations and legal structures will need to be reviewed for unintended consequences

- Will you need to review your 'go to market' approach in UK?
- Does your distribution footprint and network still make sense in light of the UK leaving the EU?
- Do you understand your supply chain sufficiently to identify threats?
- Do you have natural hedges?

Market access

- Will trade decrease between the UK and Switzerland in your industry?
- Which alternative markets should be explored?

Organizational structure, governance and risk

- If you do business in the UK, how will your corporate structure need to change to mitigate risks and take advantage of opportunities? Or respond to future changes in regulation?
- If you restructure your organization, will you face exit tax costs for the transition?
- What kind of customs (if any) and import and export formalities for goods moving between the UK and the EU should you expect?
- Can you manage your business if you face travel restrictions?

Measures and incentives

- Do you have sufficient data to understand how resilient your business is with regard to this development?
- How can you improve monitoring to identify any further shocks early?
- Have you quantified the potential changes to the effective tax rate?

People and culture

Reduced freedom of movement could lead to labor shortage

- How many UK nationals are you employing in Switzerland and vice-versa?
- What is the administrative cost of retaining them?
- How will your workforce change? And your staff culture?
- How will you deal with employment policies after Brexit if UK law diverges from the rest of the EU?
- How will the new free movement of staff regulations impact immigration and social security?

Operational and technology infrastructure

- Will restrictions on cross border activities increase the administration burden for UK operations?
- Will IT systems need to be adapted?
- Are your systems and processes set up for increased logistics, tax impacts or new pricing structures?
- Will you need to review pricing policies for changes in tax or costs?
- What specific EU VAT schemes for cross-border supplies will no longer apply?
- What is the lead-time for necessary process and technology adjustments?

Financial ambition

- What does potential uncertainty mean for availability and cost of capital?
- What is the impact on your interim reporting?
- How does your forecast look like now?
- How does that impact your asset evaluation?
- Will investors continue to fund capital investment programs?

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

◀ Export CHF13bn

▶ Import CHF31bn

Source: Eidgenössische Zollverwaltung – Schweizerische Aussenhandelsstatistik

Impact on Swiss organizations



Direct consequences



Indirect consequences



Market consequences

Market access	Market outlook	Workforce	Currency/cost base	Capital market
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Impact on corporate operations

Finance	Tax structure	Legal structure	Regulatory compliance	Supply chains	Capital costs	M&A
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How can we help?

Conduct a Brexit assessment

Facilitating internal discussions: KPMG can help by attending and facilitating 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.

Terms-of-trade mapping

In order to quantify the potential costs to your business of the terms of trade changing in your key markets from the existing EU agreements to WTO trade rules, we will:

I) undertake a mapping of which terms are most at risk of changing and how; and II) quantify the potential effect on your business.

Preparing Board papers

Businesses will need to prepare a documentation for the Board that shows a comprehensive consideration of the issue. We can help with this, including setting out the possible impacts of a Brexit and your thinking on the issue to date, based on a holistic economic framework.

A full economic and legal review of the impacts of Brexit

As we have done for other clients, we can conduct an independent and objective review 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 are on top of the issue (in a way that many organizations still are not), that you have taken appropriate steps to identify and understand the key benefits and risks to your business and, building on this, you are able to develop the right strategies (e.g. commercial engagements or changes to pension fund allocations).



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