

After Brexit – Robert Anthony's point of view

By Prof Robert Anthony

What are the likely consequences of the UK's withdrawal from the EU from a legislative and trade standpoint?

It is unlikely that the UK will be able to negotiate economic agreements with the EU similar to those signed by Iceland and Norway. It will be obliged to negotiate a series of bilateral conventions which will be incredibly complicated and take a great deal of time. It will have to directly negotiate treaties with individual member states as opposed to negotiating with the EU as a whole. This will create a new relationship model.

Both domestic law and tax law will no longer have to follow EU legislation. This means that free movement of labour and services will no longer apply to the UK. It remains to be seen what will happen with cross-border professional exchange programmes, for example, European doctors, lawyers and accountants.

As the press have reported, immigration to the UK will become controlled. However, the same is true of UK nationals seeking employment in continental Europe. There will be fiscal consequences for international mergers and acquisitions as they will no longer be covered by

European tax law. The collection of cross border debts, the inter-community VAT will need to be addressed.

One aspect which may give cause for concern is that cross-border tax abuse is exposed to unfair tax competition, meaning that countries will have to ensure that the UK does not unfairly manipulate this situation to their advantage. Customs duties could also be lowered to make the UK more competitive.

The above-mentioned aspects will take time to resolve. The European Union believes that it can take advantage of Brexit to attract big businesses to establish headquarters on the continent. There is a real risk of protracted, hard negotiations as there are many aspects to be covered and there is no reason for the EU to adopt a stance of generosity.

If one considers the aspects of the U.K. exit, one needs to look at where the EU has fragility in its trading needs. The UK is a large market for Mercedes therefore Germany will care about this industry. European aerospace is also important as it the human military cooperation between France and the U.K. The financial services industry however is seen as a great opportunity for Europe. Will Merkel sacrifice her car industry to gain other aspects? This will depend on the politicians in power in 2017.

In the meantime the international markets have seriously devalued the pound. One would think that this would make the UK more competitive in trade. It should not be ignored that the UK imports substantially. In the past devaluations have shown generally a very temporary effect. Ironically it has helped tourism and soft-



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ens the speculative lowering of London property prices by encouraging foreign investors.

I am personally pessimistic on the foreign exchange UK position and consider the pound will slide a further 5 to 10%. Whilst the city of London is fighting hard to retain its international community the outcome remains to be seen. After all there is time to make decisions and the U.K. has not yet left Europe. New politicians may find new answers to heal the divide between Europe and the U.K. which would be a pleasant surprise. Why pre-empt an uncertain future and after all it maybe alright on the night.



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