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What we know after the party conferences

The party conference season gave the clearest indication yet of how the UK's decision to leave the European Union (EU) will play out. Here we round up what you need to know.

The last few weeks have been full of political activity. Party conference season has been and gone and MPs have returned to Westminster. During this time there has been a flurry of speeches, announcements, reactions and retractions on the subject of Brexit. To bring you up to speed on where this leaves us, here is a quick summary of what we learnt.

Brexit does mean Brexit

One key unifying point between the Conservatives and Labour, from everything we heard at party conference, was that they all accept the result of the referendum and will not call for it to be overturned. Unfortunately, that is where the certainty ends.

The question still remains, what does Brexit look like? While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we know so far?

The aim is to leave the EU by March 2019

Theresa May announced that government will trigger Article 50 (the formal notification that the UK wishes to leave the EU and the start of formal exit negotiations) by March 2017. Given that Article 50 provides a two year timeframe (any longer requires unanimous approval by the remaining members), the UK looks set to leave by March 2019.

Existing EU legislation will remain in force at that point

Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) next year. As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. This is recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It is clear that the top priority for government is ‘taking back control’, specifically of the UK’s borders. In recent weeks, ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

The Prime Minister’s statement that “we will not agree anything that weakens UK control of immigration policy”, essentially means an end to the free movement of people from the EU. Employers should begin preparing for possible restrictions on their ability to recruit migrant workers from the EU.

Leaving the Single Market appears likely

The tone and substance of Theresa May’s speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation (“we will not agree to anything that brings UK under jurisdiction of European Court of Justice”), suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK's future relationship, such as the 'Norwegian' or 'Swiss' models, seem out of the question. The UK wants a 'bespoke deal'.

Given the rhetoric coming from Europe, this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. This is of course, all subject to change. Politics, at least in 2016, moves quickly.

We may not hear much more detail for a while...

While changes may come and concessions granted, we shouldn't expect too much detail. The Prime Minister has repeated her line that there will be "no running commentary". Unless plans are debated in Parliament, we are unlikely to hear more beyond scheduled events, such as the upcoming Autumn Statement.

Where does this leave businesses?

Prepare for some turbulence in markets over coming months

The market reaction to May's announcement on Article 50 showed that, after a relatively stable summer, there will be increased volatility as uncertainty grows approaching the formal negotiation period. The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20. The Autumn Statement on 23 November is likely to be the next opportunity for government to provide reassurance to business. As well as further details on Brexit, we expect to see some additional investment (with housing and infrastructure obvious candidates).

We will be watching closely and keeping you updated of all the relevant developments.

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