

**CRANE & JOHNSTON**

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## Preparing businesses for leaving the EU

What can your firm do before 29 March 2019?

As the clock continues to tick down to the 29 March 2019, when the UK is scheduled to officially leave the EU at 11pm, there is still much uncertainty around what Brexit will mean for UK business.

What is certain is that it will bring change for businesses of every size and sector, but planning for it seems almost impossible.

For businesses that buy and sell to the EU it is important to have contingency plans in place which are flexible enough to cope with a variety of outcomes.

Preparing for the worst will give your business the best chance of moving through the transition regardless of the outcome of negotiations.

The Government has previously said it is unlikely that no deal will be reached over the UK's future relationship with the EU, and with the stakes high for both sides it is in everyone's interests that some form of agreement is reached soon.

Almost half (43%) of the UK's exports are to the EU and generate £235 billion in export revenue. With the EU being the UK's largest trading partner, it paints a clear picture that the EU will continue to play a key role for UK businesses in the future.

The British Chambers of Commerce (BCC) believes that all firms, not just those directly and immediately affected, should be undertaking a Brexit 'health check' along with a broader review of existing business plans.

A recent BCC survey suggests that a significant number of businesses are either watching and waiting or taking no action at all to prepare for a no-deal Brexit.

Despite the uncertainty ahead, and the short timeframe, there are still a number of steps that businesses of all sizes can take to ensure they are as ready as they can be.



Though the volume of guidance issued by the Government and various business bodies seems daunting, time invested now in thinking through the changes that Brexit could bring to your business could really pay dividends in the future.

Much will depend on the type of business and industry involved, with some industries facing very complex issues. But for all businesses there are some common areas which can be addressed.

### Changing trade rules

If the UK should leave the EU without a deal, the two-year transition period will be lost and the expectation is that trade will immediately revert to World Trade Organisation (WTO) rules.

Currently, goods moving between the EU and UK do not need to be checked at borders and have no tariffs imposed. Under WTO rules goods would be subject to customs checks and tariffs, increasing costs for businesses and leading to slower processing times on the borders.

The additional red tape is expected to cost UK firms up to £27bn although the actual impact of these tariffs will vary between industries, with British farmers expected to be the worst hit with charges estimated to be as high as up to 40%.

The Government has said these custom checks would be relaxed for businesses importing goods to UK in the event of a no-deal, but this does not guarantee the same for those exporting to the EU.

The new guidance from HMRC claims importers will file a simplified online form up to two hours before a lorry is due to cross the English Channel by ferry, or one hour if arriving by Eurostar.



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Importers will have to update the online entry within 24 hours to notify HMRC of the goods' arrival, with the duty payable up to a month later.

You can help mitigate the impact this could cause by reviewing your current pricing structure and ensuring your operations are as cost effective as possible to help your business absorb at least some of the potential increased costs. We can help you with this process.

## Manage your supply chain

The short-term impact of a no-deal Brexit is likely to be chaotic, but planning for logistical difficulties ahead of time will help your business to be as prepared as possible.

With longer delays at borders predicted and reduced capacity through UK ports, businesses which rely on EU imports – particularly those that operate on a just-in-time stock system – will need to plan ahead to minimise the disruption to their supply chain.

Sourcing an alternative supplier within the UK could help eliminate this issue, but this may not be an option for your business.

Instead, you might need to look at alternative planning arrangements, which might include building up stock lines that you know will be in demand and are imported from the EU.

## Currency fluctuations

Three in five UK businesses with suppliers in the EU are already reporting that currency fluctuations have increased their costs.

Protecting against currency volatility will help safeguard your business against the impact of Brexit.

Sourcing within the UK will help protect your profitability as payments and invoices would be paid in one currency, reducing the risk of uncertainty.

If sourcing within the UK is not an option, strengthening your relationships with existing suppliers could help you negotiate better trading terms in the future.

Paying your suppliers in their local currency could also reduce the uncertainty around currency volatility, while forward exchange contracts allow you to lock in favourable exchange rates for a future date.

We can help you develop a currency strategy to help you plan international payments in advance, and budget accordingly.

## Know your target market

Although the EU will remain an important trading partner for the UK, taking some time to focus on your marketing strategy both in your home market and in markets outside the EU could help boost sales and reduce the impact of any potential short-term effect a no-deal Brexit could have on sales.

The UK is home to the third largest e-commerce market in the world and online giants, such as Amazon and Alibaba, are an easy way to reach new international customers.

The Office for National Statistics published its annual report into e-commerce and ICT use among UK firms just before Christmas 2018.

It revealed that in 2017 a startling 54% of businesses in the UK had no website, and even among those with 10 or more employees the number remained as high as 18%.

Getting online is something any business could and should immediately take advantage of.

There is also a growing appetite for 'Brand Britain' in markets such as China, US, Australia and Canada, which means there is a great deal of opportunity for UK businesses to trade on their 'Britishness' overseas for those that can develop a marketing strategy to take advantage of this.

## Guidance and support

Whatever the final outcome will be on whether a deal can be reached prior to the UK's withdrawal from the EU, be reassured that you do not have to navigate Brexit alone.

Contact us for business support and advice.