

Brexit – The potential impact on businesses

What is the potential impact of Brexit on businesses?

There may be a significant impact on any businesses that trade with the EU. All contracts which involve the supply or purchase of goods or services to or from the EU will need to be reviewed. Some key issues to consider are as follows:

- Pricing mechanisms in contracts may assume that there are no tariffs, quotas or other barriers to trading in the EU. Pricing mechanisms may therefore need to be reviewed to take account of any extra costs that may arise if the UK no longer retains free movement of goods and people.
- The regulatory regime in the UK may diverge from that in the EU and contracts may need to be reviewed to assess whether parties still have the ability to perform if regulatory changes occur.
- The cost of performance may be affected by currency fluctuations and market volatility.
- Contracts should be analysed to assess whether there are any rights to renegotiate terms or adjust pricing as a result of any changes to the ability to perform or changes to the cost of performance.

International businesses trading in the UK may also be affected by a Brexit. Such businesses may need to consider:

- Whether their presence in the UK is primarily aimed at trading in the UK, trading with the EU or as a base for wider regional change. If the objective is mainly non-EU related then there may be little practical change.
- The impact of any tax changes or tariffs that may be imposed.
- Whether any restructuring of the business may be needed, for example if a presence in the EU is required businesses may consider the possibility of establishing a subsidiary in an EU Member State, such as Ireland. If a business already has a presence in one or more EU Member States, in addition to the UK, it may make sense to drive EU targeted business through a subsidiary based in the EU.

- Trade is now more focussed on digital rather than physical goods and services, which may minimise the effects of Brexit.
- It is likely that the UK will remain an important market for the EU, and vice versa, so it is unlikely that there will be punitive tariffs imposed on goods and services from the UK.
- There may be an increased emphasis on trade with Commonwealth countries as well as other countries outside the EU, and therefore a Brexit may bring new opportunities.

Questions

We will continue to monitor developments and assess the position so that we are well placed to advise you and your business on any queries you may have. Please get in touch with Gustaf Duhs, Maliha Mahmood or your usual S&B contact if you wish to discuss any issues arising out of the UK's vote to withdraw from the EU.



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This information is necessarily brief and is not intended to be an exhaustive statement of the law. It is essential that professional advice is sought before any decision is taken.

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