

## vat's important

### The UK elections and its impact on the Brexit discussions

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The outcome of yesterday's general election in the UK was surprising. Prime Minister Boris Johnson won an overall majority for the Tory party with his slogan "Get Brexit done". So, what are the next steps?

#### What do I have to think about?

With this overall victory, the positive thing about yesterday's election is that the period of parliamentary deadlock may likely end. This deadlock was mostly due to the different opinions on how to move forward with Brexit. It is expected that the Withdrawal Agreement between the EU and the UK will go through the UK Parliament easily in January 2020 and therefore Prime Minister Boris Johnson will meet his deadline to leave the EU on January 31, 2020, resulting in a transition period until December 31, 2020. Having said this, without prejudicing the next couple of weeks until end of January 2020, due to this transition period, nothing will change for companies in view of any trade between the EU and the UK.

What happens if this Withdrawal Agreement will not pass the UK Parliament? The UK will leave the EU without any agreement by the end of January 2020, when the so-called "hard Brexit" will take place.

#### What does this mean for my company?

It is just "step one" in a very complicated process, if the UK leaves the EU on January 2020. The transition period will end in December 2020. Until then, some kind of trade deal between the EU and the UK has to be established. The trade deal should be finalized by end of June 2020. However, Boris Johnson made it clear that the UK must leave the European Customs Union and the Single Market; in addition, the overall jurisdiction of the European Court of Justice must come to an end.

#### But time is short:

- The EU must agree on a formal negotiating mandate confirmed by all remaining 27 countries and the European Parliament. Hence, negotiations between the EU and the UK will only start in a couple of weeks.
- These negotiations need to come to a final agreement by June 30, 2019. That is the date when the UK must decide whether or not to extend the transition period. But it is clear to everyone that the Prime Minister does not wish to ask for any further extension.
- Without a deal by the end of June 2020, "hard Brexit" will be back on the table by December 31, 2020.
- If the two parties will come to an agreement, this agreement must be ratified by the parliaments which will again take a couple of weeks or months.
- After December 2020, the UK will have left the Single Market and the European Customs Union resulting in border controls for shipments back and forth.



Considering the immense size of the required agreement between the UK and the EU, the first half of 2020 will be quite time consuming and intense for the negotiators. But at least, there is movement again and there is hope that an agreement will be established for the future.

Your PrimeTax VAT Team will keep you posted.

With best regards from your VAT team

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