



Brexit: Implications on the national and international tax system

27 June 2017

About this Presentation

The information contained in this presentation is of a general nature and is not intended to address the circumstances of any particular individual, entity or body.

Although we endeavour to provide accurate and timely information, there can be no guarantee that the information contained herein is complete at the date of the original presentation (on 27 June 2017) or accurately predict Brexit outcomes and implications in the future.

No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

With you today



Graham Seymour

Partner, KPMG in Switzerland

E-mail: grahamseymour@kpmg.com

Tel: +41 (0)58 249 3491



Agenda

Introduction



Potential tax implications



The impact for Liechtenstein



Wrap up and questions

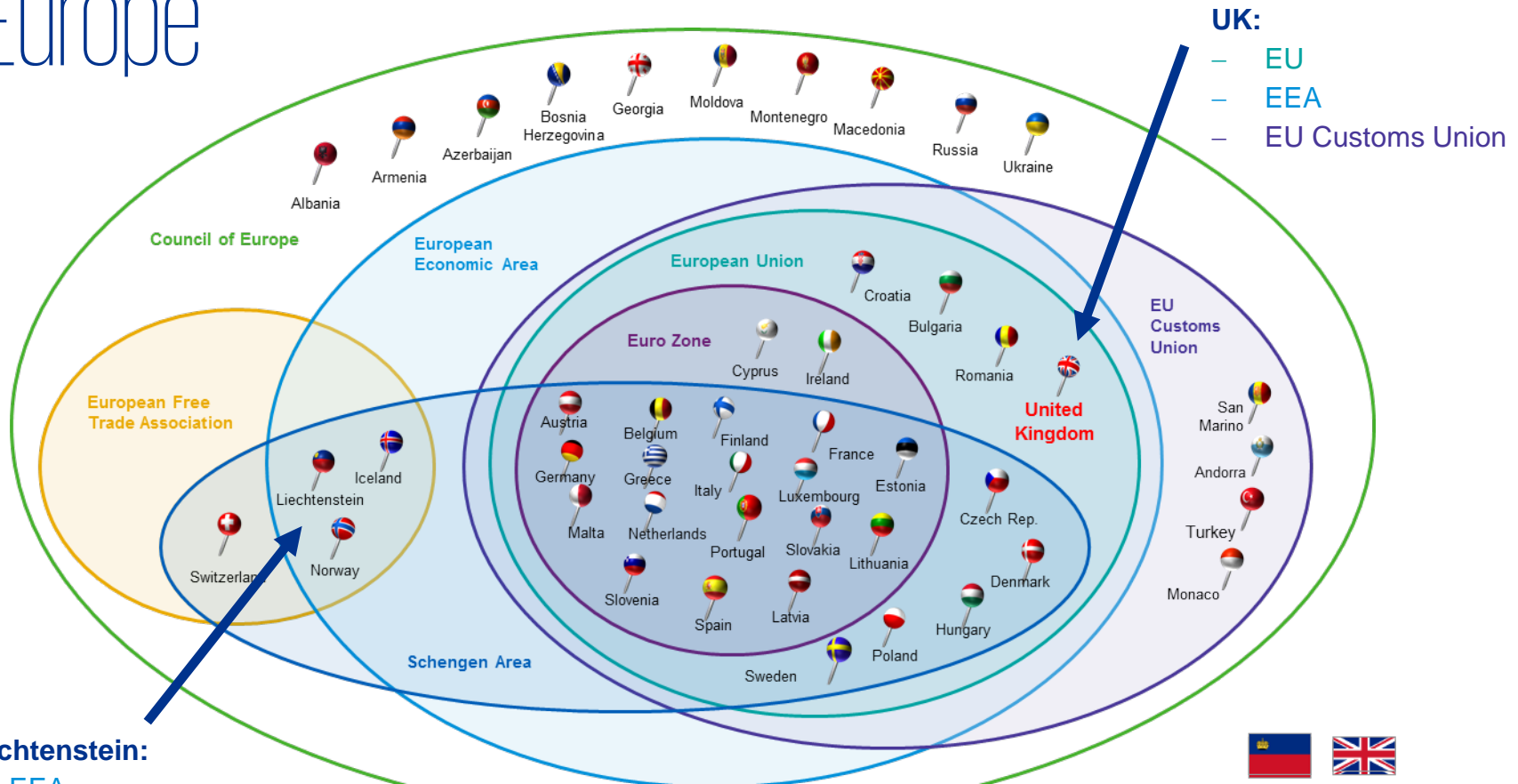


Introduction

Setting the scene



The UK and Liechtenstein's current position in Europe



Liechtenstein:

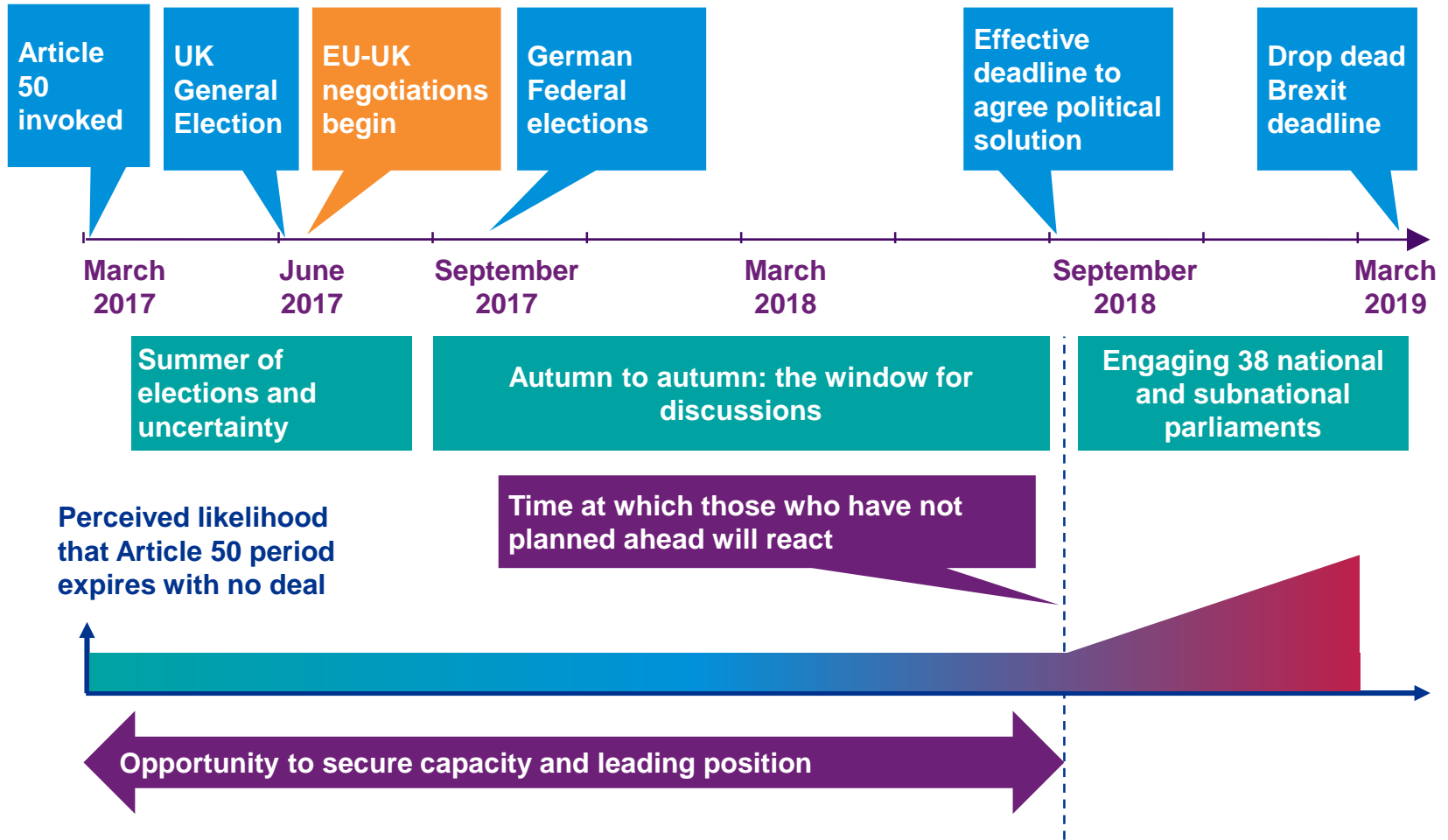
- EEA
- EFTA
- Schengen
- Customs union and shared currency with Switzerland



Comprehensive UK-FL
Double Tax Agreement

Source: Financial Times

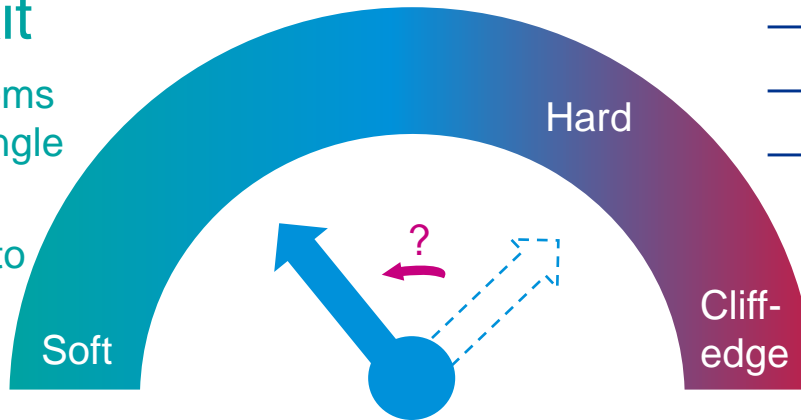
Brexit timeline



How do you like your Brexit?

'Soft' Brexit

- Stay in customs union and single market
- Payments into EU continue



'Hard' Brexit

- Exit customs union and single market
- No jurisdiction for ECJ
- Instead, Free Trade Agreement

'Cliff-edge' Brexit

- No deal, revert to WTO rules

- Lancaster House: Hard Brexit
- General election:
 - Hard Brexit politically impossible?
 - Increased chance of 'soft'-er Brexit?
- EFTA? Norway and France interests
- Off-the-shelf solution unlikely: bespoke agreement
- **Don't wait and see: Prepare and monitor**



May v Hammond

Theresa May's Lancaster House speech, 17 Jan 2017

- "No deal is better than a bad deal"
- 12 guiding principles
- Exit the Single market and Customs Union
- Bold and ambitious FTA with the EU
- Sector by sector approach to immigration



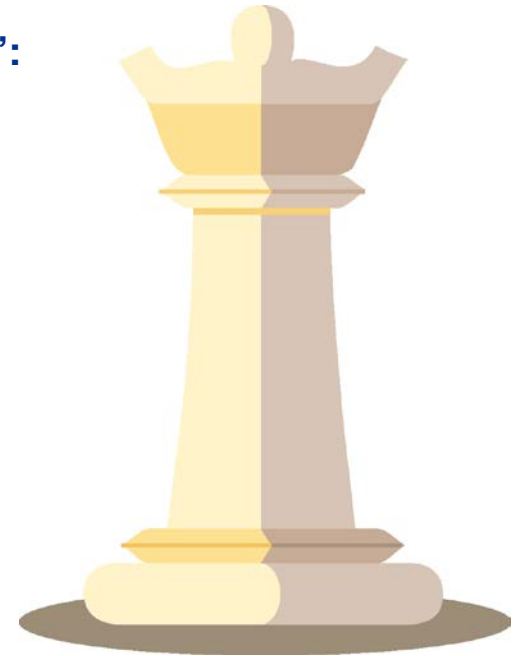
Philip Hammond's Mansion House speech, 20 June 2017

- "Brexit for Britain"
- Four step plan
 1. Comprehensive agreement for trade in goods and services
 2. Mutually beneficial transitional arrangements (to avoid cliff edges)
 3. Frictionless customs arrangements to facilitate cross border trade
 4. Taking a pragmatic approach to financial services

The Queen's Speech, 21 June 2017

Legislative plans for 8 new laws to try to “get Brexit right”:

1. Repeal Bill
2. Immigration Bill
3. Trade Bill
4. Customs Bill
5. Agriculture Bill
6. Fisheries Bill
7. Nuclear Safeguards Bill
8. International Sanctions Bill

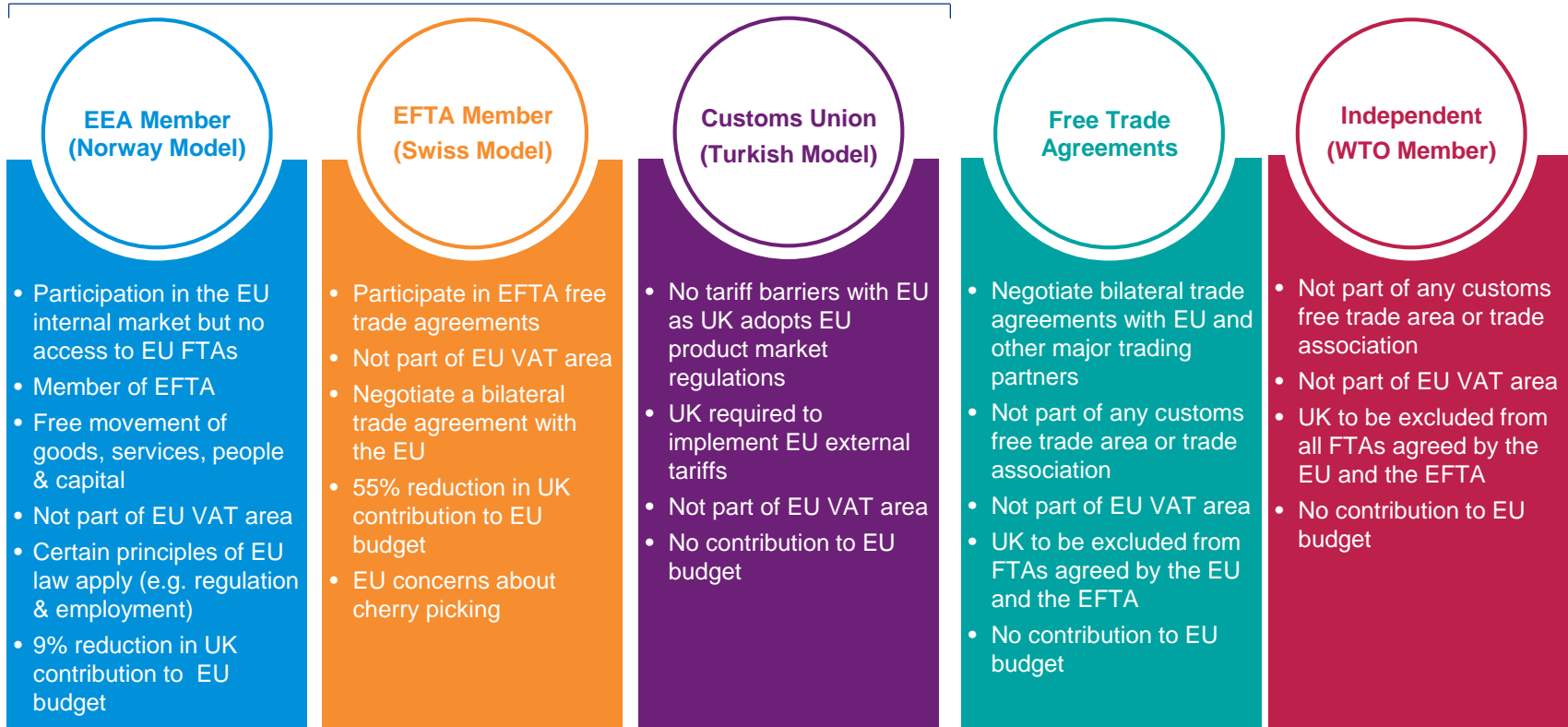


What happens next:

- A six-day debate on the Queen's Speech will take place in the Commons, concluding on June 29.
- Votes on proposed amendments to the speech will be considered on 28 and 29 June.
- The House of Lords will spend 5 days debating the speech but peers rarely vote on it.

Potential exit scenarios

Existing scenarios



Most likely?



'Cliff-edge' / 'no deal'

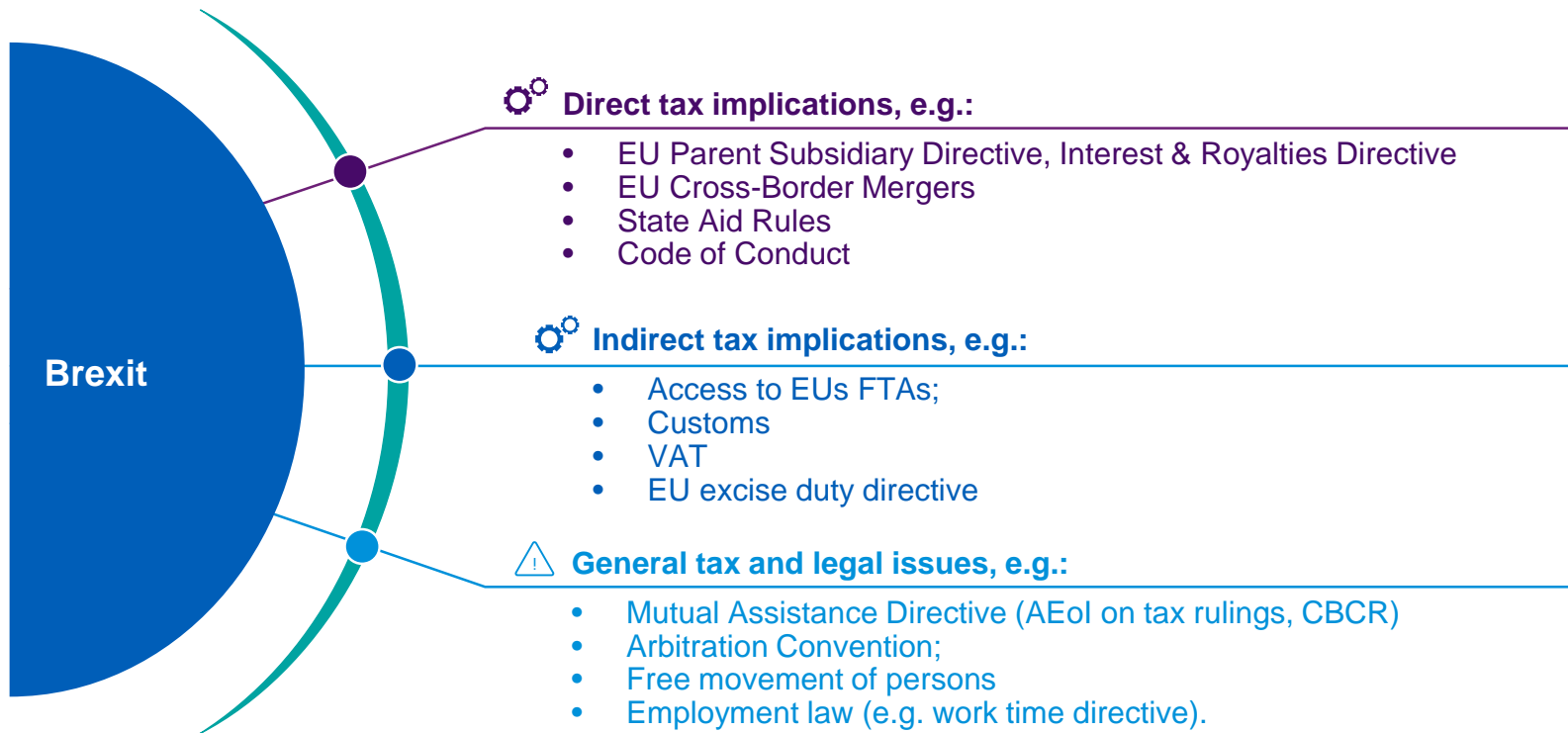


Liechtenstein to attach to any bilateral agreement Switzerland concludes with the UK, via the CH-FL Customs Union?

Potential tax implications



Potential tax & legal implications



Potential exit scenarios: implications

	Norway Model	Swiss Model	Turkish Model	FTA Model	WTO Model
Limited or no tariff barriers on trade in goods	●	●	●	●	●
Dynamic agreement	●	●	●	●	●
Rules of origin requirements avoided	●	●	●	●	●
Single set of regulations for exporting firms	●	●	●	●	●
Full access to EU Single Market	●	●	●	●	●
EU bank passport still available	●	●	●	●	●
Influence over EU regulations	?	●	●	●	●
Able to adopt own approach to regulation	●	?	?	?	●
Ability to negotiate trade agreements independently	●	●	●	●	●
No contribution to the EU budget	●	●	●	●	●
Ability to implement own immigration policy	●	?	●	●	●

Source: Global Counsel – BREXIT: the impact on the UK and the EU

The impact for Liechtenstein



Focus on individuals

UK tax headlines

- 45% for earnings > £150,000 (Labour: 45% for earnings > £80,000, 50% for earnings > £123,000, increase capital gains rates)
- Non-residents subject to UK Capital Gains Tax on UK residential property since April 2015
- Trust Register for UK trusts / non UK trusts which receive income from a source in the UK or have UK assets on which there is a UK tax liability
- Labour: would want to publish tax returns for those earning > £1 million



UK 'non-dom' rules

Up in the air:

- Draft legislation published on 20 March 2017
- Removed from Finance Bill after announcement of General Election
- What now? The rules:
 - May not be enacted
 - May come into effect at a different time
 - May be different to the draft rules previously published

Proposed new UK 'non-dom' rules

Key features

- 15/20 rule:
 - Deemed domicile for UK non-doms who have been resident in the UK for 15 out of the past 20 years
 - Subject to UK tax on worldwide income and capital gains as they arise (no longer on remittance basis)
 - Both foreign and UK assets subject to Inheritance Tax
- Rebasing rule 5 April 2017

Proposed new UK 'non-dom' rules (cont.)

Offshore trusts

- 'Protected' trust regime for non-UK trusts settled by individuals before they become deemed domiciled in the UK:
 - Allow income and capital gains to roll up within the trust without UK tax, provided the settlor makes no additions after becoming deemed domiciled
 - Liability for UK tax on benefits or capital payments received (in the UK)

Optimise your position

1. Understand the pressure points

- Do you trade with the UK?
- Do you have UK subsidiaries? UK staff?
- Is your supply chain reliant on the UK?

2. Quantify the 'worst case' impact

3. Use the Brexit Navigator to plot out your action plan and identify key dates

4. Don't wait and see

- Prepare and monitor

5. Timing is key to maintaining your competitive edge

- Be ready to act when the time is right



KPMG Brexit Navigator

Article 50 is triggered 24 MONTHS TO GO

- Establish your Brexit committee
- Identify your opportunities and weaknesses
- Create your Brexit strategy
- Pause! Check whether your business model still makes sense
- Plan your Brexit communications



DEC 2017 15 MONTHS TO GO

DECISION DEADLINE	
Do you need more warehousing?	How will changing regulations affect you?
Should your manufacturing footprint change?	Is your data handling GDPR compliant?
What impact will Brexit have on VAT and customs costs?	Have you asked your suppliers for their people plan?
	Will your customer and brand propositions work post-Brexit?



JUNE 2018 9 MONTHS TO GO

DECISION DEADLINE	LAST CHANCE TO
Assess inventory impacts? Is the finance in place?	Update global mobility for new social security rules and make strategic hires
Is your corporate structure right? Do you need more branching?	Review your supply chain plans
	Adopt to requirements of new market regulations
	Restructure data systems
	Implement new brand/customer propositions
	Update your contracts



DEC 2018 3 MONTHS TO GO

LAST CHANCE TO
Restructure funding (particularly in relation to subsidiaries) and get financing in place



SEPT 2017 18 MONTHS TO GO

DECISION DEADLINE	LAST CHANCE TO
Will you need an EU subsidiary or new licenses?	Establish EU subsidiary
Are you engaging with your people?	Apply for regulatory licenses
Should you support visa applications?	
Do you need PR or lobbying support?	



MAR 2018 12 MONTHS TO GO

DECISION DEADLINE	LAST CHANCE TO
Will your customs & VAT systems work?	Influence policy makers
Can you take advantage of the Merger Directive?	Commission new warehouses
Do you need to hire for key roles?	Begin transferring manufacturing
Do you need to change your contracts?	Apply to be an Authorised Economic Operator



SEPT 2018 6 MONTHS TO GO

DECISION DEADLINE	LAST CHANCE TO
Do you need to move IP to the EU?	Implement customs and VAT systems
	Implement cross-border merger
	Apply for new licenses and move your IP
	Increase inventory
	Implement new logistics plans

MAR 2019 DEADLINE



- Exit from Customs Union
- Regulatory/Procurement
- Corporate Tax & Structure Impacts
- Immigration & People
- Exit from EU R&D Funding Framework
- Brand, Customer & Identity Impact

Wrap up



The road ahead



The (known) key dates

- 17 July: Second round of Brexit talks
- Oct – Dec 2017: Divorce principles agreed
- Oct 2018: Barnier's deadline to agree deal; start of ratification process
- 29 March 2019: UK leaves the EU

The unknowns . . .

- An extension to Article 50 deadline?
- A change in Prime Minister?
- Another General Election?
- A referendum vote relating to Brexit?
- A resurgence in the Scottish nationalist voice?

Keeping you up to date

KPMG.com



- Our 'Managing Brexit' homepage
- Expert opinion, thought leadership, Brexit tools and more

<https://home.kpmg.com/xx/en/home/campaigns/2016/07/brexit.html>

Social media



- Follow us on Twitter and Linked In
- Receive invites to KPMG Brexit themed events and webinars

<https://home.kpmg.com/uk/en/home/social.html>

The Brexit navigator



- Our two year roadmap
- Helps you to plot out your key milestones

<https://home.kpmg.com/uk/en/home/insights/2017/04/brexit-navigator-our-two-year-roadmap.html>

The Brexit column



- A fresh perspective on Brexit
- Click to subscribe to our weekly thought leadership

<https://home.kpmg.com/uk/en/home/insights/2016/10/the-brexit-column.html>

Q&A

In English
oder
Auf Deutsch!



Thank you



kpmg.com/socialmedia



kpmg.com/app

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG AG, a Swiss legal entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo are registered trademarks or trademarks of KPMG International.