amaiz

THE BREXIT BRINK

Are British SMEs about to fall off the edge of Europe — or building new bridges?

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THE BREXIT BRINK

Are British SMEs about to fall off the edge of Europe — or building new bridges?

Amaiz is on a mission to transform the lives of businesses by providing quick and easy financial, payment and receipt management in one app. Amaiz combines the features of accountancy software with online banking-like features so that all can be automated and carried out 'on the go'.

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ONYX

SUMMARY

The clock is ticking. Just weeks remain before the transition to the UK's final exit from the European Union ends. On 1 January 2021 the world will change for British businesses.

They face a blizzard of new import and export procedures, customs duties, import VAT, standards, data regulations, financial services arrangements, and a host of other changes.

Predictably, the volume of warnings has risen: they are not prepared, they are confused, many face disaster. Business leaders have lined up to denounce the government and rage about the uncertainty caused by negotiations between the UK and EU.

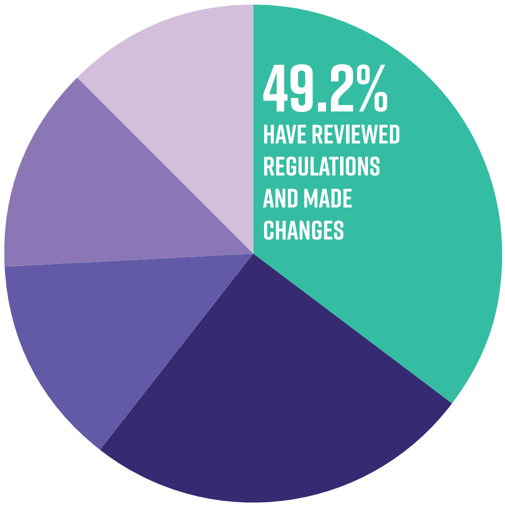
But are British SMEs teetering on the brink of a Brexit abyss? What does the evidence say?

This report based on a survey of 500 SMEs of all sizes across the UK on behalf of business app Amaiz highlights their main concerns as the end of the transition looms.

And our results show that small businesses are defying expectations and ready to hit the ground running at midnight on 31 December – even if they are not happy about it.

SUMMARY

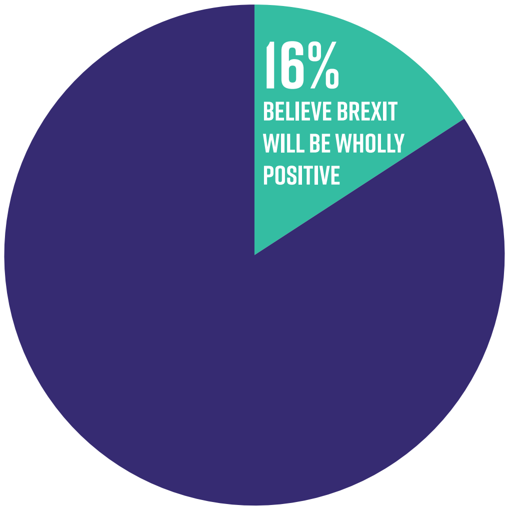
- Nearly half (**49.2%**) of company leaders have reviewed new regulations set to take force on 1 January 2021 and made changes to ensure their companies will meet them.



- Only **17%** of companies say they have failed to prepare.

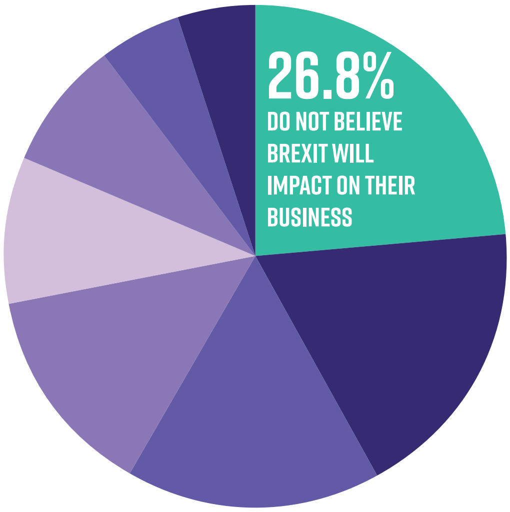
- Far more companies remain bleak about the consequences of Britain's exit from the EU – and believe it could even destroy them – than are positive. A majority of SMEs (**52%**) said Brexit would have only a negative impact on their business, a sentiment particularly pronounced among larger businesses with more than 100 employees.

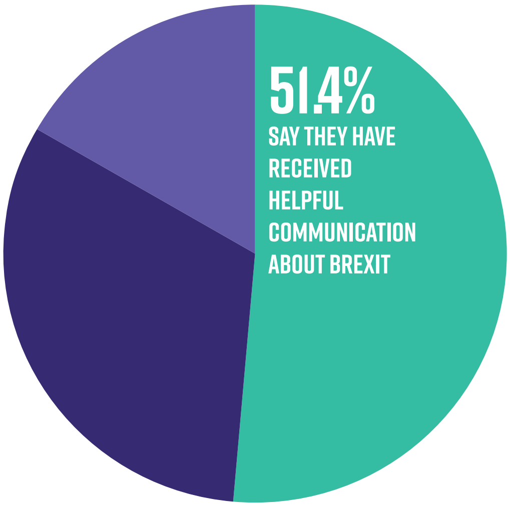
- Just **16%** of respondents believed that Brexit would be wholly positive (i.e., in the short, medium and long terms), with younger company leaders markedly more pessimistic about the future than their experienced counterparts.

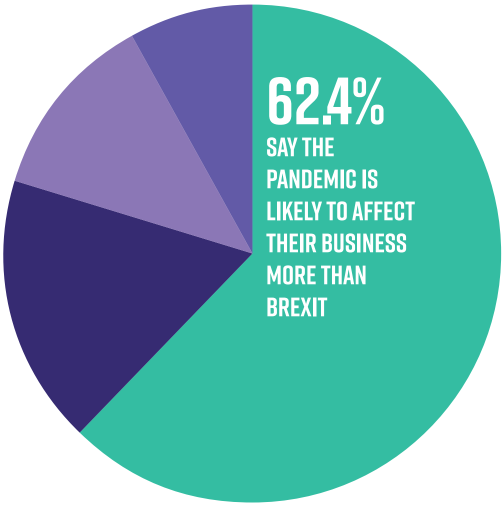


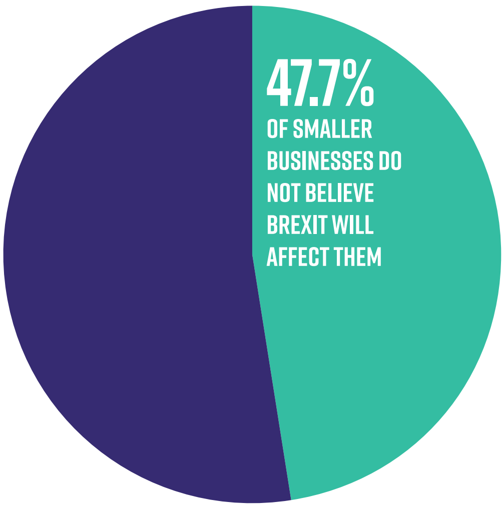
- Company leaders say the three main impacts on SMEs in the New Year will be: changes to regulations (**37.4%** of respondents said this was a concern), increased costs of doing business (**37.2%**), and reduced access to suppliers (**35.5%**).

- Only a quarter believe Brexit won't affect them at all (**26.8%**) or worry about reduced access to talent (**25.7%**) and damage to the UK's reputation (**25.4%**). This reflects the fact that many SMEs operate independently of Europe already. Nearly half (**47.8%**) don't recruit outside the UK and a third neither buy from (**29.9%**) nor sell to (**31.3%**) EU countries.









» More than half of SMEs (**51.4%**) say communication from ministers about what Brexit will mean for their companies has been helpful.

» And their overwhelming concern is the continuing impact of COVID-19 on their businesses – not Brexit. A large majority of SMEs (**62.4%**) say the pandemic is likely to affect them more in 2021 than Brexit (**17.3%**).

» There are discernible differences in businesses' ability to prepare for the coming earthquake –with smaller companies employing between 1 and 10 people concerned about increased costs (**45.7%**) and those with staff of between 11 and 50 about taxes and VAT (**41.3%**).

» At the same time, many smaller businesses feel immune to the impact and plan to carry on regardless: nearly half (**47.7%**) of companies employing from 1 to 10 people do not think Brexit will have any effect on them at all.

» Our results also show clear regional differences across the UK in both the levels of concern among businesses about the impact of the end of the transition – and how they have prepared.

» Complex special rules for Northern Ireland under the UK's exit agreement will make doing business there especially challenging – and this is clearly reflected in the data.

READY OR NOT?

Britain's 5.9 million small and medium enterprises (SMEs) employ 16.8 million people and are critical to the country's prosperity.[1]

But at the dawn of a new era, their fate is unclear.

As the transition to the UK's definitive exit from the European Union ends on 31 December, there are fears that the backbone of Britain's economy will be broken.

Dire warnings abound that SMEs will be worst affected by new rules, procedures and obstacles to business – and that many have done too little to prepare.[2] A flurry of surveys suggest few businesses feel ready.[3] They claim up to half of UK firms have not considered the full impact of Brexit.[4] There are palpable fears of chaos at border points.[5]

Continuing uncertainty about the outcomes of negotiations between the UK and EU has hampered planning.[6] Some commentators say we have run out of time.[7] Reports indicate most businesses believe the government has done a poor job of communicating.[8] Businesses in Northern Ireland have even called for the transition period to be extended after 1 January.[9]

Steve Taklalsingh, MD and CFO of business app Amaiz, says the last year has been a guessing game for SMEs and many understandably feel uneasy.

"This transition period has not been a transition period to execute on a trade deal that was announced at the end of last year – it has just been an extension to try and negotiate a deal.

"As a result, uncertainty has hampered SMEs' ability to prepare their businesses and many are still wondering whether their supply chains will be continuous or suddenly stop, whether they will be authorised to do certain activities that they are currently allowed to do across Europe, and how they can service existing clients and locations – it's a huge concern."

READY OR NOT?

The default response, he says, has been to stockpile – but only if they can afford it.

"They have been faced with almost impossible choices: either to duplicate resources in terms of trying to create infrastructure to continue to be in both markets – Europe and the UK – to cut one of them off, or just to fold because they can't afford all this uncertainty."

Add to this the damaging impact of COVID-19 on the ability of companies to plan, and the picture looks grim.[10] Business leaders have warned the government about the disruption caused by coronavirus.[11] Our own data show that a large majority of SMEs (62.4%) believe the pandemic will impact their business much more than Brexit (17.4%) in 2021.

Chris Searson, joint managing partner of corporate finance and business consultancy Citizen, says: "A lot of businesses have been sideswiped by the pandemic, so to keep their eye on the ball for Brexit the question is: do they have the ability to focus on a number of things at the same time – the here and now, cashflow, furloughing, health and safety issues as well as the fact that in just a few weeks we're out of Europe? They have to strike a real balance – and they don't have much time."

The veteran CEO of an online brokerage in London says COVID has derailed the efforts of some smaller financial services firms trying to set up in Europe in a bid to "hedge" their operations when they lose "passporting rights" to operate in the EU after the transition.

"The focus has been on COVID, and given where we are at the moment that will get a hell of a lot of focus for the rest of the year. Does that mean they are going to lose focus on what needs to be done for the financial sector? Quite possibly."

THE BIG ISSUES

A large number of SMEs in our survey indicated that they are match ready for Brexit.

Nearly half (49.2%) said they had reviewed new regulations that will take effect on 1 January and made changes to ensure they will meet them, and more than a third (35%) have negotiated new contracts with suppliers (or changed them) in preparation for the big day.

Only 17.2% had done none of these things, probably reflecting the fact that Brexit may not affect many small companies and traders.

Business leaders aged between 35–44 seem particularly well prepared (57.7%), although younger executives aged 18–34 have been most agile when it comes to renegotiating contracts – reflecting the fact that this age group is the most negative about Brexit.

As expected, businesses in Northern Ireland have been most conscientious, with 71.4% reviewing changes in regulations. Surprisingly, however, businesses in Wales have paid almost as much attention to reviewing the new regulations (70.6%) and have put far more energy than any other region into renegotiating contracts with suppliers (41.2%).

The largest businesses with 101–250 employees have devoted more attention to making changes to adapt to new regulations that will take effect on 1 January, possibly reflecting the advantage they have in terms of the ability to devote time and resources to this issue compared to their smaller peers.

However, many of these companies do not recruit from the EU or sell to or buy from countries in the bloc.

The smallest companies with just 1 to 10 members of staff are those that have done least (40.9%) in terms of preparations for transition day, although this may reflect the fact that nearly half of them (47.4%) do not foresee being affected by regulatory changes.

THE BIG ISSUES

WHAT ARE THE AREAS OF MOST CONCERN TO SMES AFTER 1 JANUARY 2020?

DUTY AND VAT

On 1 January the UK will no longer be a part of the EU free trade area implying, among other things new duties on imports and exports, and a shake up in areas such as VAT.

Changes to taxes and VAT is the issue of most concern to businesses, with more than a third (34.2%) of our sample indicating that this could be an area in which they struggle.

It is possible that these fears account for a large proportion of the concerns about changes to regulations in general, cited by more than a third of businesses overall (37.4%), and also nervousness about the increased costs of doing business overall (37.2%).

Larger businesses and in particular those with more than 100 employees are most concerned about changes to VAT and taxation when the transition ends, with 46.5% indicating that they are most likely to be affected by these.

Surprisingly, however, VAT and tax changes are the area of least concern among businesses in Northern Ireland (14.3%) – and it is in the North East of England (48.1%) that companies are most apprehensive about new arrangements.

Brexit has introduced new rules relating to the payment of import taxes and VAT.[12]

THE BIG ISSUES

CUSTOMS DUTY

From 1 January, the UK will apply specific tariffs to imported goods – the UK Global Tariff (UKGT) – to replace the Current EU Common External Tariff.[13] The UKGT will apply to all imported goods unless an exception applies.[14] Importers will need to find out the rates of duty they must pay through the government's UK Global Tariff tool and will need a commodity code and a product description to do so.[15]

VAT

The UK will leave the EU VAT regime on 1 January and, as a result, goods crossing borders become imports that require the payment of import VAT for the first time. Businesses will need to find out the rates that apply, including VAT on services.[16] An existing low-value consignment relief that exempted some imports from VAT has been scrapped, and those worth less than £135 will no longer attract import VAT, which will be applied at the point of sale.

Although VAT does not apply to most exports,[17] there remains confusion about how those exporters paying EU VAT can reclaim as they will no longer have access to the bloc's VAT Refund Portal.[18] Moreover, the loss of distance selling thresholds for UK e-commerce companies supplying EU consumers means they will not be able to pay via their UK VAT return and will need to register in each EU country. This means they will have to appoint a special VAT tax agent or fiscal representative, who becomes liable for any unpaid VAT and so will demand cash deposits or bank guarantees.

There is confusion about how VAT on services will be dealt with. UK sellers of digital services to EU consumers lose access to the EU Mini One-Stop-Shop (MOSS) single VAT return scheme and will now have to complete a single MOSS registration in any EU27 country in order to report.

THE BIG ISSUES

NORTHERN IRELAND

Northern Ireland's Brexit VAT rules are complicated. While it remains within the UK VAT area, it will follow EU rules, including zero-rating for VAT on intra-community supplies from the Republic of Ireland.

SIMPLIFYING THE PROCESS

Paying VAT at the UK border could hit cash flows and the government has conceded "postponed accounting" from 1 January to account for import VAT via a VAT return.[19] To use this, a business will need an Economic Operators Registration and Identification (EORI) number (see below) and a VAT number for customs declarations. Traders who import regularly may be able to create a "duty deferment account" (DDA) but will need to apply and obtain a Customs Handling of Import and Export Freight (CHIEF) registration (and have the right software).[20]

Steve Taklalsingh of Amaiz believes these new procedures will challenge many firms.

"Small businesses without resources will undoubtedly struggle with the new complexities and will have to decide whether they continue either sourcing from certain countries or even continuing to do business in the first place. Just understanding and applying the reverse charge process is challenging as it is."

THE BIG ISSUES

SUPPLY CHAINS – IMPORTING AND EXPORTING

Importing and exporting goods to and from EU countries but also other parts of the world will change when the transition ends with implications for supply chains, transport, logistics and fulfilment, and many companies face new costs and delays.

The second and third top concerns of SMEs relate to the new rules and procedures when it comes to importing and exporting, with 31% of respondents citing these and how they may affect their supply chains (30.8%) as concerns.

Larger companies with more than 50 employees are most anxious, possibly reflecting the fact that they are most likely to be importers and exporters. This may help to explain why they are also the most negative about the potential impact of Brexit – with a striking 15.3% of companies with more than 50 staff saying pulling out of Europe could destroy them.

The largest businesses are particularly concerned about changes in regulations (41.3%) and reduced access to suppliers, with 47.8% citing this as a major fear. Similarly, 46.5% of the largest companies with more than 100 staff believe they are most likely to be affected by changes in supply chains.

More business leaders in the North West, Wales and London are worried about new rules and procedures, but surprisingly this is not a major concern in Northern Ireland (14.3%).

Companies overall have been busy reviewing how regulations will alter and making changes to account for this, but have been less energetic in adapting supply chains. While more than a third of respondents overall (35%) say they have negotiated new contracts with suppliers (or changed them), fewer than a fifth (18.8%) have renegotiated with customers.

There is no doubt that the changes to rules and procedures in this area are dramatic, and to make this easier in some cases, the government will "roll over" – and hence maintain existing EU trading arrangements – with countries such as Canada for the time being.[21]

THE BIG ISSUES

IMPORTING

Importing goods from the EU will switch to rules faced by non-EU countries. Businesses in England, Wales and Scotland (Great Britain) must follow a new process to continue importing from the EU from 1 January.

i. **Customs declarations:** from 1 January importers must make customs declarations when goods from the EU enter Great Britain.[22] They will submit a full declaration at the time the goods enter the country, unless they go into temporary storage.[23] Completing a customs declaration is complicated and most are submitted electronically through the CHIEF system, which a business will need to register with.[24] While businesses can make declarations themselves, it might be better to use a specialist – implying extra costs.[25] There are separate rules for some types of goods – from animals and plants to drugs and waste – that may need import licences and certificates, and there are also different rules for goods sent by post.[26] Businesses will also have to follow specific marking, labelling and marketing standards in order to import and export food, plant seeds and manufactured goods, and place them on the market.[27] There will be changes to how companies import and declare excise goods (alcohol, tobacco and certain oils), and to move these they may have to use the Excise Movement and Control System (EMCS) and either appoint a registered consignor or become one.[28]

ii. **EORI numbers:** an EORI number is a European Union registration and identification for businesses that import or export goods and from 1 January in order to import a business will need one that starts with GB and also if they move goods to or from Northern Ireland.[29] Northern Ireland is a special case, and from 1 January businesses will need an EORI number that starts with XI to move goods between Northern Ireland and non-EU countries.

iii. **Simplifying the process:** a business may be able to make importing easier through a simplified declaration when goods arrive at a UK or EU port or airport, but must be authorised by HMRC and have a CHIEF registration (and software) and a duty deferment account (see above).[30]

THE BIG ISSUES

EXPORTING

From 1 January the rules for exporting goods will be similar to those used currently when exporting to non-EU countries, although procedures will change:

i. Businesses in Great Britain will need to make customs declarations (see above).

ii. They will need export licences and certificates for goods such as animals, plants, food and agricultural products; chemicals and waste; and "controlled goods" such as firearms.[31]

iii. They must follow marking, labelling and marketing standards.

iv. They must declare excise goods (alcohol, tobacco and certain oils) which require them to submit an electronic export declaration.[32] There are strict rules about the transport of excise goods and businesses that do not follow them risk penalties and their goods being seized.[33] The rules also place obligations on warehouse keepers, and from 1 January some registered excise businesses and authorised destinations will no longer be authorised to receive or dispatch excise goods. Some exceptions will be made for goods dispatched on or before 31 December, but HMRC or the Border Force will ask for evidence.

v. They will need an EORI number to export to the EU, as with importing (see above).

vi. They will need to follow different rules for sending goods by post and they may need to complete and affix a customs declaration.[34]

THE BIG ISSUES

EXPORTING BEYOND THE EU

Brexit has implications for all businesses that import and export, not just those that trade with Europe. That is because upon the end of the transition period the UK will no longer be part of existing trade agreements between the EU and certain non-EU countries. Until the UK negotiates trade deals with these countries, it will come under the World Trade Organisation (WTO) Most Favoured Nation (MFN) rule. The list of countries these apply to currently includes the US, the UK's largest trading partner. The tariffs can be viewed at the WTO Market Access Conditions (MAC) website.[35] In some circumstances, this may make exporting easier as the UK and US recognise each other's standards.[36]

SIMPLIFYING THE PROCESS

There is a simplified declaration procedure for some exported goods and a business may be able to make a pre-shipment advice declaration but will need to be authorised by HMRC and registered to use the National Export System.[37]

TRADEABLE SERVICES

The UK is a predominantly services-based economy and, as a result, business leaders and politicians have warned of a serious effect of Brexit on Britain's large tradeable services sector including financial and legal services, engineering and hospitality, and professional services – accountants, lawyers, recruiters, architects and advertisers.[38]

However, services have been seen as the Cinderella sector of the negotiations between the UK and EU.[39] Their prospects have depended significantly on the outcome of these talks, with the worst potential scenario being that UK service providers will face new legal, regulatory and administrative barriers.[40]

Steve Taklalsingh of Amaiz says that the response of SMEs to new import/export procedures has included stockpiling, which is exacerbating hiccups in supply chains and increasing costs.

"Where it gets challenging is interpreting how the new guidelines relate to your individual business and then making a decision on them. It takes a fair amount of interpretation. To a large extent people haven't had to deal with this level of regulations, probably ever in their business life. They face a very fast learning curve."

THE BIG ISSUES

STANDARDS AND CERTIFICATIONS

Our data indicate that many businesses are concerned about changes to standards and certifications after 1 January, although SMEs seem more confident about their ability to cope in this area, with only 15.6% citing it as one in which they are likely to be most affected.

Nonetheless, adapting to new standards and certifications – and the wider issue of ensuring staff adapt to changes under Brexit – may reveal shortcomings in the preparations of SMEs.

Fewer than a fifth (18.4%) of respondents to our survey reported that they had briefed employees about the Brexit changes, and again it was the largest companies that had performed best in this area.

A regional picture also emerges with regard to new standards and certifications, with companies in Northern Ireland inevitably nervous: 28.6% cited this as an issue that could most affect their businesses. It should, therefore, be no surprise that companies in Northern Ireland (and Wales) have put more effort into briefing staff.

WHAT ARE THE MAIN CHANGES LIKELY IN THE AREA OF STANDARDS AND CERTIFICATIONS?

The impact of Brexit on regulations is potentially significant because the UK has worked to European standards for so long. Brexit will have an impact in a range of areas related to product safety or eco-compliance, including packaging and labelling. If products require certification, there are several sets of UK government guidance:

THE BIG ISSUES

a. **Placing goods on the market in England, Wales and Scotland (Great Britain):** on goods sold in the UK that require a CE mark, this will need to be replaced with the UKCA mark.[41] There is some leeway for existing stock.[42]

b. **Placing goods on the market in EU countries:** certification rules for goods placed in an EU country will depend on the type of product, and a range of categories exist ("new approach" goods that can use the CE marking, "old approach" goods such as chemicals, medicines and vehicles, and "non-harmonised" goods covered by national legislation).[43]

c. **Northern Ireland:** inevitably, there will be special rules for Northern Ireland, but businesses there will still be able to place qualifying goods on the GB market with an EU conformity assessment marking, such as CE. There will be no change for the movement of goods between Northern Ireland and EU member states, namely the Republic of Ireland.

Steve Taklalsingh of Amaiz says: "Business will have to ensure that the information on product labels about, for example, the ingredients and contents, are in order. It sounds straightforward, but it can be challenging and will automatically increase overheads in areas such as printing costs."

Chris Searson of Citizen believes that although many SMEs are "absolutely focused" on what will happen on 1 January many could come unstuck because they lack capacity to train staff.

"You have got to train the people who are involved in importing and exporting so that they are aware of how to do things: changing over to new systems, new border controls etc. are going to be one of the primary issues many businesses face as we transition. My gut feeling, given the awful year we have had globally, is that there are going to be a few problems."

THE BIG ISSUES

DATA

British SMEs appear to be confident about how Brexit is likely to affect the data landscape, their intellectual property, and the changes they need to make.

Only 13.6% of companies in our survey cited this as an area in which they are most likely to be affected. This may reflect early moves made by the UK government to bring data rules into line with Europe.

How a business handles data will not change if it has implemented the General Data Protection Regulation (GDPR) – the EU rules on data protection and privacy. After the transition, the UK will no longer be regulated domestically by the European GDPR but has passed its own version, the UK-GDPR to accommodate some differences related to matters of national security, intelligence and immigration. Britain's Information Commissioner is established as the data protection authority in the UK.[44] Britain hopes to become a "favoured nation" with regard to data transfers via an 'adequacy decision' by the EU.[45]

Most SMEs in practice will not need to prepare for data protection compliance at the end of the transition period. But in the absence of an adequacy decision, GDPR transfer rules will apply to data coming into the UK from the European Economic Area (EEA). That means a UK business receiving personal data from contacts in the EEA must take extra steps to ensure this can flow freely. UK businesses with a branch or customers in the EEA will need to comply with both UK and EU data protection regulations from 1 January.

Other rules deriving from EU law such as Privacy and Electronic Communications Regulations (PECR), NIS regulations and Environmental Information Regulations will mostly continue to apply at the end of the transition, although the EU's eIDAS regulation covering electronic ID and trust services will no longer.[46]

Steve Taklalsingh of Amaiz says that businesses appear to be well prepared. "Europe's GDPR is one of the most robust data protection regulations in the world and many places try to duplicate it. Everything seems to have been appropriately replicated and there also seems to be sufficient reciprocity in terms of housing data, provision of client services, and utilising individual client data as well."

THE BIG ISSUES

FINANCIAL SERVICES, INSURANCE AND ACCOUNTING

Brexit will lead to some changes in the provision of insurance and accounting services, although these areas are not of major concern to British SMEs.

Just 11.2% of companies say they are most likely to be affected by insurance changes and only 9.4% by accounting changes.

However, the financial services sector seen as a whole has had to undergo huge uncertainty as part of the UK–EU negotiating process.

Financial services in the UK generate 12% of national GDP and British banks, payment and electronic money institutions, insurance companies or investment firms stand to lose the "passporting" rights that have long allowed them to sell funds, debt, advice or insurance across the EU.[47] Many have responded by moving staff and assets to Europe, and there is a strong feeling in the sector that its importance has been neglected in talks with the EU.

The veteran CEO of an online brokerage in London says: "EU equivalence won't be in play until at least June 2021 because Europe doesn't have the legal structure to do that – so the financial sector has been left out in the cold."
As a result, UK firms have been trying to set up hedging strategies to cover any eventuality. Many firms that did not have a presence in Europe have applied to set up in countries like Cyprus – but at some cost, and amid the logistical headache caused by the pandemic.

While some companies will choose duplicate authorisations, Amaiz, for example, has opted to recruit "programme managers" within some EU jurisdictions to continue serving clients.

Steve Taklalsingh says: "We have found a solution that will serve us for the next two years – but there could have been much more clarity from the negotiations.

"Larger companies have no choice: they have been throwing millions at duplicating their regulatory and technology infrastructures to prepare for whatever happens.

THE BIG ISSUES

"But because of the costs and complexity, if smaller companies started doing some of this duplication, however, they would have ended up shutting up shop in either one jurisdiction or the other, if not both."

The online brokerage CEO says setting up in Cyprus comes with huge operational costs – and all the while businesses have had to grapple with COVID.

"Others are taking a risk-based approach where they have thought 'Let's wait and see what happens' and be reactive rather than proactive, Many are going to find it very very hard next year to attract European customers or market to them because of the legal and regulatory risk."

Either way, there is little doubt that the business models of UK financial services companies will change as a result of Brexit as many choose to focus attention on the Far East, South Asia, South America and Africa.

Nonetheless, the CEO believes the UK regulator will adopt an accommodating position after 1 January to enable financial services companies to adapt to the new European landscape.

"When you are a small business it is very difficult to maintain business as usual and also manage future projects because most people worry about the short term and just managing that, so a lot of firms are reactive, they wait to see what would happen, and then try and rely on the regulators being forgiving for a period of time.

"I think what will happen is that the regulator will be soft for a period of time, or softer, they will allow people to transition, find their feet and understand what the landscape actually looks like going forward post-Brexit

"It is going to be a steep learning curve. But the Brits are good at that."

WHAT ARE THE MAIN REGULATORY CHANGES AFFECTING FINANCIAL SERVICES?

THE BIG ISSUES

a. **Reporting:** Brexit changes financial reporting requirements for many UK businesses, and after 1 January companies that currently adopt the EU-endorsed International Financial Reporting Standards (IFRS) will have to use UK-adopted international accounting standards (IAS) instead of EU-adopted IAS.

b. **Auditing:** according to the Institute of Chartered Accountants in England and Wales (ICAEW), Brexit also has implications for a variety of auditing standards relevant to smaller companies.[48]

c. **Professional qualifications:** the end of the transition also affects the recognition of professional qualifications, which may have implications for UK staff who have to work cross-border in EU member states.[49]

d. **Employing EU citizens:** from 1 January EU citizens moving to the UK to work will need a visa which requires them to show they have a job offer from an approved employer sponsor.[50] That means a business that recruits from the EU needs to apply to become an approved sponsor. Existing EU, EEA or Swiss citizens working in the UK as of the end of the transition period will need to apply to the EU Settlement Scheme by 30 June 2021.

e. **Insurance:** the end of the transition will have an impact on insurance requirements and arrangements for companies whose employees have to travel in Europe for business purposes. British drivers, for example, may be required to carry an EU "Green Card" to take to the road and in some countries may also need an international driving permit (IDP). From January, the European Health Insurance Card (EHIC) will no longer cover UK citizens for healthcare in the EU and EEA and they will need to take out travel insurance to cover them for medical care abroad.[51] A business policy held with an EU insurer should not be affected when the transition ends, but UK insurers without EU-registered offices will no longer be able to cover policies within the EU until individual deals are reached with member states.

ATTITUDES TOWARDS BREXIT

Brexit is a tectonic change in how British companies do business.

While our data suggest that many SMEs have been preparing, it also signals that many are nervous.

Although more than a quarter of our respondents (26.8%) believe it will not affect them, this is not the same as saying it is a positive thing: a fifth overall (21%) foresee negative short-term consequences, and nearly the same proportion (18.4%) believe the long-term impact will not be positive.
Far more companies remain bleak about the consequences of Britain's exit from the EU – and believe it could even destroy them – than are positive. A majority of SMEs (52%) said Brexit would have only a negative impact on their business, a sentiment particularly pronounced among larger businesses with more than 100 employees.

Just 16% of respondents believed that Brexit would be wholly positive (i.e., in the short, medium and long terms), with younger company leaders markedly more pessimistic about the future than their experienced counterparts.

When asked what aspects of Brexit, if any, are positive, businesses were clear that regulatory changes to suit the needs of UK companies (27.9%), increased access to markets beyond the EU (27.3%), and the ending of restrictions to recruit people from outside the EU (24.6%) will benefit them most.

Larger businesses of more than 100 employees, in particular, relish the reduction of competition (38%), and businesses in the West Midlands – a hub of advanced manufacturing and engineering – appear to be enthusiastic about changes in regulations (46.9%).

ATTITUDES TOWARDS BREXIT

Moreover, our data contradict the mainstream view that the government has communicated poorly – with more than half of SMEs (51.4%) saying communication from government has been helpful and sufficient in helping them understand the implications of Brexit.

Chris Searson of Citizen says information campaigns by the government and trade bodies about forthcoming changes have been more powerful than many people think.

“So if you haven’t seen this you must have had your head in a cupboard. If you are involved in anything like importation then by now you should have had a focus and got your head around it.

“But have businesses got their heads around it? They may have been distracted significantly by the pandemic, hence my concern: are they up to speed or still distracted?”

SMEs are clear about what they want as the countdown ticks down to transition day: time to prepare for any changes to the rules (31.2%) once the UK’s relationship with the EU is clarified; and leeway from authorities when it comes to implementing them (31.4%).

More than a quarter of respondents (26.4%) believe the government should compensate businesses that are severely affected by the end of the transition.

RECOMMENDATIONS

As the countdown to the end of the transition ticks down, it may be too late for many businesses to change their plans dramatically. But that does not prevent them from acting in the time that they have left.

Experts recommend that they:

- **Do their homework:** research and review information about forthcoming changes that is available in your sector published by the government and trade and professional bodies;

- **Stay on top of developments:** the landscape is changing fast as new elements of the UK's relationship with the EU are agreed and fall into place, so read the news;

- **Do a Brexit impact assessment:** major trade organisations have been advising companies to ask themselves some simple questions such as:

» Do you import or export to or from Europe?
» Do you store goods in the EU?
» Are you VAT registered or covered by MOSS?
» Do you have money deposited in an EU financial institution?
» Do you receive EU funding?
» Do you manufacture goods that are certified to EU standards?
» Do you hold data about people based in the EU?

Chris Searson of Citizen says the key lesson many businesses will have learned this past year as they approach the end of the transition is the need to have agility.

"It is really important going forward – in terms of changing their plans, diversifying what they provide. Diversity and agility are key drivers in the way that a business approaches current and future opportunities.

"A business plan should not be set in stone, but continually reviewed and refreshed based on circumstance and movements in the market."

RECOMMENDATIONS

The advice Steve Taklalsingh of Amaiz gives to businesses is: do your homework and look for new opportunities.

"It is never too late to prepare: don't let uncertainty kill you. We would have liked things to be a lot clearer at this point in time, but there is still a lot you can do.

"So what can people do? Understand the regulations and their impact on your business. And look at your revenue stream, side-gigs or diversification, to see if you can diversify it.

"The opportunities are there and as bad as it is, this can be an opportunity for your business to suddenly discover a new revenue stream."

WHERE TO GET HELP

The government launched a campaign to prepare the UK for the end of the transition and has provided information about what the changes means for business.[52]

Businesses can find extensive information and advice on websites such as the Brexit transition website.[53] Other forms of government support to small businesses overlap with efforts to help them during the coronavirus pandemic, and details can be found at the British Chambers of Commerce.[54]

A number of organisations provide information, such as:

» the Federation of Small Businesses[55]
» the Enterprise Nation Brexit Advice Service[56]
» the CBI's UK transition hub[57]
» the ICAEW[58]

For companies looking to the future after the transition and in search of finance, the British Business Bank, the government-owned business development bank dedicated to making finance markets work better for smaller businesses, oversees a wide range of schemes.[59] Corporate finance and business growth specialists can also provide extensive help.[60]

NOTES

1 FSB – Small Business Statistics
2 Study by academics at the University of St Andrews and Preparing Brexit: how ready is the UK?
3 The Times – 12 October 2020
Prospect Magazine – 2 November 2020
Parliament Live TV – 8 October 2020
Financial Times – 9 October 2020
Accountancy Daily – 13 October 2020
Sky News –19 October 2020
4 BBC – 23 September 2020
5 Financial Times – 9 October 2020
6 The Guardian – 16 October 2020
7 Prospect Magazine – 2 November 2020
8 Sky News – 19 October 2020
9 The Guardian – 18 November 2020
10 Prospect Magazine 2 November and The Institute for Government – 17 July 2020
11 The Guardian 16 October 2020 and The Guardian 14 October 2020
12 UK Government – Changes to VAT treatment of overseas goods sold to customers from January 2021
13 UK Government – Trade Tariffs
14 UK Government – Guidance on duty suspensions and tariff quotas and Guidance on trading with developing nations and UK Trade agreements with non-EU countries
15 UK Government – Check tariffs and Finding commodity codes
16 UK Government – VAT rates and VAT on services from abroad
17 UK Government – Guidance on VAT on goods exported from UK
18 Institute for Government – Tax and Brexit
19 Institute for Government – Tax and Brexit and UK Government guidance to setting up an account to defer duty payments
20 UK Government – Guidance to setting up an account to defer duty payments; Guidance to using simplified declarations for imports; Import and export request; Freight simplified procedures
21 The Independent – 21 November 2020
22 UK Government – Prepare to import and export from January 2021
23 UK Government – Guidance for making a full import declaration and Guidance on temporary storage
24 UK Government – Import and export request
25 UK Government – Guidance to appointing someone to deal with customs on your behalf
26 UK Government – Trade by post guidance

27 UK Government – Guidance on placing manufactured goods on the market in Great Britain
28 UK Government – Guidance on excise movement and control system and Step by step guide
29 UK Government – Getting a EORI number
30 UK Government – Guidance on simplified declarations
31 UK Government – Guidance on export licenses and Exporting controlled goods
32 UK Government – Guidance on export declarations
33 UK Government – Guidance on customs declaration for goods taken out of the EU
34 UK Government – Publications Notice
35 Market Access Map
36 UK Government – UK USA Mutual Recognition Agreement
37 UK Government – Guidance to using simplified declarations for export and Using pre-shipment advice
38 The Guardian – 1 November 2020 and CityAm 14 October 2020
39 The UK in a Changing Europe – Services and Brexit
40 UK Government – Guidance on providing services after Brexit
41 UK Government – Guidance on Placing Manufactured Goods on Market in Great Britain from 1 January 2021 and Using the UKCA Mark from 1 January 2021
42 UK Government – Guidance on Placing Manufactured Goods on the Market in Great Britain from 1 January 2021
43 UK Government – Guidance on Placing Manufactured Goods on the EU Market from 1 January 2021
44 ICO
45 ICO – Data protection at the end of the transition period
46 ICO – Guide to electronic and telephone marketing; Guide to NIS, Guide to environmental information and regulation and Guide to EIDAS
47 The City UK
48 ICAEW – Technical audit and assurance report and Auditing Standards Considerations
49 Brexit and its potential impact on professional qualifications
50 UK Government – Visa sponsorship for employers
51 UK Government – Guidance for UK residence and on Foreign travel insurance
52 UK Government – Campaign to prepare UK for transition
53 UK Government – Transition Guide
54 British Chambers of Commerce – Support from UK Government
55 FSB - UK Transition
56 Enterprise Nation Brexit Advice Service
57 CBI UK transition hub
58 Brexit—impact on ICAEW members
59 The British Business Bank
60 Citizen – Corporate and business growth specialists