

BREXIT IN BRIEF | UK COMPANIES

At 11:00pm on 29th March 2019, the United Kingdom will leave the European Union unless the Article 50 period is extended, the United Kingdom revokes its Article 50 notice, or a withdrawal agreement is agreed and concluded between the United Kingdom and the European Union providing for a later withdrawal date. Below is a brief overview of the potential implications for UK companies.

HOW MIGHT I BE AFFECTED?

- ❖ It is expected that Brexit will not have a significant impact on legislation governing companies based in the UK (for example, the Companies Act 2006). However, it remains a possibility that restrictive provisions aligned with EU requirements may be relaxed to ease the regulatory burden on companies.
- ❖ For UK incorporated companies, Articles 49 & 54 of the Treaty on the Functioning of the European Union (TFEU) granting freedom of establishment is likely to no longer apply post-Brexit. As such, UK companies will likely no longer automatically be recognised as validly formed and will be treated subject to the domestic laws of the EU member state in question. This is a risk for UK incorporated companies operating within the EU as they may no longer be recognised as having separate legal personality or limited liability status within the corresponding jurisdiction as their formation may not have complied with the domestic legislation in place.

WHAT IF THERE IS NO DEAL?

- ❖ The current legislative framework is expected to continue to apply but there will be scope for review and amendment which may lead to changes and divergence away from current EU legislative requirements.

WHAT SHOULD I BE DOING?

- ❖ Review your business operations in respect of any UK incorporated company operating within the EU.
- ❖ Consider restructuring or incorporating a subsidiary within any EU jurisdiction in which your business operates.

If you would like further information or advice in respect of the potential implications of Brexit, please contact Piers Larbey at piers@fletcherday.co.uk or on 020 7870 3870.