

Vote Leave Result: What Can SMEs Expect?



As part of its commitment to the small and medium-sized enterprise (SME) business community, the [UK200Group](#) launched its Campaign for Clarity ahead of the EU referendum.

The UK200Group asked its members and their clients to contribute their most important business questions to a document that was then submitted to Vote Leave. The answers were received on May 12 2016 and are documented in the report.

The UK200Group, established in 1986, represents a significant group of trusted, quality-assured business advisers – chartered accountants and lawyers – who have over 150,000 SME clients in total. As such, the UK200Group acts as the voice for 1,500 charities, over 10% of all registered academies, more than 3,700 farms, 800 healthcare businesses and over 500 property and construction professionals.

The UK200Group is impartial in the EU referendum debate and seeks only to provide clarity to its members on issues that will affect them. As such, the following answers are provided verbatim from Vote Leave and are combined for the first time in this document.

Now that the UK has voted to leave the EU, it is useful to review Vote Leave's answers to the key business questions posed by SME owners, which may hold some clues as to what the future may hold.

Agriculture

SME Question:

1. What would happen with farming subsidies? Would we keep much the same model, and either pay the same and have our farmers receive more than they do now or pay less and have them receive the same, or would we move to a different model?

Vote Leave Answer:

It is not necessary to be a member of the scheme to guarantee funding or subsidies - the UK supported those who produce its food for years before joining the EU, and would continue to do so after we Vote Leave. British farmers would continue to be supported after we Vote Leave. Switzerland, Norway, and Iceland all support their farming sectors outside the EU and the CAP.

In fact, the payments made by these countries are actually more generous than those paid by the EU to member states. David Cameron has guaranteed that British farmers would continue to be supported, writing to the Country Land and Business Association (CLA) 'As long as I am Prime Minister, I would make sure that an agricultural support system would be properly maintained' and appears to commit that he would expect any future Conservative government to do likewise (10 Downing Street, 12 April 2016).

SME Question:

2. What changes would there be, if any, to import and export tariffs on agricultural or other commodity prices?

Vote Leave Answer:

The independent House of Commons Library has concluded that EU membership actually increases the costs of consumer goods, stating that the EU's Common Agricultural Policy 'artificially inflates food prices' and that 'consumer prices across a range of other goods imported from outside the EU are raised as a result of the common external tariff and non-tariff barriers to trade imposed by the EU.

These include footwear (a 17% tariff), bicycles (15% tariff) and a range of clothing (12% tariff)' (House of Commons Library, 18 September 2013). If we Vote Leave, the UK is certain to strike a free trade agreement with the EU which will allow British farmers to sell their produce to the EU without tariffs or quotas. The Foreign Secretary, Philip Hammond has admitted that a free trade agreement in agricultural goods 'would be relatively simple to negotiate' (HC Deb 26 February 2015, col. 501).

SME Question:

3. What would happen to agricultural commodity prices if there were any trade restrictions of any type?

Vote Leave Answer:

On 5 May 1998, the European Court refused to strike down a worldwide ban on the export of British beef imposed by the European Commission in March 1996 during the bovine spongiform encephalopathy (BSE) epidemic (Decision 1996/239/EC; United Kingdom v Commission [1998] ECR I-2265). The ban was eventually lifted by the Commission on 1 August 1999 after a crisis which cost the farming industry an estimated £1.5 billion (BBC News, 14 July 1999). The Commission could do the same thing again if the UK votes to remain.

Business Growth

SME Question:

4. Our surveys show that the number one issue for SMEs is growth – it has been the same issue for four years. Business confidence amongst company directors drives M&A activity – whether it be the confidence of growth or the ability to raise finance. What impact will the decision to leave or stay have on the growth prospects of SMEs? How would it affect investment going forward?

Vote Leave Answer:

After we Vote Leave, the UK would improve upon the trade agreements that the EU has negotiated, which have generally proved of limited benefit to British companies. The rate of the UK's export growth to third-party countries with which the EU has a trade agreement has fallen in the case of two out of every three free trade agreements that the Commission has negotiated (Civitas, January 2016).

Outside the EU, we will be able to strike free trade agreements with emerging economies, such as Brazil, India and China. This is likely to reduce prices for consumers and be good for jobs, growth and investment. If we vote to remain, the UK will be unable to make trade deals with the rest of the world as the Eurozone economy stagnates. This means that the UK may well remain unable to trade on favourable terms with major emerging economies in the years ahead, while remaining tied to the failing Eurozone.

Investment into the UK from the EU will continue after we Vote Leave. Surveys of international investors show that they want the UK to have looser links with the EU (EY, 2013). The pro-euro campaign made all sorts of claims that investment would collapse unless we joined the euro (BBC News, 12 May 2003). It didn't happen then and it won't happen if we Vote Leave.

Charity and Education

SME Question:

5. What is your advice to charities wishing to make known their views on Brexit given the warning issued by the Charity Commission that charities should only enter these are under exceptional circumstances, and that those who do will be watched carefully by the regulator?

Vote Leave Answer:

This is a decision for the UK public, and while Vote Leave welcome everyone's contributions to the campaign, this ought to be respected, particularly by those who may have conflicts of interest through receipt of EU funding.

SME Question:

6. A great many charities and social enterprises receive vital funding through European Grants. What will replace this funding if the UK voted to leave?

Vote Leave Answer:

We pay into the EU twice as much as we get back. Every year, we give the EU nearly £20bn, over £350m every week. For 40 years we have been net contributors to the EU. Were we to leave, we would not only be able to match the EU's current funding but would also have a large reserve of new funds to tap into, funds that could be invested in our priorities, including the NHS, but also deserving charities and social enterprises. All that happens now is that these groups get some of the UK's money back.

SME Question:

7. Recent polls suggest that the overwhelming majority of individuals running charities and social enterprises will vote to stay in Europe. What would those campaigning to leave say to them to allay fears that funding to the sector will be lost?

Vote Leave Answer:

It is anti-democratic to support a system that privileges the decisions made by unelected bureaucrats in Brussels over the decisions of elected politicians and UK voters. If UK voters consent to being taxed in order to provide the funding for these charitable and social enterprise organisations, there is no reason to fear such a loss in funding. If anything, funding in this area could well increase, after we no longer send £350 million to the EU every week.

SME Question:

8. Universities UK, which represents vice chancellors, has said that leaving the EU have a negative impact on the standard of higher education, would damage scientific research and damage graduate job prospects - please comment.

Vote Leave Answer:

The UK is an unchallenged leader in the provision of university education in Europe, with our universities significantly outperforming those of other countries in the region. The UK has the three top universities in Europe - Oxford, Cambridge, and Imperial College London. 34 of the top 200 universities in the world are UK institutions. This is over a third of the 91 universities based within the EU in the top 200.

Given this, and that the UK is a net contributor to the EU budget, after withdrawal from the EU it could replace the funding currently provided to UK universities, or alternatively participate in such programmes (eg. ERASMUS+) without being a member of the EU. There is no prospect of staff or students who are EU nationals and currently lawfully resident in the UK being removed. Universities UK, in their 2014 annual report, noted that they had lobbied the Government to mitigate the impact of the Immigration Act 2014 on non-EU students. However, the current restrictions placed on non-EU students are only likely to be lifted if the UK has the ability to control economic migration from the EU, which will only be possible following withdrawal (Universities UK, July 2014).

Employment

SME Question:

9. Many SMEs cannot find the skills they need to do the work they have, so free movement of people is important. How will SMEs' ability to find and retain the right people be affected? This applies across the board, from minimum wage workers to skilled professionals.

Vote Leave Answer:

After we Vote Leave, the UK Government could introduce an immigration system that is fair and works for the UK's economic interests. The EU's immigration system is immoral, expensive and out of control. EU law demands that the UK has an open door to European countries, while simultaneously stopping highly skilled people from outside the EU coming to the UK to contribute. This has resulted in large numbers of people from across Europe coming to our country.

SME Question:

10. There is enough red tape in operating a small limited company – will leaving the EU help or hinder this business model?

Vote Leave Answer:

After we Vote Leave, our VAT rules would no longer be determined by EU law. The Government accepts that VAT rules for cross-border trade 'can be complex and confusing' and that 'UK businesses also experience delays in the processing of cross-border VAT refunds in some EU Member States'. The annual cost of completing VAT declarations in the EU is estimated to be €40 billion (BIS, February 2014).

Outside the EU's common system of VAT, we could simplify VAT rules substantially. After 40 years of membership, only around 6% of British companies export to the EU, but 100% are caught by EU red tape and have to comply with the full burden of EU regulation (Business for Britain, January 2014). This is damaging. If we take back control we can run our economy in the interests of millions of small businesses and entrepreneurs.

SME Question:

11. At present the freedom of movement within the EU allows the NHS to fill staff shortages with workers from outside the UK. What would happen to this if we were to leave the EU? Would there be restrictions on recruiting new staff and would this result in a shortage of skilled workers?

Vote Leave Answer:

EU freedom of movement rules actually undermine patient safety. Despite the General Medical Council's objections, EU law requires the UK to recognise automatically the qualifications of doctors trained in other EU member states. 10.9% of doctors registered in the UK qualified in another EU member state. EU law means it is not possible for the General Medical Council (GMC) to require all EU doctors currently practicing in the UK to undergo systemic language tests (European Commission, 22 June 2011).

Whilst it is true that the UK is more reliant than many other countries on foreign healthcare professionals, a vote to leave the EU would allow the UK to recruit more highly skilled healthcare professionals from outside the EU. We would also have sufficient funds available to invest in training and retaining UK doctors and nurses.

According to the British Medical Association (BMA), one of the main causes of the junior doctors' strike is the end of automatic annual pay progression. If we Vote Leave on 23 June, we could afford to reintroduce automatic annual pay progression, which would cost just under £1 billion and is just 5% of our annual contribution to the EU (Vote Leave, 25 April 2016, link). We could also use savings from our contribution to the EU to prioritise training more doctors and medical staff in the UK.

SME Question:

12. If the UK leaves the EU, will workers be at risk of no longer being protected by the Working Time Directive?

Vote Leave Answer:

The Working Time Directive (Directive 2003/88/EC) has given the European Court control over doctors' working hours. 71% of doctors think the Directive has had a negative impact on the continuity of patient care and has harmed medical training. 93% of surgeons did not agree with the statement that the implementation of the European Working Time Directive has benefited the NHS. An overwhelming majority of medical graduates (58% to 17%) say the Directive has not benefited the NHS. (Journal of the Royal Society of Medicine, 1 March 2016). The European Court will remain in control of doctors' working hours in the event of a vote to remain.

After we Vote Leave, it would be for the UK Parliament to legislate in this field, protecting workers' rights to not be overworked in a manner which is proportionate, ensuring that this does not have the harmful effect it currently does in undermining people's health. It would be for elected politicians and UK voters, or our own domestic courts, to decide these rules rather than unelected bureaucrats in Brussels and foreign judges in the European Court.

Health

SME Question:

13. If we stay within the EU will the NHS be at risk from harmonising healthcare across the EU to the detriment of the UK healthcare system? Will we lose control over how the NHS funds are used?

Vote Leave Answer:

Some areas of healthcare are already being harmonised by the EU. The Clinical Trials Directive (Directive 2001/20/EC) was intended to harmonise regulation of clinical trials. Academic studies concluded within eighteen months that it 'resulted in a doubling of the cost of running non-commercial cancer clinical trials in the UK and a delay to the start of trials' and 'both increased the cost and caused delay to non-commercial cancer clinical trials run by major public sector Clinical Trials Units in the UK' (European Journal of Cancer, 2007).

The introduction of centralised Health Technology Assessments could put an end to the UK's Cancer Drugs Fund. The Transatlantic Trade and Investment Partnership currently being negotiated between the EU and USA also puts our NHS at risk of privatisation and losing control to American pharmaceuticals.

High Net-Worth Individuals

SME Question:

14. I run a business with offices in various European countries. How would Brexit affect my business in terms of taxation, cash movement and employment?

Vote Leave Answer:

After we Vote Leave we would take back control of decisions in these areas, but there is no reason to fear uncertainty in the short term.

SME Question:

15. I am thinking of expanding my property portfolio, perhaps in France or Germany. How would Brexit affect my investment, in terms of exchange rates and tax?

Vote Leave Answer:

There is no reason to anticipate a change in exchange rates after we Vote Leave. If we Vote Leave, it is unlikely that there will be any substantial effect on the currency. The UK will retain its powers over monetary policy, keep sterling, and take back control of the regulation of financial stability.

SME Question:

16. My fund manager can currently access the European markets with ease. Would this become more difficult in event of Brexit, and would my fund manager's charges rise, or my return on investment fall?

Vote Leave Answer:

After we Vote Leave, we will continue to have access to European markets. London will remain Europe's premier financial centre outside the EU because of its existing infrastructure, common law legal system, extensive human capital, use of the English language and convenient time zone. It will be in the interests of EU negotiators for the UK to retain access, as key European firms would not wish their access to London's market to be restricted.

International

SME Question:

17. What impact will the decision have on companies that export to the EU, and also on overseas companies who have invested in the UK in order to access the EU single market?

Vote Leave Answer:

There is a free trade zone from Iceland to Turkey and Britain will be part of it but we will escape the EU's and European Court's ultimate control. The UK will have access to the 'single market' after we Vote Leave. British businesses that want to sell to the EU will obey EU rules just as American, Swiss, or Chinese businesses do.

The idea that our trade will suffer because we stop imposing terrible rules such as the Clinical Trials Directive is silly. The idea that 'access to the single market' is a binary condition and one must accept all 'single market' rules is already nonsense. The Schengen system is part of the 'single market' and we are not part of it.

After we Vote Leave, we will begin to repeal damaging 'single market' regulations, and we will behave like the vast majority of countries around the world - trading with the EU but, crucially, not accepting the supremacy of EU law.

The Government has admitted that: 'Under the EU-Canada Agreement, the EU has recognised Canadian assessments' (HM Government, March 2016). Mutual recognition of standards will be part of the UK-EU trade agreement too.

After we Vote Leave, businesses that export will of course keep trading with the EU as they do today, and all the opportunities currently enjoyed in accessing its market will continue, but they will also have greater opportunity to export and trade internationally beyond the EU as well, through the striking of new free trade deals that have to date been frustrated through the EU.

SME Question:

18. At a time when relations between our two countries have never been better, what impact do you think Brexit will have on the relationship between Britain and Ireland?

Vote Leave Answer:

After we Vote Leave, the relationship between the UK and Ireland will be even stronger. The EU has already acknowledged the UK and Ireland have a special status. The UK and Ireland are permitted by the EU Treaties to retain the Common Travel Area, even though this discriminates against other EU citizens (Article 2 of Protocol 20 to the Treaties).

It is also consistent with EU law for the UK to pay higher welfare benefits to Irish citizens than it does to nationals of other EU member states (*Patmalnice v Secretary of State for Work and Pensions* [2011] UKSC 11, paras [54]-[60]).

There is no prospect of customs controls being introduced between Northern Ireland and the Republic of Ireland if we Vote Leave. It isn't in the interests of Northern Ireland, the Republic, or the UK and it won't happen. The Common Travel Area and Irish citizens' right to live, work and vote in the UK will continue.

The passport-free Common Travel Area has existed since 1923 and will continue if we Vote Leave. The Common Travel Area has been enshrined in UK law since before we joined the EU (Immigration Act 1971, s. 1(3)). This legislation predates the UK's entry into the EU. It does not depend on EU membership and would continue in force if we Vote Leave.

Legal

SME Question:

19. As we have had a history of input regarding European legislation, is it expected that the UK legal profession, if we exit the EU, continue to bear strong influence from Europe, particularly in the area of Human Rights and cross border matters?

Vote Leave Answer:

While we remain in an unreformed EU, the UK lacks the power to 'break the formal link between British courts and the European Court of Human Rights', as was promised before the last election (Conservative Party Manifesto, 2015). Allowing the European Court to stay in charge of these matters will cause great uncertainty for business as it uses the Charter of Fundamental Rights to take more powers from the member states. After we Vote Leave, it would be for the UK Parliament and UK Supreme Court to decide the appropriate means and levels of UK Human Rights protections.

SME Question:

20. Being so closely tied to Europe, in or out, will our legal profession still have any influence on European issues, or can we return to a legal system not hampered and / or handcuffed by EU legislation?

Vote Leave Answer:

Inside the EU, the UK will remain constantly outvoted by the Eurozone, with the result that damaging EU legislation will continue to be imposed on us. The UK has been outvoted every time it has voted against an EU measure - 72 times in total. 40 of these defeats have taken place since David Cameron became Prime Minister (Vote Leave, October 2015). The UK has no influence at present.

After we Vote Leave, we will be able to influence global standard-setting bodies more effectively and regain an influential voice on the world stage. Many EU rules are actually set at an international level. EU members have little influence on this because the Commission speaks for them in key international bodies.

The Commission often adds unnecessary bureaucracy to global rules for EU-based producers, and these EU rules are then extremely hard to change. After we Vote Leave, we would take back control of our seats in these organisations, and be better able to influence global and European policy.

SME Question:

21. Is it possible that Legal Aid funding could increase without the need to fund our commitment to the EU?

Vote Leave Answer:

We send more than £350 million to the EU every week, and after we Vote Leave, we would take back control of this money and could ensure that it is spent on our priorities. It would be for the UK Parliament and UK voters to decide whether they would wish to increase funding for Legal Aid, but there would be financial resources available for this, that we would no longer need to send to the EU, should they choose.

SME Question:

22. What impact would it have on the Supreme Court?

Vote Leave Answer:

The UK Supreme Court would become the UK's court of last resort. It would no longer be subject to the primacy of EU law, and need to follow the direction of the European Court.

SME Question:

23. What would be the cut off for cases going to the European Court of Justice?

Vote Leave Answer:

After we Vote Leave, it would be for the UK and the EU to determine the cut off. After we Vote Leave, we would expect Parliament to legislate to amend or repeal the 1972 Act which gives the European Court control over our law. However, the referendum will have no legal consequences save for the certification of the result by the Chief Counting Officer (Political Parties, Elections and Referendums Act 2000, s. 128(6)). After the UK voted to leave, it would therefore initially continue to be a member of all the EU institutions under the EU treaties with the voting rights of a full member.

Legislation and regulation

SME Question:

24. EU rules are implemented through UK legislation: EU directives merely shape the UK laws. Taking away the requirement to follow EU rules doesn't mean that UK legislation immediately changes, although it allows different changes in the future. Will the jelly change shape when you take the mould away?

The day after, nothing changes legally. There is no legal obligation on the British Government to take Britain out of the EU immediately. There will be three stages of creating a new UK-EU deal - informal negotiations, formal negotiations, and implementation including both a new Treaty and domestic legal changes. There is no need to rush. We must take our time and get it right.

SME Question:

25. Changes in tax rules, and uncertainty over tax rules, cause significant problems for SMEs. Does leaving the EU give SMEs more clarity over the future of UK tax, or less?

Vote Leave Answer:

There will be more clarity. At the moment the future is very uncertain. The Five Presidents' report indicates that the EU intends to take further control over 'certain aspects of tax policy' including the 'corporate tax base', 'labour taxation' and as part of its 'Capital Markets Union' (European Commission, 2015).

SME Question:

26. What are the top 3 tax issues you would change if Brexit gave you the opportunity? Or, conversely, what are the 3 biggest tax changes that would be forced on the UK?

Vote Leave Answer:

The Economics Commissioner, Pierre Moscovici, has called for further harmonisation of taxation, including scrapping the UK's zero rates, stating a 'zero rate is not the best idea' (Guardian, 28 January 2016). If the Commission's plans are successful, business taxes would rise by over £70 billion a year (HMRC, December 2015).

If the UK votes Remain, the European Court will remain in control of the taxes Parliament can charge and will continue to make massive awards against the taxpayer in favour of multinational businesses. It has determined that tax rules which discriminate against foreign companies establishing branches in the UK are in principle prohibited by EU law, and fall foul of the freedom of establishment, even if they are intended to reduce the risk of tax evasion. In 1986, the European Court said that 'the risk of tax avoidance cannot be relied upon in this context... [The] treaty does

not permit any derogation from the fundamental principle of freedom of establishment on such a ground' (Commission v France [1986] ECR 273, para [25]).

As things stand today, it is ultimately for the European Court, rather than the British Parliament, to judge whether measures designed to reduce tax avoidance are necessary and 'proportionate' (Marks & Spencer Plc v Halsey [2005] ECR I-10837, para [53]). In 2014, for example, the European Court ruled that certain provisions of the Income and Corporation Taxes Act 1988 designed to restrict 'wholly artificial' arrangements and tax havens and which limited certain companies' ability to claim 'group consortium relief', could not be justified under EU law (Felixstowe Dock and Railway Company Ltd v Commissioners for Her Majesty's Revenue & Customs, Case C-80/12,). This case alone allowed one company to offset £1 billion of losses against linked companies' tax bills (Financial Times, 1 April 2014,).

SME Question:

27. What impact does EU membership have on the convergence of tax rates and tax rules? We note that the Organisation for Economic Co-operation and Development (OECD) and G20 have a lot to say in this area, and convergence has an opposing force in tax competition. Is the EU more or less influential than, say, the OECD?

Vote Leave Answer:

The Five Presidents' Report sets out plans for a Eurozone fiscal and 'political union', including 'a euro area treasury', and 'further pooling of decision-making on national budgets', with proposals for a new Treaty in 2017 (European Commission, 2015). The UK will be affected by this process, since the Commission argues that 'much can be achieved already through a deepening of the Single Market, which is important for all 28 EU Member States' [emphasis added]. This means that the proposals will affect all member states - not just those in the euro. The Juncker Commission is also planning an EU-wide corporation tax (European Commission, 2015).

SME Question:

28. How would National Insurance work if we were not in the EU? If I work in France before and after Brexit, what effect is there on my UK state pension?

Vote Leave Answer:

As the Government acknowledges: 'You can claim State Pension abroad if you've paid enough UK National Insurance contributions to qualify' (HM Government, 21 January 2016).

SME Question:

29. What, in practical terms, would change about SME VAT if the UK were to leave the EU? Would there be any effect on the amounts due, or the paper processes? Either in the short term, or in a longer timescale.

Vote Leave Answer:

This would be for UK Parliaments to determine in future. After we Vote Leave, it would not be necessary to introduce change in this area, and there is no reason to fear uncertainty in the short term.

Quality**SME Question:**

30. Quality assurance is a way of preventing mistakes or defects in manufactured products and avoiding problems when delivering solutions or services to customers. Does the prospect of remaining in the EU and the distraction of compliance with ever-increasing byzantine rules and regulations mean that customer focus and the ability of SMEs to be agile, responsive and flexible, will continue to be eroded?

Vote Leave Answer:

EU membership obliges UK businesses, regardless of whether they export to the EU, to follow whatever absurd rules that add to cost in the name of consumer rights. If we take back control, the Government can pass consumer protection legislation that is itself fit for purpose, and stop bizarre or wasteful EU rules while also ensuring UK consumers have access to a greater diversity of international products available to buy at cheaper prices.

Where rules help protect UK consumers, or give UK consumers rights that are reasonably useful and realistically providable by producers and retailers, we expect the Government to retain those rules. We could either choose not to repeal them after we leave, or legislate for them in a new UK Act. On the other hand, bizarre, absurd, wasteful and unreasonable rules could be repealed by the UK Government. If the Government tries to restrict consumer rights in a way that consumers disagree with, or fail to act where a dangerous product emerges, we could vote them out of office.

Sport

SME Question:

31. Currently, footballers from across Europe can live and work in the UK without procuring a visa. If Britain were to leave the EU, would it be more difficult for foreign players to sign for our clubs, and could that affect the £3.4 billion the Premier League alone adds to the UK economy?

Vote Leave Answer:

The Premier League has more foreign players than competing leagues. EU free movement rules have damaged British football. As the FA has acknowledged, the recent restrictions that have been introduced on skilled immigration from non-EU countries are the direct consequence of the EU's freedom of movement rules (FA, May 2014). After we Vote Leave, it would be easier for foreign players to sign for our clubs.

These answers have been provided by Vote Leave, and do not reflect the views of the UK200Group, which is committed to remaining impartial in the EU referendum debate.