TO STAY OR NOT TO STAY? A LOOK AT POST-BREXIT LONDON

With an overview of potential alternatives for headquarters in mainland Europe and Ireland

June 23rd, 2016: the United Kingdom votes 'out of the EU', which results in a historic decision that will surely reshape the nation's economic and political place in the world. The UK Government will trigger Article 50 of the Lisbon Treaty by notifying the European Council of its intention to leave. To many this result came as a surprise; to others it was obvious that the British would vote 'out'. But it was a very tight race, with a majority of only 51.9 percent. Less than 24 hours after polls closed, the repercussions were already proving enormous, both in breadth and depth. British Prime Minister David Cameron announced his resignation, while currency markets and stock indexes fell into chaos.

Many companies are now struggling to understand whether they will benefit or be at risk now that the UK has voted to withdraw from the EU. What is clear is that many London-based businesses, funds and financial institutions will eventually turn their heads east to see if they can find more solid ground in mainland Europe. Even though the UK's exit procedure hasn't even started yet, businesses are already making forecasts and preparing for a permanent rupture from the EU. "The City" has long been an international financial hub, but with potentially changing laws and regulations, London might not be as attractive for many businesses to base their headquarters as it was in the past. Jamie Dimon, chief executive of JPMorgan Chase, warned his staff in a memo that "we may need to make changes to our European legal entity structure and the location of some roles". Prior to the vote he had also said that up to a quarter of JPMorgan's 16,000 employees in Britain might need to relocate.

But where should these companies and organizations move their operations to? And what types of legal issues do these countries present to businesses? In this paper Baker & McKenzie explores six viable options: Germany, France, Belgium, Luxembourg, the Netherlands and Ireland. Legal experts in Tax, Banking and Finance (regulatory), Trade, Employment, Corporate and Capital Markets and IT go into depth on their own focus areas. This paper also discusses non-legal issues such as education, infrastructure and culture. After all, despite the fact that taxes are a key factor for businesses, a new financial hub should have more to offer.

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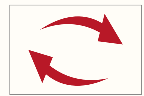
1 TAXES
WHO WILL TAKE THE CROWN?

What will happen after the UK officially severs the umbilical cord with the EU depends entirely on the negotiations, which former Prime Minister Cameron decided to leave up to his successor, Theresa May. The full implications are not expected to become apparent for another two years. Meanwhile, we can distill five likely outcomes:

a) The Norwegian model: the UK will participate in the EU internal market and have free movement of goods, services, people and capital, but will have no access to EU free trade agreements and will not be part of the EU VAT area. Their contribution to the EU will be reduced by 9 percent.

b) The Swiss Model: the UK will participate in EFTA free trade agreements, but not be part of the EU VAT area. It will negotiate a bilateral trade agreement with the EU. The UK's contribution to the EU will be reduced by 55 percent.

c) The Turkish model: the UK will negotiate an ongoing customs union with the EU. There will be no tariff barriers with the EU as the UK adopts EU product market regulations. The UK will be required to implement EU external tariffs. It will not be part of the EU VAT area and there will be no contribution to the EU budget.



d) Free Trade Agreements: the UK will negotiate bilateral trade agreements with the EU and other major trading partners. It will not be part of any customs free trade area or trade association, nor of the EU VAT area. It will make no contribution to the EU budget.

e) Independent (WTO Member): the UK will not be part of any customs free trade area or trade association, nor of the EU VAT area, and it will be excluded from all FTAs agreed by the EU and the EFTA. The UK will negotiate bilateral trade agreements with trading partners and submit no contribution to the EU.

This means potential tax implications for London-based businesses:

Directives: the Parent-Subsidiary Directive

Several EU directives were created to remove tax obstacles from businesses operating across the EU. For example, the Parent-Subsidiary Directive eliminates withholding tax on dividends paid between associated companies within the EU; the Interest and Royalties Directive eliminates withholding tax on interest and royalty payments between associated enterprises within the EU. If the UK starts to operate outside of EU directives, double taxation of dividends could arise for groups with a UK parent and EU subsidiaries or vice versa and there could be withholding tax costs on payments of interest and royalties between both economic blocks.

Directives: the Merger Directive

Several pieces of EU legislation are helpful to the tax payer because they reduce disadvantageous taxation on cross-border corporate activities. That is why cross-border reorganizations, which may become harder to implement after a successful Brexit. The UK may no longer be required to give effect to the so-called Merger Directive, which is designed to remove fiscal obstacles when two independent groups of companies in at least two different EU member states merge.

State Aid Rules

As a member of the EU, the UK is currently subject to state aid rules. These rules are designed to monitor and restrain selective measures by the state that threaten to distort competitive forces in the EU market. These rules play a significant role in many member states, having partly influenced business decisions and recently sparked debates surrounding the closure of steelworks and the construction of nuclear plants.

The impact of parting ways with the EU depends on what trade form the UK will adopt. What's key here is whether the UK will leave with or without a free trade agreement. In the case of a free trade agreement, the UK is bound by the EEA Agreement, which replicates EU rules on competition law. State aid activities will be governed by the EFTA Surveillance Authority under a framework that is very similar to the European Commission's existing framework.
In the second scenario, if the UK joins the EFTA but not the EEA, it will no longer be bound by the EEA Agreement and therefore will not face equivalent state aid rules. In this case, the outcome for the state aid framework will be more uncertain. It is plausible that EU member states will insist on the UK adopting equivalent state aid rules in order to maintain a level playing field. It may therefore be considered more likely that the UK would join the EEA and be governed by the state aid rules adopted by the EFTA Surveillance Authority.

Implications of moving shop

In the absence of clear plans, multinationals may make their own. Depending on specific preferences, there are a few viable alternatives for London, namely France, Germany, Belgium, Luxembourg, the Netherlands and Ireland. We will discuss a few of these in light of certain legal and tax perspectives.

Despite the harmonization of regulations in the EU, differences between tax rates haven't exactly declined. The relatively low tax rates that some countries experienced, especially in Eastern Europe, are now even lower. Countries with higher tax rates mostly remained stationary. Mediterranean EU member states even experienced a rise in tax rates.

The EU as a whole is known for its relatively high tax rates. Even compared to countries with similar levels of prosperity, EU tax rates and social contributions are formidable. Over the past years London has made great efforts to create a fiscally-interesting environment to attract companies. The Netherlands, Belgium and Luxembourg have been closely watching fiscal developments on the other side of 'the pond' and Amsterdam is trying to compete with its British neighbor as bridgehead for multinationals in Europe. Even though the Dutch capital has never been able to knock London off its throne, the existing gap might be closed after, or even before, Brexit.

The general Dutch corporate income tax rate is 25 percent. Neighboring countries have (much) higher corporate income tax rates, with Luxembourg at 29.22 percent, Germany at 29.65 percent, France at 33.33 percent and Belgium at 33.99 percent. Traditionally, the Dutch participation exemption - combined with the Treaty network - has been a major attractor of companies to the Netherlands. The exemption allows the receipt of dividends and capital gains from subsidiaries free of tax in the Netherlands, which makes this an attractive gateway into Europe and the rest of the continent.
Another traditional benefit of the Netherlands is the open attitude of the Dutch tax authorities. Contrary to many other countries, the Dutch tax authorities offer the possibility to discuss tax positions in advance. Also at an individual income tax level, the Netherlands have traditionally been very welcoming to foreign companies and expatriates. Expats with certain skills can receive 30 percent of their income as a tax free allowance. This benefits employers in negotiating salaries.

Another well-suited alternative to London that comes closer to the London culture is Ireland. Fiscally, this is a very interesting option as company taxes are only 12.5 percent. The corporate landscape is very fertile, partly because the Irish government has proven to be a solid business partner. This partnership is made tangible by, among other things, Ireland's KDB system, which allows for an effective Corporate Tax rate of 6.25 percent on qualifying revenue from Intellectual Property. Ireland's KDB system is also the first of its kind which complies with the OECD's Base Erosion and Profit Shifting (BEPS) Guidelines. Then there is also the Research & Development Tax credit system, which makes it possible to obtain a five percent deduction on certain R&D expenditure. This relief is generally available for Research and Development in a wide variety of science and technology areas, such as software development. On top of that, there are numerous tax treaties that companies resident in Ireland can use. A downside to consider about Ireland would be that operations in Europe would be overseas.

Slightly less interesting tax-wise are France and Germany. Germany only offers tax incentives in very limited circumstances, not usually of direct business relevance. This reflects the constitutional requirement for equal treatment of all tax payers. France is similar in this respect, although it does have a beneficial tax measure, similar to that of Ireland's, that enables partial funding of R&D for companies: CIR. The funding can be in the form of a reimbursement or a reduction of corporate tax.

On a side note: ven though tax rates and tax bases can differ greatly across EU member states, in ten years time this may no longer be the case, with regards to tax bases. The Common Consolidated Corporate Tax Base (CCCTB) is a proposal for a single set of rules that companies operating within the EU would use to calculate their taxable profits. In other words, companies would need to comply with only one EU system for computing their taxable income, rather than different rules in each member state. This means that differences in taxes may decline or even diminish. If this proposal is passed, it is good news for post-Brexit UK, who can reduce or increase tax rates and tax bases as it pleases.

2

BANKING & FINANCE

FOREIGN GOVERNMENTS: FRIENDS OR FOES?

Post-Brexit Britain could be free to follow its free market instincts without regulatory interference from Brussels. The 'leave campaign' expects that this will make the country a magnet for companies seeking to escape the regulatory corset of mainland Europe. But any advantages are likely to be outweighed by the uncertainties ahead. With no clear blueprint of the legal infrastructure to come, corporate developments could come to a halt. Either way, companies headquartered in London seeking refuge elsewhere will have to take into account a few financial regulations and capital requirements. Among these are red tape, passporting rights, the bonus cap and differing business models.

Red tape

Even though a lot of financial regulation emanates from Brussels, it is unlikely that it is going to lessen when the UK officially leaves the EU. There are certainly examples of financial regulatory requirements which the UK has resisted (e.g. the bonus tax), but much of the EU-derived requirements reflect British needs. This makes it unlikely that the UK will repeal or amend significant parts of the financial regulatory law. If the UK wants to continue to do business with the remaining EU member states, it will presumably need to comply with EU regulations in order to meet an equivalence assessment. The trouble here is that the UK currently doesn't have the power to properly negotiate new regulations. Negotiating knowledge and expertise is located for the most part in the EU. The British government may have to attract specialists from other institutions or from the "Big Four" consultancy firms: PwC, EY, Deloitte, and/or KPMG. If the UK fails to do so, banks may be faced with having to comply with UK as well as EU legislation. It is not unlikely that banks would then set up sister headquarters in mainland Europe.

Passporting

Passporting may be one of the most salient issues for banks and other organizations in the City. Passporting means that a British bank can provide services across the EU from its UK home. When a bank has a passport, or permit, to offer its services in one country, other EU countries trust that local financial regulators did their homework. One passport should be enough to start banking business in all EU member states. Banking business entails savings, mortgages, business loans, merger advice, shares, derivatives, payments and asset management. This also applies to banks outside the EU: if an American or Chinese bank has a permit in the UK, it can do business across the entire union. Brexit makes this permit invalid, however, unless a special arrangement is negotiated.

Bonus cap

One of the more complicated EU regulations is the so-called 'bonus cap'. What is clear is that this regulation is very vexatious for countries that want to welcome big businesses and institutions, to the extent that some member states don't fully implement it.

In February of 2016, the UK told the Brussels' financial watchdog that it will not comply with EU rules that force the bonus cap that applies to more than 1,000 smaller financial institutions across the City of London. The UK is not alone in having such concerns: France, Ireland, Luxembourg and the Netherlands have all so far refused to implement the bonus cap on smaller financial institutions.

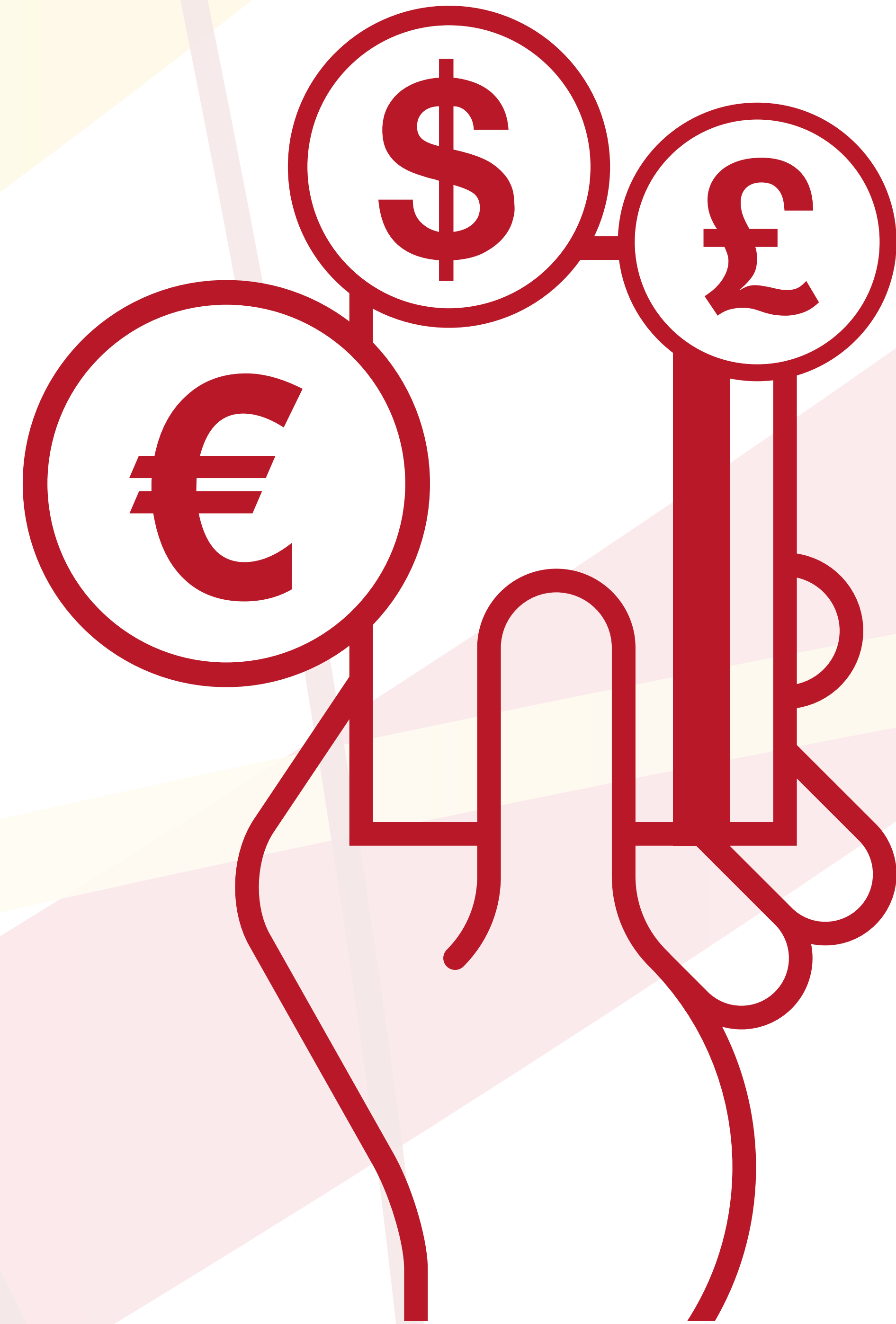
This doesn't mean that larger businesses are exempt: where the European Union decided to cap bankers' bonuses at twice fixed pay, the Netherlands decided to implement even tougher measures because of a public backlash against the industry. The Netherlands is imposing a cap on bankers' bonuses at 20 percent of their annual salary. If Amsterdam aspires to become the next London, it needs to make the bonus cap less relevant. The country has a relatively flexible financial regulator, which could work to its advantage.

More bonus-accepting is Ireland, which has the Special Assignee Relief Program (SARP). Recent changes to the SARP program will benefit higher-paid foreign executives who go to work for multinationals in Ireland. This means that 30 percent of a foreign executive's salary of over 75,000 euro will be tax exempt and this will be uncapped. The previous cap was 500,000 euro. This makes Ireland an attractive relocation prospect for high-earning company executives.

A safe and unrivaled haven for funds and financial institutions is Luxembourg. The Dutch ING Bank is one of many that relocated its funds to this southern neighbor. Corporate law and regulations are well-organized, which makes this an interesting country for funds and financial institutions, and over the past years the country has developed into a real hub for such organizations. Bankers are, however, more attracted to Germany. Frankfurt is a real contender in the race to become the next financial hub, and it's a logical candidate because most international banks already have an office there. But the city is quite unpopular for non-legal reasons, which will be discussed in the final chapter.

Differing business cultures

Another implication of moving shop to mainland Europe is being confronted with different management styles. Advocates of the Anglo-Saxon model argue that it encourages innovation and creates competitive advantages because it favors dominance and is quite liberal. British and American bankers are used to the Anglo-Saxon business culture and are usually quite wary of the Rhineland business culture. The latter is based on concepts of cooperation, consensus, social justice, and serving the interests of multiple stakeholders. Mainland Europe is known to use the Rhineland model. One exception is Amsterdam, which seems to lean more towards the Anglo-Saxon management style.



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TRADE
AVOIDING TRADE BARRIERS

A number of issues are important to top-level executives when the UK breaks current ties with the EU. Since the EU imposes trade regulations and negotiates its trade arrangements with other countries as a bloc, we will not discuss countries individually, but the EU as an entity.

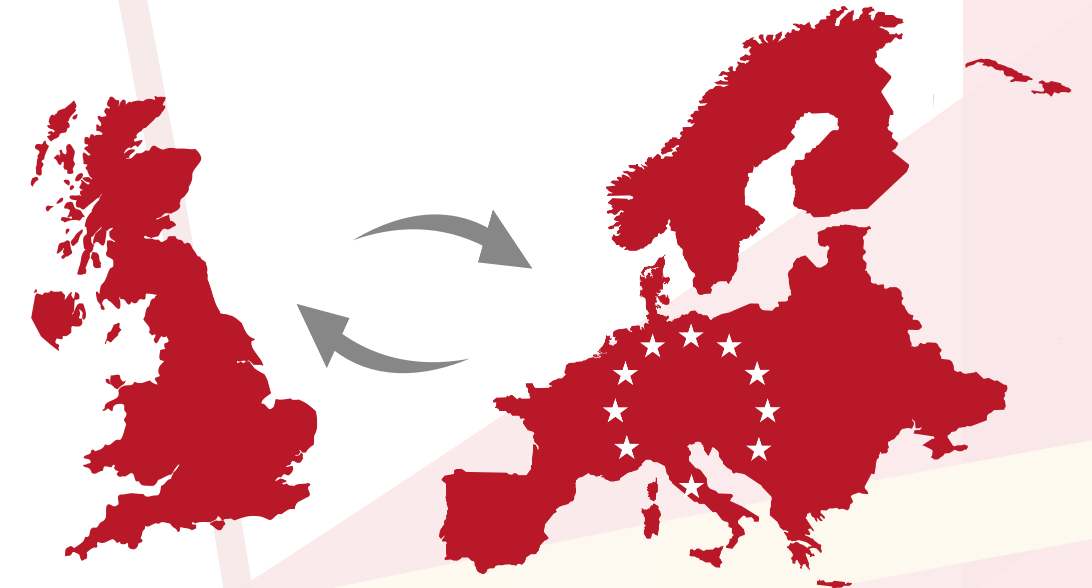
a) Immigration laws and free movement of people. Will executives of internationally-operating companies be able to move employees from their London branch to their alternative location? And if so, how hard will it be to do so?

b) Free movement of capital: how easily will companies be able to move capital between the UK and the EU? What will the tax implications of such movements be in the EU and UK?

c) Free movement of services: financial services in particular are highly regulated. Will UK and EU laws be aligned? How easily will UK financial institutions be able to operate on the EU market and vice versa? Will value added sales tax and required formalities be aligned between the EU and the UK?

d) Free movement of goods: what import tariffs will the UK impose on EU products and vice versa? The UK commitments to the World Trade Organization suggest slightly higher average tariffs than those of the EU at present. But will there be a better free trade deal? And how will the EU and the UK align product safety and other product regulations for labeling etc.? Will value added sales tax and required formalities be aligned between the EU and the UK?

Baker & McKenzie's clients often ask how the firm thinks trade flows from Europe to the UK will take place after a definitive leave. The moment the UK breaks away from the EU, trade between the two regions will change profoundly. Free movement of goods, capital, services and people between them will no longer be guaranteed without a trade deal between the UK and the EU.



Questions on the above-mentioned issues can only be answered when it becomes clear what type of trade agreement or settlement the UK will negotiate with the EU and other trading blocs. Especially important is whether Britain retains access to the single market for duty-free trade and financial services, and for European companies seeking to trade in the UK market. But that would probably require accepting a degree of freedom of movement of people for European Union citizens, which is one of the main complaints the 'Brexiters' had about bloc membership. The EU will have to make arrangements with the UK in all of the areas set out above.

Typically, negotiations on such extensive trade agreements take between four to five years, or even a decade, yet the Britons only have two years to complete Brexit under the Treaty on the Functioning of the EU. This puts a lot of pressure on the UK government to move forward with the exit process, and there are already concerns on the UK side about the availability of experienced resources to negotiate such a complex trade deal.

In the absence of a clear trade agreement encompassing all the four different areas of free movement discussed above, a strategy many companies may want to adopt is having two or more headquarters. This means dividing departments between London and an alternative in the EU. In the absence of an effective trade agreement, the movement of people, capital, goods and services can be subject to many formalities and restrictions which may well cause banks and businesses to choose a dual headquarters strategy. We will further discuss the dual headquarters strategy in the chapter Corporate and Capital Markets.

Transatlantic Trade & Investment Partnership (TTIP)

Whether businesses will want to move shop completely, partly, or not at all, depends entirely on what settlement the UK will negotiate. An important implication of Brexit is that the UK will now be excluded from negotiations on the Transatlantic Trade & Investment Partnership (TTIP), between the EU and the United States (US).. The UK will want to create a partnership with the US as well, and thus will have to do so on its own. It is not unlikely that the UK and EU may want to look to an agreement similar to the CETA trade agreement with Canada. This agreement is the most recent, and thus, most modern free trade agreements negotiated by the EU.

If the UK wants to avoid having to conclude a trade agreement with the EU, it could opt for applying its World Trade Organization (WTO) membership concessions. In this option, the UK would face so-called "Most Favored Nation" import tariffs when exporting to the EU, just like the US. Vice versa, the EU would have to pay these tariffs when exporting to the UK.

Harmonization of regulations

A key pillar of TTIP is the harmonization of laws and services between trading blocs. If the UK doesn't continue to shape its laws in a similar way as the EU, market access for UK companies on the EU market, and vice versa, may be difficult or complicated in many service and industry sectors.

4 EMPLOYMENT
THE WAR FOR TALENT

Free movement of labor is one of the key characteristics of the single market. This has had positive as well as negative effects on political, economic and societal developments in the original member states. Migration flows will very likely change in the foreseeable future, depending on negotiations. It's vital for businesses and banks to orientate on possible European fallbacks and their labor markets. Especially in their 'war for talent.'

Access to labor markets

Even though the EU enforces many directives that concern employment regulations, differences between member states are still noticeable. The EU proposed a 'European Blue Card', which is meant for employees who perform highly-qualified labor within the European Union. Implementation, however, can differ between nations.

Take the Netherlands. Non-EU citizens do not have free access to the Dutch labor market: they need a work permit for the first three years of working in the country. Foreign researchers can avoid the work permit requirement with a residency permit designed for researchers; for example, the permit for knowledge migrants or the permit for researchers under the European Directive 2005/71. A solution could be for businesses to move their R&D departments to the Netherlands and leave other departments in London, or elsewhere.

R&D department in the Netherlands

Other departments in London or elsewhere

For Germany, access for foreign workers to its labor market is a cornerstone of its immigration policy. In 2012, Germany introduced the EU Blue Card, which makes it easier for skilled workers from non-EU countries to work in Germany. Belgium implemented the same directive. However, companies moving to Belgium face high taxes and a cap on salary growth due to automatic wage indexation.

France is an odd-one-out. France's plan to adopt employment laws more in line with those in the UK and Germany sparked strikes throughout the country in May of 2016. The reforms would give individual companies more flexibility to make decisions about hiring, firing, pay and working hours, rather than being constrained by collective-bargaining procedures.

Luxembourg is known for its need to recruit abroad. Cross-border commuters account for 41 percent of a total of 375,000 employees. This characteristic may develop further in the future since Luxembourg needs to maintain a very large working population in order to preserve its high social benefits.

Another country that wants to attract foreign business and capital is Ireland. Although this country is excluded from the EU Blue Card scheme, there are alternatives for highly-qualified workers to obtain a special work permit for Ireland. As an English-speaking destination with a growing economy, Ireland's attractiveness could increase following Brexit.

5 CORPORATE AND CAPITAL MARKETS
THE PRICE OF MOVING SHOP

Corporate markets

Before the official vote, chairman, president and chief executive officer of JPMorgan Chase, Jamie Dimon, said in a speech that JPMorgan could relocate an undisclosed number of its 16,000 UK-based workers. Following that comment, Jürgen Maier, the top executive in Britain of Siemens, the German electronics and engineering giant, said it might reassess its investment plans. He predicted other companies would do the same.

For decades, big multinational companies have used Britain as their business-friendly, English-speaking gateway to Europe. But the English Channel suddenly seems a lot wider. Ernst & Young researched and compared three plausible Head Office scenarios and a Research & Development scenario for Japanese companies wanting to relocate. The study also applies to other internationally-operating companies. EY compared the cities of London, Amsterdam and Düsseldorf:

a) **Scenario I:** European head office": A large head office in terms of headcount, including all strategic functions (e.g. legal, procurement, finance, audit, strategy, other);

b) **Scenario II:** "Divisional head office": A medium-sized head office in terms of headcount and assets, with a specialized function;

c) **Scenario III:** "The minimum head office": A head office with relatively small headcount and physical assets (e.g. holdings). The location behavior of this type of head office is mainly driven by legal or fiscal reasons;

d) **Scenario IV:** "Medium-sized Research & Development facility": The location behavior of this type of facility is mainly driven by knowledge and fiscal reasons.

Labor and social costs

Labor plays a pivotal role in the performance of economies. From the point of view of businesses, it represents a cost that includes not only the salaries paid to employees but also other costs, mainly social contributions. It is therefore a key determinant of business competitiveness, although this is also influenced by the cost of capital; for example, interests on loans and dividends on equity and non-price elements such as innovation and the brand positioning on the market.

It is interesting that for all scenarios Amsterdam seems to be the most attractive location in terms of labor costs. Amsterdam offers not only the most attractive gross annual base salary costs for most functions, it also offers the most attractive performance-incentive costs for most job positions. For the head office scenarios I, II and III, London is the least attractive location.

According to Eurostat, Ireland has high average hourly earnings, at 21,85 euro per hour. In France labor costs are even higher, at an average of 35,20 euro. The Federal Statistical Office (Destatis) reports that employers in the German private sector paid an average of 31,80 euro per hour worked in 2014. It also reports that, in terms of the labor cost level, Germany ranked eighth within the European Union (EU) in that year. Compared with the EU average, employers in the German private sector paid 30 percent more per hour worked.

For the R&D facility scenario, the lowest gross annual base salaries are in London and the highest are in Düsseldorf. Performance incentives are also highest in the German city. In terms of social contributions paid by the employer, Düsseldorf experiences the highest percentage at 19.28 percent, followed by Amsterdam at 17.4 percent. Businesses in London contribute the lowest percentage, at 13.8 percent.

Office rents

There are considerable cost differentials in terms of office rents. Not surprisingly, London is the most expensive (annually 1,207 euro per square meter), followed by Amsterdam (annually 331 euro per square meter), and Düsseldorf (annually 290 euro per square meter). The prime rents for R&D space are also highest in London. Setting up a head office and setting up an R&D facility in the Netherlands can be very attractive for companies conducting activities in European countries.

Capital markets

While there are many practical differences between countries in regard to corporate markets and cost-attractive locations for headquarters, the differences between EU member states with regards to capital markets are a lot smaller. Pre-Brexit, European capital markets were highly interconnected with the UK. More than three-quarters of all capital markets business in the EU was and is still not conducted in the UK. But post-Brexit the UK could miss out on the potential benefits of a capital markets union project, which marks an important shift in mindset by European policymakers. The Capital Markets Union (CMU) is a plan by the European Commission to mobilize capital in Europe. It will channel it to all companies and infrastructure projects that need it to expand and create jobs. By linking savings with growth, it can potentially offer new opportunities for savers and investors. This may well become another reason why companies would want to establish headquarters on EU grounds.

6 IT & DATA PRIVACY
PROTECT YOUR DATA

The UK may wave goodbye to its EU neighbors, but this doesn't mean that it no longer has obligations to the EU. On the contrary, the new economic bloc will have to shape its legal system in a way that complies with the EU legal system, so that both blocs can trade with one another without too many hurdles.

GDPR

The UK will still be part of the EU when the General Data Protection Regulation (GDPR) comes into effect. The GDPR is a regulation by which the European Commission intends to strengthen and unify data protection for individuals within the EU. It also addresses export of personal data outside the EU. Whereas before fines for privacy offenses were between 4,500 and 10,500 euro, they will now reach levels as high as 4 percent of a company's worldwide turnover. The regulation is meant to create a level playing field.

The UK will find itself in a tight spot because in order to trade with the EU, its privacy and IT rules will need to comply with the GDPR. Even if the UK dismisses the GDPR, its new rules will still need to resemble the regulation for a large part. Having offices both in London and in mainland Europe will not avoid this problem because companies will have compliance issues if they defy the GDPR and share information between both offices.

What about EU member states?

From a purely IT perspective, the Netherlands has been front runner in issues such as internet access and broadband. Logistically, it is a very interesting country with a strong online backbone. Internet highways and transatlantic cables all lead to mainland Europe via Amsterdam, which is why many datacenters are emerging in the Dutch capital. The Netherlands also has a large supply of technically-trained personnel. The same advantage does not apply to countries such as Belgium, Luxembourg, France or Germany.

However, from a legal stance, Ireland is a more interesting option for foreign businesses. Its law system resembles the American law system, which makes contracting easier for American companies. Legal privacy matters show a similar pattern. Ireland has one of the most accessible regulators in Europe when it comes to privacy law. Irish regulators are open to businesses, which makes Ireland an easy gateway to mainland Europe.

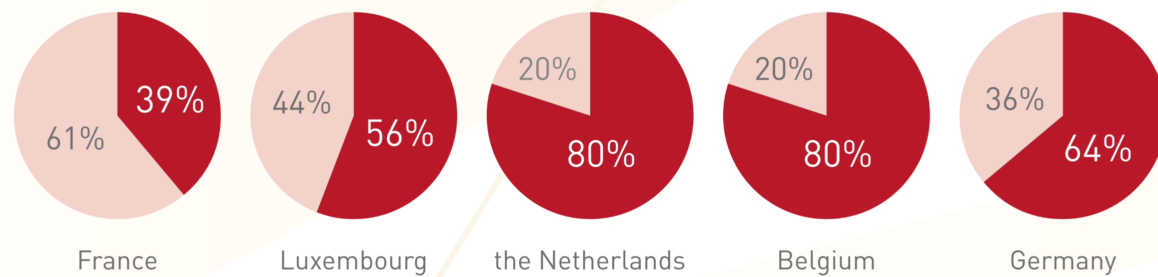
But the Netherlands is a solid alternative, with a legal system that has a reputation for being transparent, cost-efficient and reliable. Some other European countries are less attractive in this sense. Luxembourg's legal system, for example, is not known for its time and cost-efficiency. And since it is a relatively small jurisdiction, case law evolves less rapidly as do larger economies. On the other side of the spectrum there is the German legal system. German regulators supervising compliance with data protection laws, are amongst the most aggressive in Europe, whereas those in the Netherlands and Luxembourg have been more relaxed. On top of which, Germany has different regulatory authorities in its different "Länder" (federal states), which makes this system rather complicated.

7 NON-LEGAL
IT'S NOT ALL ABOUT MONEY

Taxes are very high up the ladder for businesses seeking to find a location for their headquarters. But let's not overlook the softer, non-legal characteristics of countries. Social elements such as language, transportation, schooling and culture may prove to be equally important, if not more important to employees.

Language

The EU officially has 23 recognized languages, more than 60 indigenous regional and minority languages, and many non-indigenous languages spoken by migrant communities. The willingness or need to learn and speak the English language varies greatly from country to country. Not wanting to confirm any stereotypes, some differences can be distinguished. France is known for its stubbornness when it comes to English. The NY Times reports that only 39 percent of the French are fluent in English. Luxembourg is a different story: residents are the most affluent and multilingual in Europe (56 percent speak English). Belgium and the Netherlands also operate, to a large extent, in English. Germans are not as known for their excellent English skills, but 64 percent can hold a conversation in English.



Transportation and infrastructure

After Heathrow, outside London, Frankfurt has the second-ranked European airport and a modern train terminal connecting it to every major city in Europe. Similarly, Amsterdam has one of Europe's best airports, ranked just behind Frankfurt, and an excellent rail network connecting major European capitals, including London, and it's only a short train ride to Brussels, the capital of the European Union. Luxembourg's, France's and Ireland's airports rank very low because of bad connectivity and size.

Schooling

While Ireland is known to have excellent schools, France's rigid school system is inhospitable to foreigners, although it does have excellent English-language private schools. The Netherlands is renowned for having a strong, well-balanced education system. The Belgian school system can seem complex at first due to the variety of childcare and education options. However, with Brussels being the capital of the EU, the education system is well developed to serve international families. Luxembourg's school system is good, but for some children its multilingual requirements can prove difficult. Compared to other countries, the German primary and secondary school system is a rather complicated one in which there can be up to five different kinds of secondary schools. Germany has some private and parochial schools, but far fewer than most other countries.

Cultural offerings

Dublin is charming, with good restaurants, theater and night life. Germany's cities known for their culture (Berlin, Hamburg, Cologne) are unfortunately not the cities known to house financial institutions and large businesses (Frankfurt). Luxembourg ranks relatively high on quality of life (19th in the world), but it lacks the cultural attractions that London has. Amsterdam, Brussels and Paris do offer a great variety of cultural activities and great hotels and restaurants.

TO CONCLUDE..

We've stressed that the implications of the British leaving the EU won't be fully unveiled until negotiations between the UK and other trading blocs are finalized. What can be said is that because of these uncertainties, banks and businesses in London may contemplate moving their offices, or part of them, elsewhere.

We've analyzed Belgium, France, Germany, Ireland, Luxembourg and the Netherlands as possible alternatives. We have also looked at these locations from a tax, financial, trade, employment, corporate and capital, IT and a non-legal perspective. Each country has its advantages and disadvantages, depending on the point of view. Tax-wise, Ireland comes out very strong, but Germany and the Netherlands are more inviting when looking at inclusion in EU trade agreements and non-legal requirements. Luxembourg is already a center for financial institutions, but has less to offer culturally. Amsterdam initially appears to be the prime candidate for businesses seeking a new base for their offices. It's a vibrant city with excellent transportation, but the bonus cap of 20 percent that the country applies could scare companies off.

In conclusion, each business will need to look at the criteria they find most pivotal when selecting a location. That said, London is still the primary financial hub of Europe, and other European cities will have to further develop themselves to fully rival London.

SOURCES

From the Internet

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