Impartial View & Opinion

Since the EU Referendum in the UK and the decision to leave the EU, we have met many British expats in recent months that are confused by the various consequences of the "no" vote. Admittedly, there is a lot we do not yet know, and there is much that the UK and the EU must agree upon going forward. Nevertheless, in an impartial way, we have highlighted the main areas of concern to UK expats living in the EU and attempt to allay some fears:

TAXATION:

What will it mean for UK expats in Portugal if the UK were to leave?

If the UK were to vote to leave the EU on 23rd June 2016, we believe that there will be little change in the taxation basis for expatriates living in Portugal. In all of the commentary that we have seen, no one yet has referred to the Double Tax Treaty that is in place between Portugal and the UK. If an exit from the EU were to happen, the Double Tax Treaty will remain in place. Admittedly, there maybe some adjustments to the treaty, but these will be minimal. After all, the Double Tax Treaty has been in existence since 17th January 1969, a long time before the UK became a member of the European Common Market, as the European Union was known in the 70's.

RESIDENCE IN PORTUGAL

If the UK votes to leave the EU, what would this mean to your residency status in Portugal?

If the UK is to leave the EU, there are a number possible scenarios which could effect Britons living in European Union:

1. The UK may retain its membership in the European Economic Area (EEA). The EEA is an existing economic treaty between the EU, Norway, Iceland and Liechtenstein. This would be the “best-case” scenario for many expats, as this would mean that most existing rules on free movement in Europe would continue to apply.
2. They could establish a "special" solution for Britons living in the EU, which will regulate the matters of free movement in Europe. Probably this will mean that there will be lesser liberal agreements compared to EEA countries, and more bureaucratic issues to navigate. Due to all possible outcomes of the negotiations, this scenario is unpredictable but likely to happen.
3. There could be no agreement between the UK and EU. This would mean that all expats would need to enter into legislative conditions as third-country nationals, which is the scenario that non EEA immigrants face when moving into the EU. This is the “worst-case” scenario for the British. Expats would have to apply for temporary visas or seek asylum in the EU. Our opinion of this dire prospect is unlikely to happen.

CURRENCY EXCHANGE
What about the exchange rate between the UK Pound and the EU Euro?

Our opinion is that the current rate of exchange, circa £1 to €1.25, has already factored in a 50/60% possibility of an exit from the EU. In realistic economic terms, the pound should be much stronger against the Euro due to the economic climate of recovery in the UK against the sluggish economic stagnation that the EU has and continues to experience. Furthermore, as Mario Draghi has increased and extended Quantitive Easing within the EU (announced earlier this year), this would ordinarily weaken the Euro. However, due to the forthcoming EU Referendum in the UK, we have not seen this happening.

INVESTMENT PORTFOLIOS
If a UK exit from the EU were to occur, how can you "protect" your investments from this?

Nearly a third of FTSE 100 chiefs believe that Britain is better off in the EU and at present with the UK market being pretty range bound, we seem to be brushing off any threat. The constituents of the FTSE100 are extremely globally orientated, with huge chunks of profits coming from overseas earnings and therefore it is further down the list, such as FTSE250 stocks, where the consequences of an EU exit could be felt.
For example, Easyjet and Sage Group derive over 50% of their revenues from the EU and a departure from the EU could be detrimental to their share price. On the flip side, there are stocks in the FTSE100 that may not be affected by an EU exit such as Centrica and Prudential as they do not derive any earnings from the EU.
This does not only affect shares, but also managed portfolios and funds that an investor may have within their investment plan. Our recommended advice at this stage is an investor should have a detailed review of their investment holdings, so that the assets held are amended to counter any EU exit. An urgent exercise that an investor should undertake sooner rather than later, despite some opinion polls suggesting that there is a rough 50% to 60% chance that we will maintain the status quo. This is by no means a certainty and if there is one thing the stock market does not like, it is uncertainty.
Like everyone else at this stage we have no idea on what the outcome will be. The only thing we can be sure of is that the markets will be far from "plain sailing". We recommend taking action now and preparing your investments for every eventuality.

This publication is not intended to persuade preference of staying in or leaving the EU. It does, however, intend to redress the balance of media coverage where it has been evident that consequences facing the approximate 2 million expats living on mainland EU have been largely ignored. This article is simply to highlight the possible consequences of British expats living in the EU in an impartial way.

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