

## **BREXIT – This is why Liechtenstein is very well prepared for the plans of Boris Johnson**

On July 24 2019, Boris Johnson became the new U.K. Prime Minister, replacing Theresa May. Queen Elisabeth II invited Boris Johnson to become prime minister and form a government. Obviously, the designated prime minister has one huge task: leading the UK through an organized exit from the European Union without causing too much damage to Britain and the remaining EU member states. In addition, Boris Johnson promised to perform the Brexit before October 31 2019. Considering the intense debates of Theresa May in the past year and the recent press statements of the new prime minister, a so-called no-deal Brexit could take place.

Even though Liechtenstein is not in the European Union, it is a member state of the European Economic Area (EEA) and the European Free Trade Association (EFTA). For this reason, the economy as well as the legal system of the small country in the heart of Europe are substantially affected by major changes in other EEA countries. For the UK Brexit means not only leaving the EU but also the EEA.

From a legal and economic point of view, the free movement of persons is one of the core rights guaranteed in the EEA, as it gives citizens of the EEA countries the opportunity to live, work, establish business and study in any of these countries. Of course, this also applies to the current relationship between the UK and Liechtenstein, with only small exceptions regarding the free movement of persons, which are mainly due to the size of the latter.

Besides the fundamental freedoms of the EEA, there are several intergovernmental agreements between Liechtenstein and the UK. For instance, the Liechtenstein Government and the British Tax Authority (HMRC) recently have published another Joint Declaration to the Memorandum of Understanding of 2009 and the Liechtenstein Disclosure Facility (LDF). Furthermore, since 2012 there is a double taxation agreement between those same countries in order to avoid double taxation and evasion.

With regard to the current situation, the Liechtenstein Parliament made several provisions in time, in order to prevent interferences of the economic relations with the UK. This also involves an expert department of the Liechtenstein Government, which was created in order to monitor the developments and the potential outcome of the Brexit.

Furthermore, there are exit agreements for both possible Brexit scenarios. In fact, there is not only an exit agreement in case of an orderly exit but also an agreement safeguarding the citizens' rights in case of a no-deal scenario.

As Liechtenstein is in a currency, customs and economic union with Switzerland, further measures were adopted aiming to cushion the effects of Brexit on the internal market. Switzerland ensured that the existing mutual rights and obligations in its relationship with the UK will continue to apply after Brexit. To this end, Switzerland and the UK have signed five agreements providing for a continuation of their bilateral relations. In accordance with the so-called "mind the gap" strategy of Switzerland, these agreements will at least partially be extended to Liechtenstein by means of an additional agreement.