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Make Europe Great Again

INTERNATIONAL, TAX

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The day after the EU Parliamentary election in May 2019, I opened my newspaper in a café in Copenhagen and read the [Berlingske Tidende's morning headline](#): Make Europe Great Again!

With May, Merkel and Macron stepping down or losing clout, these results signal an expansion of coalition government involvement within the EU, and further increase speculation of Jean-Claude Junckers' future replacement. Voter turnout for this continent-wide election was the highest since 1994 with 50% of Europeans coming out to vote. Clearly, the voters had something to say!

The election resulted in the loss of a clear majority for most governments, which will require parties collaborate with their coalition partners in the coming years. Decreased support for the [Social Democrats](#) and [Conservatives](#) caused them to lose their "monopoly" on the majority – one they have held since 1979 when the EU Parliament was established. The Liberal and Green parties gained the most ground in nearly every EU country. While Macron's party in France strengthened its numbers with nearly 110 mandates, the "Green Vest" protest movement that has hounded him this past year clearly resounded with the French people.

The hard right groups that typically lobby for tighter immigration rules and strong border control lost ground to the Climate lobby. Despite this, they remain a strong minority in France, Germany, Great Britain, Austria, Italy, Hungary and Denmark.

Without any clearly dominant party, the question remains of who will take over as head of the EU once Jean-Claude Junckers steps down, as many countries will be vying for this influential position. One name that frequently appears is that of Margrethe Vestager of Denmark, who currently serves as the European Commissioner for Competition. Many international companies will recognize her from the tough stance she has taken on monopolies, cross-border taxes and transfer pricing issues.

The German and French Axis is in crisis, as Chancellor Merkel's party had its worst election results since 1893. President Macron's party lost mandates again to Marie Le Pen, which will weaken him both domestically and internationally.

Lastly, what will happen in Great Britain? Teresa May announced on June 6th that she will step down as the UK Prime Minister and it appears that the Hard Brexit will prevail – although it is unlikely that the process will be an easy one. Interestingly, since UK citizens were still able to vote in the EU election, it resulted in the Brexit Party becoming one of the largest national delegations in the [EU Parliament](#), with as many MEPs as Angela Merkel's center-right CDU-CSU coalition.

What trends can we expect?

Coalition governments will need to develop policies with the support of parties that may not have held much influence in the past, so expect to see different tax, economic and social policies being put in place.

Climate policy tends to be more costly to implement than border control or immigration reforms. Therefore, expect to see increased taxes across the board, although governments have already revealed a potential source of this revenue from an increase in estate and inheritance taxes on the wealthy.

The UK will most likely exit the EU in what is being termed a “Hard Brexit”. This arrangement would see the UK give up full access to the single market and customs union, giving Britain full control over its border and requiring the establishment of new trade partnerships. The UK would also be responsible for applying those laws within its own territory and will most likely revert to the World Trade Organization’s rules with its former EU trading partners. As a result, many expect for real estate prices to continue to fall, which is always an investor’s intrigue and a buyers’ **delight!**

The ramifications of this election will certainly be felt even by those who reside outside of the EU, as these changes will influence future international tax, policy and trade agreements. If you have any questions about the impact of these elections on your business or company, please contact your local Schneider Downs representative.

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