



CHECK-LIST POTENTIAL IMPACT ON DIFFERENT AREAS- FINAL

BREXIT- SINGLE MARKET RELATED ISSUES	POTENTIAL IMPACT ON BUSINESS	POSSIBLE WAYS TO ADDRESS THE IMPACT
<p>1. EU Regulations and enforcement</p> <ul style="list-style-type: none"> The UK Government has indicated that it intends to leave the Single Market to make its own public policy choices and define its own regulatory agenda Initially the UK Government has indicated that it intends to incorporate the “EU acquis” in the domestic legislation via the “Great Repeal Bill”. We have a number of EU regulations and standards that determine the conformity of goods and services; 	<ul style="list-style-type: none"> Even tough at an initial stage the UK may decide to incorporate the “acquis communautaire”, if regulations diverge in the future they can lead to Non-Tariff Barriers that will have an impact on business. Unless agreed otherwise, various national regulatory authorities (e.g. telecoms, data protection competition, etc.) would not be part of the EU-level coordination bodies (like the European Competition Network, WP29/EDPB or BEREC (telecoms)), but also EU portals such as SOLVIT and the Points of Single Contact. With the UK out of the single market, the presumption of conformity in principle will no longer apply. Depending on the future arrangements between the EU and the UK, goods might be subject to additional testing and auditing procedures; Once and if EU and UK regulations start diverging there might be competition issues between companies. 	<p>The UK should incorporate the “acquis communautaire” taking into account the need of regulatory convergence and avoiding disruptions both from an economic and legal point of view.</p> <p>The EU-UK agreement should be subject to a proper dispute settlement mechanism to ensure legal certainty.</p> <p>Creating the necessary framework to encourage dialogue between Regulators and good cooperation between standardisation bodies in the EU and the UK could be a way to mitigate the negative impact going forward. A transition framework should provide for regulatory cooperation and legal certainty for companies, covering the period between the UK exit of the EU and the formal agreement</p>
<p>2. Standards</p> <ul style="list-style-type: none"> The compliance with the Regulations/standards is in many cases verified by tests/auditing procedures 	<ul style="list-style-type: none"> Standards are not law but are usually the preference by most businesses to demonstrate compliance with EU legislation and achieve single market access. This will still be possible after Brexit as other non-EU situated businesses do the same. The UK will continue to be represented in the ESOs as long as they continue to remain non-EU agencies. The British Standards Institute (BSI) would be another non-EEA country member like the Turkish Standards Institute 	

<ul style="list-style-type: none"> Sanitary and phytosanitary measures are critical in the agri-food sector; Sometimes specific bodies were created to supervise compliance- EMA, ECHA Membership and influence in ESOs (CEN, CENELEC, ETSI) 	<p>(TSE). This will first be dependent on the ESOs changing their statutes and signing a new agreement with the BSI. However, if the UK amends its own law over time and does not continue to adhere to the ESOs principles (recognised as only National Standards Body/National Electrotechnical Committee from that is formally recognised, Member of ISO/IEC, accepted by WTO code of Good Practice of Standards) this agreement will be difficult to sustain.</p>	<p>of a FTA between the EU and the UK.</p> <p>Promoting mutual recognition agreements in the areas/sectors where that is possible (the provisions of these agreements and the harmonisation of British technical regulations with those of the EU would ensure seamless market access for EU products to the British market, and vice versa for British products to the EU/EEA market.).</p>
<p>3. Digital including data flows</p> <ul style="list-style-type: none"> Application of GDPR (personal data) Data flows between UK-EU (and impact on the Privacy Shield) 	<ul style="list-style-type: none"> Even if the UK's intention is to incorporate the GDPR in its domestic legislation, this might change in the medium term creating divergences on protection of data. This could lead to a similar situation as the one that we have experienced with the US that lead to the Privacy Shield. Data flows underpin businesses across Europe, it is estimated that about half of all trade in services are enabled by digital and data flows. A recent McKinsey study estimates that cross-border data flows account for 3.8 per cent of global GDP. Currently, 75% of UK cross-border data flows are with EU partner countries, demonstrating the interconnected nature of the modern value chains. It is also important to consider implications on these transfers. Service providers will need to continue to bring various data points together to provide the best possible services. This could impact all sized businesses. Regarding EU-US data flows, the Privacy Shield currently covers data transfers from the UK to the US as part of the EU. 	<p>The agreement of a UK-EU adequacy decision will be crucial to maintaining vital EU-UK data flows and delivering legal certainty for the protection of both EU and UK citizens personal data. Including provisions on data flows in the future EU-UK trade agreement, including on preventing forced localisation.</p>

<p>4. Services</p> <ul style="list-style-type: none"> Although there are still limitations to the single market in services the access cannot be compared to that of a Third Country status; The legal framework is very important in the area of services and touches sensitive issues like recognition of professional qualifications, digital, financial services, movement of people, regulation on establishment (shareholding requirements and multi-disciplinary services) or fixed tariffs and minimum prices for specialised sectors. 	<ul style="list-style-type: none"> The UK will have to define its schedules and commitments in the WTO. Afterwards the EU and the UK can negotiate the level of access for their respective service providers. We can expect limitations in areas like Financial Services and free movement of workers. In Ireland, for example, there are an estimated 30,000 border crossings every day, covering all forms of activity including providing services. Regulatory divergence could have an impact in critical areas like financial regulation or data privacy (data flows); Depending on the future arrangement between the EU and the UK there might also be an impact on the recognition of professional qualifications; Depending on future provisions concerning financial services there might also be an impact on access to capital; 	<p>An ambitious free trade agreement could ensure a good level of market access for services for instance via a “negative list” approach.</p> <p>Foster dialogue between regulators to facilitate and promote regulatory convergence.</p> <p>Mutual recognition agreements could address other issues but this depends on the level of regulatory convergence</p>
<p>5. Transport</p> <p>a) Air: the UK is the largest aviation market in the EU and thus plays a major business and regulatory role. For example, five of the top ten aviation links between EU countries involve the UK, representing 22% of intra-EU traffic.¹</p>	<ul style="list-style-type: none"> Any change in the current EU aviation framework restricting air traffic would pose an important risk to the EU economy. The UK may leave the EU Common Aviation market, leading to uncertainty about existing routes and hampering investment new routes 	<p>If the UK does not become signatory to the EU common aviation area (ECAA) after Brexit, a comprehensive Open Skies agreement will be necessary to avoid any restriction or limitation.</p> <p>Possibly need to re-negotiate some agreements with Third Countries.</p>

¹ Based on Eurostat

<ul style="list-style-type: none"> • The Single Aviation Market is one of the success story of European integration, with airlines from across the EU providing vital services in other EU countries and a regulator that is one of the leading safety regulators in the world, as the Aviation Strategy for Europe noted. • The aviation sector plays a major role in the development of trade, investment and the tourism industry. Thus, it is a key contributor to the EU GDP. 		
<p>b) Road: currently a number of goods are transported by road from the EU to the UK and vice-versa in free circulation.</p>	<ul style="list-style-type: none"> • A system of quotas might be in place for the future and that would limit operations and create more administrative burden and costs. • Will trucks travelling between the EU and the UK need an International Road Transport License (operated by the United Nations Economic Commission for Europe)? There are currently around 130 in circulation. If all UK registered Heavy Goods Vehicles (HGVs) in the EU and EU registered HGVs in the UK were required to have this license, an estimated 80,000 could be required. • What will be the validity of the current rules on admission to the occupation of road haulage operator or road passenger transport operator located in the UK, the validity of the Community license (Directive 2006/94/CE) and any other carriage authorization, the cabotage transport regime to be applied, whether Directive 92/106/EEC on combined transport is applied, whether attestation of the driver to verify he is in lawful employment situation is required and if maintenance of electronic register of road transport companies on serious infringements committed by hauliers are needed. 	<p>There should be a commitment to regulatory convergence of EU-UK road transport legislation</p> <p>A bilateral agreement between the EU and the UK might mitigate the impact. We must not forget however that other EU trading partners are also asking for similar treatment e.g. Turkey.</p>

	<ul style="list-style-type: none"> The negotiations on the next Multiannual Financial Framework (MFF) are due to start in the 1st semester of 2018 at the very latest, but possibly still this year. The TEN-T guidelines will have to be amended to clarify the status of the UK parts of the TEN-T core and comprehensive network. Brexit's impact on the Connecting Europe Facility (CEF) is probably limited for projects ending under the current CEF running under the current MFF until 2020. What is the status of projects that run longer? How will EFSI and the EIB be impacted once the UK withdraws? Removing the world's 5th largest economy could impact Europe's lending arm in these areas. An assessment of the impact of the UK leaving the EU on other member states' access to transport corridors as supported under Ten-T should also be considered. 	
6. Tourism Impact on drop in sterling valuation	<ul style="list-style-type: none"> Tourism (art. 195 TFEU) is a major economic activity with wide-ranging impact on economic growth and employment, particularly in some member states (eg. 17.8 million British people visited Spain in 2016 representing a new record). How will this be impacted in the short-term context of a downward valuation of sterling and in the long-term context of sectoral agreements found to impact this (eg. aviation and the package travel Directive, the European Health Insurance Card, roaming). 	

TRADE RELATED ISSUES	POTENTIAL IMPACT ON BUSINESS	POSSIBLE WAYS TO ADDRESS THE IMPACT
<p>1. Customs</p> <ul style="list-style-type: none"> • Possible Tariff and Tariff Quotas (Agriculture) • Rules of Origin • Customs procedures- e.g. additional documentation, controls • Transit procedures • Customs Regulations • Authorised Economic Operators • Outward and inward processing regimes • Capacity and resource constraints • Fighting fraud and counterfeited goods (e.g. Rapex system) 	<ul style="list-style-type: none"> • Potential increase in the costs and time of trading depending on existence and/or level of duties, complexity of the customs procedures and controls; • Rules of Origin and the possibilities of cumulation will determine how much companies will be able to benefit from preferential regimes. This combined with outward and inward processing regimes might have a significant impact on existing supply chains; • Regulatory convergence on customs related issues will determine the level of disruption and possible additional costs for business; • Recognition of trusted trader's programs like the AEO will be key to minimise impact • There is a lack of (physical) infrastructure, storage, staff and know-how, which means authorities in both sides need to be prepared to handle the increased volume of customs procedures in the future, which could cause delays, disruptions and increase costs. • Potential lack of market surveillance provisions could also lead to non-compliant products entering through loopholes in a potential new agreement. • Continued cooperation in fighting fraud and counterfeited goods is also key for companies in highly innovative or creative sectors or sectors facing high levels of duties or taxation which creates strong incentives for counterfeiting; 	<p>An ambitious free trade agreement could address some of these issues, in particular relating to tariffs and rules of origin;</p> <p>Foster dialogue between regulators to facilitate and promote regulatory convergence. Mutual recognition agreements could address other issues but this depends on the level of regulatory convergence;</p> <p>It will be important to secure good cooperation and information exchange between customs authorities to ensure market surveillance and anti-fraud actions are effective;</p> <p>IT systems can also contribute to make the customs and administrative procedures more efficient and less complex and time consuming for companies.</p>

<p>2. Procurement</p> <ul style="list-style-type: none"> • Even if the EU market is relatively open as compared to other partners the level of access for non-EU operators is more limited than EU operators; • The legal framework in place has been revised recently and includes a number of provisions that promote social and environmental standards. 	<ul style="list-style-type: none"> • The GPA- Government Procurement Agreement of the WTO sets the market access commitments in this area but not all WTO members have joined. The UK will have to decide how it intends to proceed and what degree of coverage it will have. Depending on this decision market access in this area might be impacted. • If the legal framework starts to diverge in the EU and the UK business might be subject to different criteria with an impact on the ability to submit and win bids. 	<p>The UK will have to define the level of openness of its procurement market and negotiate its accession to the GPA;</p> <p>Ideally a future EU-UK trade agreement should contain GPA+ provisions</p>
<p>3. Investment</p> <ul style="list-style-type: none"> • Most of the FTAs the EU has with Third Countries include market access provisions for investment. Recently Investment Protection is also part of the new FTAs e.g. Canada, Vietnam; • The UK has bilateral investment agreements with some other EU Member States and is part of the Energy Charter Treaty 	<ul style="list-style-type: none"> • Depending on the arrangements between the EU, the UK and Third countries market access and investment protection might be impacted by Brexit. • It also remains to be seen whether the UK will be individually interested in (joining) a Multilateral Investment Court, an idea that is currently promoted by the EU and Canada. • Legal certainty is important for investment decisions, and the status of contracts already in place between EU and UK partners might also be an issue. As long as there is no certainty on what the future EU-UK relation will be contracts and investment decisions might be cancelled, or postponed. 	<p>The EU-UK should negotiate a trade and investment agreement that includes market access as well as investment protection provisions</p>
<p>4. Sanctions and Export Controls</p>	<ul style="list-style-type: none"> • The UK is a member of the Australia Group (AG), the Missile Technology Control Regime (MTCR), the Nuclear Suppliers Group (NSG) and the Wassenaar Arrangement (WA), which are all multilateral export control 	<p>Strong cooperation and a similar legal framework would avoid competition issues and a</p>

<ul style="list-style-type: none"> • The EU has a legal framework concerning sanctions as well as the conditions to export dual use goods. • The EU currently has in place unilateral sanctions regimes (complementing international ones) against Russia Iran, Iraq, Syria and Libya. It also holds sanctions against Belarus, but following recent steps towards political reforms in the country they have been significantly reduced. As regards North Korea, the EU follows UN sanctions. 	<p>regimes. Even after Brexit, all the obligations that the UK has undertaken under these regimes will continue to remain in place.</p> <ul style="list-style-type: none"> • The question is whether the UK will decide to also put in place a Regulatory framework to rule Export Controls similar to the EU one, that is additional to the four multilateral regimes referred to above. Depending on the regime the UK chooses to implement or the way in which the EU will address this in the future, there may be an impact on businesses especially in cases where supply chains are considerably integrated. • Similar rationale applies also in the case of sanctions. The UK will also have to take a decision on whether it will adopt similar sanctions as the EU or not. The case of Russia is a prominent one, as the UK has been a strong advocate in favour of EU economic sanctions against the country following the outbreak of the crisis with Ukraine in 2014. 	<p>possible negative impact of diverging approaches.</p>
<p>5. Relations with Third Countries</p> <ul style="list-style-type: none"> • The EU has a considerable number of Free Trade / Association Agreements with Third Countries that also benefit the UK • The EU is a member of (GPA, ITA) or is negotiating several plurilateral agreements or initiatives (EGA, TiSA) • The EU gives unilateral preferences to Developing countries under the GSP-General System of Preferences 	<ul style="list-style-type: none"> • Brexit will have an impact on existing supply chains that involve the EU, the UK and Third Countries. Depending on the arrangements between the EU and the UK and Third Countries there might certain preferential benefits may no longer apply after Brexit. • There are also a number of bilateral agreements currently under negotiation. The UK's departure from the EU may affect the offers made by third parties and the final outcome of the agreement. • There are plurilateral agreements and initiatives in which the UK will have to determine its role and the EU 27 might have to recalibrate its interests in these negotiations. • It remains to be seen under which conditions the UK will award unilateral preferences to Developing countries. This might have an impact in the cost of certain goods and services and in the way certain supply chains are designed. 	<p>The impact might be mitigated by the EU-UK trade agreement but in many cases the impact will be a consequence of the fact that the UK will have to define its own trade policy.</p>

<ul style="list-style-type: none"> The EU also gives “ad hoc” preferences to Third Countries for political or for Countries for political or other reasons 		
LEGAL AFFAIRS RELATED ISSUES	POTENTIAL IMPACT ON BUSINESS	POSSIBLE WAYS TO ADDRESS THE IMPACT
1. Competition <ul style="list-style-type: none"> Investigations Mergers 	<ul style="list-style-type: none"> As the EU has exclusive competence in this field, the effects could be far-reaching. Although EU competition law can apply extra-territorially, the European Commission/DG COMP will face practical obstacles to investigate cartels in the UK unless negotiated otherwise. However, if the infringement has an impact on consumers or companies within the EU, they could investigate British companies located in other Member States. The European Commission may also no longer be competent to enforce state aid rules on subsidies by the UK authorities. An increase in parallel investigations may occur at EU and UK level for competition law infringements with pan-European effects, potentially leading to divergent decision-making. Unless negotiated otherwise the British competition authority CMA will be out of the coordination done by the European Competition Network (ECN). If the UK leaves the single market it would lose use of the one stop shop for large scale mergers which fall under the Merger Regulation. Mergers that fall within jurisdiction of the UK’s Competition & Markets Authority (CMA) might therefore need clearance from both the Commission and CMA 	<p>Problems related to unfair competition might be addressed by the use of Trade Defence Instruments although the UK will have to adopt its own legislation</p> <p>There might be specific provisions promoting cooperation between competent authorities in the EU and the UK</p>
2. Intellectual Property (IP) <ul style="list-style-type: none"> Trademarks and designs Unitary Patent Unified Patent Court 	<ul style="list-style-type: none"> Unless negotiated otherwise, EU-wide IP rights like the EU trade mark and design would not automatically extend to the UK. Businesses requiring protection for their trademarks and designs in the UK would have to seek national protection instead of or in addition to EU protection. From the date the UK leaves the EU, new applications for IP Rights (EU Trademark, 	<p>It’s important that the EU and the UK continue to cooperate after Brexit ensuring a good coordination in fighting counterfeiting.</p>

	<p>Community Design, Community Plant Variety Right etc.) will not cover the UK anymore. Separate applications will be required for the EU and the UK with respective EU and UK offices.</p> <ul style="list-style-type: none"> The UK Government confirmed on 28 November 2016 its intention to proceed with preparations to ratify the Unified Patent Court Agreement (UPCA) over the coming months. Within the current rules, this ratification is necessary to realise the Unitary Patent (UP) and Unified Patent Court (UPC). This positive development gives rise to optimism that the Unitary Patent can become a reality for companies in the second half of 2017. The single patent title and single court will make it easier for businesses to protect their ideas and inventions from being illegally copied in other countries. 	<p>It needs to be clarified whether the UK will continue to participate in the UPC or UP after Brexit and what legal instruments need to be in place to enable the UPC to function.</p>
<p>3. Accounting</p> <ul style="list-style-type: none"> International Financial Reporting Rules 	<ul style="list-style-type: none"> The international financial reporting rules (IFRS) are devised by the International Accounting Standards Board (IASB) and transposed into European law following a special endorsement mechanism. Usually the entire international standard is endorsed so that the rules are similar wherever IFRS is applied. The UK has generally been a strong supporter of international accounting standards and is thus expected to continue to apply IFRS. The IASB is based in London but as it is not a European organisation this does not have to change. It will be important to find solutions to keep convergence in the approach towards IFRS. 	<p>Should seek convergence on the rules and that the UK remains committed to apply the international standards</p>
<p>4. Corporate governance and company law</p> <ul style="list-style-type: none"> Market access Subsidiaries Societas Europaea Freedom of establishment 	<ul style="list-style-type: none"> The UK has been an early adopter for corporate governance policy and legislation could have a significant impact given that EU reforms are modelled after the English model (market abuse, say on pay, comply or explain). The UK currently serves as headquarters of 40% of the 250 biggest European companies. What will happen with subsidiaries of UK based companies spread throughout different member states in terms of legal form/legal regimes? Will they be able to benefit from the same freedom of establishment conditions deriving from EU Treaties and EU case law? 	<p>Convergence in rules will be important and going forward a framework for regulatory cooperation should be foreseen.</p> <p>Conditions for establishment will have to be defined in a future trade agreement.</p>

	<p>Would member states be able to impose extra safeguards in terms of the liability of the parent company (e.g. need to adopt a specific company law form)?"</p> <ul style="list-style-type: none"> • How will the around 77 Societas Europaeas (European Companies) that have been founded in the UK be affected? Possible options are dissolution, conversion into a UK company form or the UK assimilates the European Company statute; Moreover, UK companies looking to establish themselves in the EU or conduct business would still need to comply with EU company law and corporate governance rules (e.g. financial and non-financial reporting requirements). • It is also unclear whether companies formally established in the UK, but mainly operating in the EU will be recognised as legal entities because the relevant ECJ rulings regarding freedom of establishment (Centros, Überseering, Inspire Art) will no longer apply. 	
5. Consumer policy <ul style="list-style-type: none"> • Influence • Consumer acquis 	<ul style="list-style-type: none"> • The UK is one of the most consumer protective legal systems (e.g. 6 years of guarantee, a 30 day right to return even in physical shops, a strong collective redress system). Brexit means the EU will "lose" one of the champions of consumer protection and an opponent of full harmonisation (because they want to keep their higher standards). • UK companies wishing to do business in the EU will still have to respect the consumer acquis. How will common labelling practices be impacted? 	<p>Convergence in rules will be important also to ensure that new barriers to trade of goods and services are not created.</p> <p>Good cooperation between authorities including on market surveillance activities will be key</p>
6. Litigation	<ul style="list-style-type: none"> • EU Regulations will not apply in the UK. This means e.g. that UK/EU decisions will not be enforceable in their respective jurisdiction. This may have an impact on EU contracts subject to British Courts. There is a risk of reactivation of "anti-suit injunctions" forbidden by the ECJ in the West Tankers case C-185/07 (1). • Arbitration may be affected with regard to provisional measures and evidence request. 	<p>Encourage signature by the UK of the Lugano Convention or agreements with individual EU members for mutual recognition</p>

	<ul style="list-style-type: none"> There may be other problems due to clauses that give preference to Member States courts (i.e. Art 46.6 Regulation 600/2014 on financial markets) 	
7. Insolvency	<ul style="list-style-type: none"> The EU Insolvency proceedings' regulation will not apply in the UK. This is relevant with regards to applicable law, coordination between insolvency proceedings and recognition/enforcement of decisions. Pre-pack administration and company voluntary agreements under UK territory will not be enforceable in the EU. UK insolvency proceedings will not benefit from safe harbour rules provided under the insolvency regulation. 	Recognition that the UK is a relevant forum for insolvency proceedings in the EU and agreements could be reached so that Brexit is not disruptive in this regard
8. Contractual agreements	<ul style="list-style-type: none"> Parties may try to exit their contracts linked with the UK based on force majeure, change of terms to do business or the material adverse effect clause included in financial and commercial contracts. 	It will depend on the outcome of the negotiations. At this stage, it is difficult to anticipate possible mitigation measures.
CLIMATE, ENERGY, ENVIRONMENT AND R&D	POTENTIAL IMPACT ON BUSINESS	POSSIBLE WAYS TO ADDRESS THE IMPACT
1. Climate and Energy <ul style="list-style-type: none"> Emissions reduction EU-ETS Internal energy market Energy Community Treaty Energy and climate regulators 	<ul style="list-style-type: none"> Increase of costs for (part of) EU27 industry due to higher emissions reduction efforts if the UK leaves the system Regulatory divergence on ETS could provide a competitive advantage to UK industry Tariffs on energy trade would primarily expose the UK but also some other EU member states like Ireland Ireland's security of supply once disconnected from the EU energy market 	If the UK leaves the system emission targets for the remaining 27 should be reduced by the amount corresponding to the UK. Thus, the total target for EU27 + UK should continue to be the same than before Brexit.

	<ul style="list-style-type: none"> • Ireland's all-island electricity market could face disruptions and operational challenges if the UK is outside the IEM • Possible disruption on the nuclear industry sector because of UK leaving–Euratom 	<p>Convergence of rules and cooperation between regulators will be key.</p> <p>It remains to be seen if the UK will look to maintain a close connection to the EU ETS or the competent regulators</p>
2. Environment <ul style="list-style-type: none"> • Standards and regulations • Trade • Regulatory agencies 	<ul style="list-style-type: none"> • If regulatory divergence occurs it could provide a competitive advantage to UK industry e.g. REACH, industrial emissions directive (EIPPCB), etc. • Tariffs / customs checks would disrupt and make more costly supply chains e.g. chemicals, waste management, etc. 	<p>Convergence of rules and cooperation between regulators will be key to mitigate the potential negative impact on trade.</p>
3. Research and Innovation <ul style="list-style-type: none"> • Access to EU funding and ongoing projects • Cooperation between Research organisations and researchers 	<ul style="list-style-type: none"> • Unless agreed otherwise there will be less opportunities to collaborate with well performing UK research entities (academics, businesses, research institutes) in the framework of H2020 and its successor (FP9). • Less opportunities / higher costs for UK-EU27 exchanges of researches, students, etc. • Uncertainty around existing projects that involve UK partners 	<p>Depending on possible arrangements regarding EU funded projects including ongoing ones.</p>

ECONOMIC RELATED ISSUES	POTENTIAL IMPACT ON BUSINESS	POSSIBLE WAYS TO ADDRESS THE IMPACT
1. Taxation	<ul style="list-style-type: none"> • There might be increased tax competition if the UK decides to lower taxes or change regulations • Possible impact on VAT both from a technical as well as a competition point of view. The UK will need to implement new VAT laws and administrative practices. Although these should be materially aligned with the current EU system, there may be new administrative burdens. • As the UK will exit the EU VAT area, the intra EU-trade of goods regime will be abolished. Trading of goods via import/export regime will likely increase administrative burden and costs, e.g. due to the need of amending the agreements between business parties and modifying the invoicing/reporting methods. • The ceasing of application of directives, including the Parent Subsidiary Directive and Interest and Royalties Directive, could bring additional costs to businesses where treaties do not provide equivalent benefits. • Position on historic transactions undertaken under EU merger directive should be confirmed, e.g. whether UK exiting the EU could trigger crystallise deferred tax. • Lack of cooperation between tax administrations could provide for additional uncertainty or administrative burdens, e.g. in the case of information sharing, dispute resolution, confirming advance pricing agreements. • Certain other bilateral tax treaties might be impacted, e.g. reliance on UK as an EU / EEA member to satisfy qualifying conditions of US treaty. 	<p>Convergence of rules and cooperation between regulators will be key.</p> <p>Ensure that double taxation is avoided</p> <p>Allow sufficient lead time for implementation of new VAT law and systems by business and governments.</p> <p>Ensure that all tax harmonization in the EU strengthens the competitiveness of the European companies</p> <p>Replicate benefits of EU directives in bilateral tax treaties where possible.</p>
2. Financial services	<ul style="list-style-type: none"> • Passporting rights as part of the UK being in the single market will be impacted. • EU and UK financial services firms may need to establish separately capitalised subsidiaries in the other jurisdiction. 	<p>Convergence of rules and cooperation between regulators will be key.</p>

	<ul style="list-style-type: none"> • The UK is likely to implement EU regulations at an initial stage and therefore be considered equivalent. However, over time regulatory frameworks may start to diverge and equivalence decisions can be revoked at very short notice, creating uncertainty for providers of financial services and their clients. • There might be an impact on access to finance for EU companies considering the importance of the UK as a financial centre for Europe. 	Access to both the EU and UK markets for financial services will depend on the provisions negotiated for Services in the future EU-UK trade agreement.
3. UK participation in the EIB/EFSI	<ul style="list-style-type: none"> • Potentially fewer overall budgetary resources and potentially lower financing capacity for the EIB itself as the bank could lose one of its largest shareholders. How to proceed with EFSI (financing) is also connected to the overarching question about the UK's participation in the EIB as well as the future engagement of the bank in the UK. For now, there are no changes as legally the UK should remain a member state until the end of the current EFSI period. Once the UK becomes a third country, it will still be able to get some EIB financing as the bank does "external lending" but this accounts for less than 10% of the total volume. To note that, so far, the UK has been one of the largest beneficiaries of EFSI. 	This is an issue that should be addressed in the exit agreement in the discussions regarding existing engagements/liabilities
4. EU Budget	<ul style="list-style-type: none"> • The budget will no longer receive the UK share (around 15% of the Budget, some 11bn in recent years). As the UK is a net payer there will be some funding lost. Part of the funding will be offset by funding not spent in the UK, and UL contributions could still be made depending on the agreement that will be made. With negotiations lasting for at least 2 years the impact of this loss would be mostly felt in the MFF post 2020 but will condition discussions starting already this year of the post 2020 MFF. 	This is an issue that should be addressed in the exit agreement in the discussions regarding existing engagements/liabilities.

SOCIAL AFFAIRS RELATED ISSUES	POTENTIAL IMPACT ON BUSINESS	POSSIBLE WAYS TO ADDRESS THE IMPACT
1. Free Movement of workers	<ul style="list-style-type: none"> Any end to or limits on free movement of workers will affect companies' possibilities to get sufficient labour with the right skills and also seriously affect the possibility for internal company mobility which today takes place under the free movement of workers' rules. For EU companies having large investments in the UK it is in particular important to have access to internal company mobility (Intra-Corporate Transferees. Any end to or limits on posting of workers will seriously affect the possibilities to provide services. 	<p>Conditions and acquired rights for EU citizens working in the UK and UK citizens working in the EU should be addressed in the Exit agreement.</p> <p>From the date of exit UK workers and companies will gain access to EU through the EU third country Intra-Corporate Transferee directive and the Blue Card Directive. A reciprocal agreement should therefore be concluded that enters into force on the exit date</p> <p>In transitional arrangements as well as in the future agreement arrangements on movement of workers and postings should be included, as well as the issue of the recognition and comparison of qualifications</p>
2. Social security	<ul style="list-style-type: none"> The conditions under which EU Member States' social security rules apply to mobile people will also change, including in areas such as: sickness 	<p>Some of these conditions might be kept for instance via negotiations between the UK and</p>

	<p>benefits, maternity and paternity benefits, invalidity benefits, unemployment benefits, etc. (EU Regulation 883-04)</p> <ul style="list-style-type: none"> • There is a risk of duplicating social security contributions for UK/EU mobile workers. As existing bilateral agreements were negotiated many years ago, they differ from current EU regulations which have been adapted over time. When dealing with social security aspects as part of an exit agreement, it will be important to avoid additional compliance obligations for employers, fragmented social security contributions and confusion for workers across Europe, which could impact their future entitlement to welfare benefits 	<p>individual member states on a series of bilateral agreements on access to welfare benefits with UK citizens with a reciprocal agreement for their citizens who currently reside in the UK, or by taking over the relevant content of Regulation 883-04 into an EU-UK agreement</p>
3. European works councils	<ul style="list-style-type: none"> • Many internationally-based companies have chosen the UK law for their European works councils. An important question to clarify is whether companies that have chosen UK law for the operation of their European works councils could maintain this in the future. 	<p>To allow for EU, UK, and international companies with EWCs to retain their subsidiary companies and employees in the UK as an integral part of their European Works Councils, a reciprocal agreement between the EU-27 and the UK would be required.</p>
4. Students/exchange programs	<ul style="list-style-type: none"> • The ability of EU students to study in the UK may also be limited including due to their treatment as “international students”, facing higher tuition fees. Participation in exchange projects like Erasmus may also be at risk 	<p>A possible solution could be found depending on the Exit agreement and the arrangements on existing and future responsibilities.</p>