

What would a Brexit mean for EU businesses operating in the UK?

On 23 June 2016, the British public will decide whether the UK should remain in or leave the EU; this is seen by many in the UK as a once in a generation vote. A majority vote to leave the EU could have significant implications for EU businesses operating in the UK.

We summarise the main points below. In a nutshell:

- | If the UK votes to "Remain" based on the new terms negotiated by the UK Government with the other EU Member States, the status of the UK within the EU will be even more defined and differentiated compared with that of the other EU Member States.
- | If the UK votes to "Leave", there will be uncertainty as to the form of the UK's future relationship with the EU as well as uncertainty as to how long it will take to agree the terms of that new relationship. This in turn will create uncertainty for businesses which could last for years.

"Remain"

In February, the British Prime Minister secured a new settlement which will govern the UK's EU membership **if the UK votes "Remain" in the EU referendum** providing:

- | On **economic governance** that UK businesses will not be discriminated against because the UK is outside the Eurozone and that the UK will not have to pay for Eurozone bailouts.
- | On **competitiveness** that targets to reduce regulation will be set and more free trade agreements entered into (e.g. with the USA and Japan). This should benefit businesses operating across the EU;
- | On **sovereignty** that the UK will no longer subscribe to the objective of "ever closer Union"; and
- | On **immigration** that an "emergency brake" will apply on the ability of new EU migrants to claim in-work benefits in the UK for a period of up to four years.

If the UK votes to remain in the EU, the new settlement will come into effect the day that the UK Government informs the Commission that it has decided to stay in the EU. Only then can the legislative process to enact those parts of the settlement that require new EU legislation begin. If the UK votes to leave the EU, then the settlement will fall away in its entirety.

"Leave"

If the UK votes to leave the EU, a Brexit would not happen overnight. Instead a lengthy and complex round of negotiations would commence. Notice to leave would have to be given under Article 50 of the Lisbon Treaty. The UK would then have up to two years to negotiate an exit agreement with the rest of the EU, and many commentators consider that it could take even longer. During this period, the UK would remain a full EU Member State and would continue to be bound by EU law. The UK would also continue to take part in all EU decision-making except in relation to the exit agreement.

How much access the UK would have to the Single Market would depend on the terms of the exit agreement. Norway, although not a member of the EU, has access to the Single Market for most goods. However, it contributes substantially towards the EU budget, but

does not have any EU representation. Other countries, such as South Korea, have negotiated limited access to the Single Market without budgetary contributions. If all else fails, both the UK and the EU are members of the World Trade Organisation ("**WTO**") and must offer each other their most favourable tariffs.

What would a Brexit mean for EU businesses?

One thing is clear, the impact of Brexit will not be the same for all sectors and will depend on a large extent on the amount of access the UK continues to have access to the Single Market.

- | **EU imports to the UK and UK exports to the remaining EU** could be subject to tariffs and customs barriers meaning higher costs for EU businesses. If no trade agreement is reached between the EU and the UK, the UK's WTO tariffs (whatever the UK decides these should be) and the EU Customs Tariffs would apply.
- | **Potentially restricted access to UK customers.** Without the free movement of goods, it would be more difficult for businesses in the remaining EU to supply UK customers (and vice-versa).
- | **Potentially restricted access to UK workers.** Without the free movement of people, businesses in the remaining EU may have restricted access to UK workers. Whatever happens to the existing EU non-UK workers is likely to be dealt with in the exit agreement.
- | **EU exports to the UK would have to comply with UK product regulations.** These are likely to stay broadly the same as EU product regulations in the short-term, but may diverge over time. This could increase costs for EU businesses.

What can Eversheds do for you?

Our team at Eversheds can help you plan for post-Brexit issues.

Eversheds takes no political stance on the issue. As a law firm with legal experts throughout Europe in all areas of law, we are well-placed to advise businesses across all sectors. Our legal experts have spoken extensively on the legal implications of a "Brexit" for both UK and non-UK businesses. We have held a number of events and prepared a comprehensive guide for clients on 'Making Sense of Brexit'.

Eversheds operates at the leading edge of business. Recognised by Acritas as a Global Elite Law Firm, we regularly advise on billion dollar deals and high profile cases on behalf of the world's most powerful corporations and financial institutions. In just over [25 years as Eversheds](#), we've grown into one of the world's foremost international law firms. Consistently recognised by the leading independent legal guides, we understand the needs of businesses in all sectors and will work tirelessly to make sure your business and good name are protected at all times.

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