

Nicosia, September 17, 2019

TO: All Members

FROM: Leonidas Paschalides, Deputy Secretary General

SUBJECT: Brexit Preparedness Checklist for companies doing business in the EU in case of a no deal Brexit

Dear all,

The CCCI, in the context of its ongoing updates on Brexit (see a number of previous circulars we have sent to you) informs you that the European Commission has recently published the above Checklist (in English) which we attach together with an additional relevant European Commission communication for your information. We remind you that there is a dedicated EU web site that contains a large number of relevant announcements and is available at : https://ec.europa.eu/info/brexit/brexit-preparedness/preparedness-notice_en.

Businesses need to ensure that they are prepared by the date of withdrawal (currently 1 November 2019) where the UK becomes a third country. Please note that unless there is an withdrawal agreement, no transitional periods will apply. But even in the event of an agreed withdrawal, businesses will need to be properly prepared as the UK will cease to be an EU member after a transitional period ending on 31 December 2020. Of course in this case, the provisions will apply which will be agreed upon and the CCCI will inform you accordingly. At present and unless we have further developments we need to prepare for a no deal Brexit.

The main points to keep in mind are briefly the following:

1. Placing products in the Single Market - exports

A) Certificates and authorizations:

These will need to be issued by a body / organisation located in the EU. Certificates issued by the UK will not be valid after Brexit. Examples of products affected are medical equipment and motor vehicles.

B) Localisation requirements:

Where there are requirements for a 'competent person' (importer, license holder etc) such as in the case of chemicals these persons should be established in the EU and not in the UK.

C) Labelling and markings:

Affected products, e.g. industrial products, pharmaceuticals, medical equipment, food and animal feed must be labelled or marked with the particulars of the bodies and persons referred to in points A and B above. Markings or labelling referring to bodies / persons established in the UK will no longer be accepted.

D) Preferential tariffs granted by third countries for EU products:

After Brexit, if the product contains British content it will not qualify for the preferential duty.

E) Customs procedures:

After Brexit, there will be customs procedures both for EU exports to the UK and for UK imports into the EU. EORI numbers (registration and identification of economic operators) issued by the UK will no longer apply as well as UK customs decisions issued under EU law (such as authorizations, binding tariff information and binding origin information)

F) Customs duties:

After Brexit, there will be import duties on products originating in the UK in accordance with the EU Common Customs Tariff.

G) Prohibitions and restrictions:

After Brexit, the EU prohibitions and restrictions on imports from third countries (e.g. cases of waste, medicines, certain agro-food products, rough diamonds, certain radioactive materials etc) will also apply to the case of the UK. Additionally, authorizations issued by the UK in relation to imports / exports of products into / from the EU will cease to apply.

H) Sanitary and phytosanitary controls:

After Brexit, these controls will also apply to UK products.

2. Providing services in the EU

A) Licenses and authorizations:

In many economic sectors, the provision of services in the EU requires licences or authorization from the competent authorities of the Member States. For example such licenses / authorizations are needed for services in the transport, financial services, audiovisual and energy sectors. After Brexit, such licenses / authorizations issued by the UK will no longer be valid in the EU. In some cases, validity in a Member State is subject to national law.

B) Cross-border provision of services:

After Brexit, providing services from the UK to the EU will be subject to European and national law, taking account of commitments and qualifications made by the EU under WTO law. This is relevant for many business sectors, especially if EU businesses continue to work with UK established service providers.

C) Professional qualifications:

Post Brexit recognition of professional qualifications acquired in the UK will be subject to the national rules of the Member States relating to the recognition of qualifications acquired in third countries. In many cases there are bureaucratic recognition procedures.

3. Other issues

A) Value Added Tax:

After Brexit, the rules applicable to third countries will also apply to the case of the UK, including the payment of VAT at the time of importation of products from the UK.

B) Trademarks and designs, geographical indications, plant variety rights:

After Brexit, the protection afforded to these rights will not apply in the UK.

C) Contracts – jurisdiction clauses:

After Brexit, the recognition and enforcement of UK court rulings will be subject to national regulations concerning judgments of third country courts.

D) Personal data:

Following Brexit, the transmission of personal data from the EU to the UK will be subject to the relevant rules concerning third countries. This is relevant for many business sectors, especially if EU businesses continue to work with data centers located in the UK.

E) Companies registered in the UK:

After Brexit, the recognition of companies incorporated in the UK will depend on the national laws of the Member States relating to third country companies.

F) Direct taxation:

Member States' national laws on direct corporate taxation must take into account EU law, including harmonization measures in certain cross-border cases. After Brexit, the direct taxation rules for companies in situations involving the UK will be those that apply to third countries.

HOW CYPRUS WILL BE AFFECTED

It is clear from the above that Cyprus, due to its historically close ties with the UK, will not be able to remain unaffected by the UK's withdrawal from the EU, especially if we have a no deal Brexit. The possibility of the UK leaving without an agreement is still visible.

The main issues are:

- In terms of **products (import- exports)**, the UK is a key partner of Cyprus. Here we have the issues related to customs duties, customs procedures, certifications, authorisations, markings, controls. The UK government has issued a provisional customs tariff on 13 March 2019 for the importation of products from the EU. This tariff will be valid for a 12-month period following Brexit and will then be revised. According to it, duties will only apply to 13% of imported products. The main products on which duties will be levied are meats, some dairy products, motor vehicles, ceramics, fertilizers, bananas, raw cane sugar and some kinds of fish. The main commodities exported by Cyprus to the UK (halloumi and potatoes / vegetables) will not be subject to any duties during this twelve month period. If duties are to be imposed later, the main product to be affected will be halloumi.

-4-

Of course, the impact will be mitigated quite a bit and maybe it will be negligible if the trade mark is regained in the UK. In addition, the pound's exchange rate with the euro must also be taken into account, with all indications being that the pound will be further devalued in the event of a no deal Brexit. This will practically mean that Cypriot exports to the UK will become more expensive.

- In terms of **services**, in addition to what has been mentioned above (licensing, authorizations, cross-border provision), of particular importance to Cyprus is tourism. It is known that about 35% of our tourists and about 40% of our tourism revenue come from the UK. Although visas for short-stays (up to 90 days) will not be required, any serious devaluation of the pound or even a recession in the British economy will have a negative impact. Efforts should therefore be made to diversify the range of countries from which our tourism originates, in order to get rid of today's dependencies. This is a long-standing position of the CCCI regardless of Brexit .
- **Qualifications:** The limited Acquis here does not preclude Member States from recognizing qualifications from third countries. The Cypriot government needs to move swiftly so that there is no problem in the recognition of qualifications that have been or will be acquired in the UK.
- It is mentioned that the **rights of citizens** (Cypriots living / working in the UK and Britons living / working in Cyprus respectively), will not be affected if these have been acquired before Brexit. For the post Brexit period, residence and work will be subject to restrictions and procedures that have not yet been fully elaborated. The EU's position is that it will pursue a policy of reciprocity depending on what the UK government will introduce.
- It is clarified that with regard to the **Sovereign British Bases** it has been agreed that the current arrangements will not change so that no effective border is created between the Bases and the Republic of Cyprus.
- It is also clarified that the status of **European students** (including a significant number of Cypriots) studying in UK institutions (tuition fees and student loans) will continue to apply (according to a British Government announcement) to both existing students as well as those who will start their studies in the Fall of 2019 but also in the Fall of 2020. From then on, things will depend on the relevant decisions that the UK will make. Here as well, the EU's position is that it will pursue a policy of reciprocity depending on what the British government introduces.
- In the **financial sector**, two contingency measures have been decided by the EU. One concerns the European Securities and Markets Authority which will continue to recognize temporarily central counterparties currently established in the UK by allowing them to continue providing services in the EU until 30 March 2020. The other concerns the central securities depositories of the UK allowing them to continue providing notary and central maintenance services to operators in the EU until 30 March 2021. The European Commission has also adopted two Regulations allowing EU operators with outstanding non-cleared derivative contracts to replace UK counterparties with EU counterparties within twelve months of Brexit without losing the prudential treatment that these contracts currently enjoy.

-5-

- Regarding the **transport sector**, two contingency measures have been decided by the EU. As far as road transport is concerned, ensuring basic connectivity under the existing regime until 31 July 2020 and as far as air transport is concerned ensuring the same until 24 October 2020. Also with regard to the ownership status of EU airlines, the necessary changes, where needed, have to be made by 30 April 2020.
- There are also regulations concerning **fishing** which do not concern Cyprus.
- **Participation in European programmes:** UK bodies will continue to be eligible for participation in European programmes and receive funding from the EU budget until the end of 2020, provided the UK fulfills its Community budget obligations and allows the necessary controls. This applies in particular to companies and entities from Cyprus participating in European programmes which should take it into account in relation to proposals they make or participate in.
- **European Union budget:** Member States (including Cyprus) will be required to contribute more to the Community budget after Brexit, but there will be expenditure reductions so that the impact is not significant. At the same time however, there will be financial assistance for areas most affected, such as agro-food and fisheries, but also for countries bordering the UK as well as for small and medium-sized businesses doing business with the UK. This will be done through grants, specific European programmes and funds. Cyprus is also expected to benefit.
- Finally, it is stated that Brexit also creates **opportunities** for Cyprus, such as attracting UK businesses that would like to have a base for all or some of their EU activities (so as not to be subject to third country business status) but also other opportunities concerning the marketing of some products such as medicines but also some "products" in the financial sector. We already have positive developments in some areas such as shipping. It should be noted here that Cyprus has a number of systems and frameworks (such as the legal, accounting and regulatory framework) that are based on UK standards and this is an advantage for businesses that are currently based exclusively in the UK.

We strongly urge the Cypriot enterprises to take seriously the above into consideration but also to study the attached documents so that they can complete their relevant preparations.

Yours sincerely,

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