



### **Summary of Implications Leave vote to IoM extracted from CoMin's UK referendum on EU membership Implications for the Isle of Man Second Interim Report (April 2016)**

Constitutional and legal effects Protocol 3 will fall away. The Protocol is attached to the UK's Accession Treaty – and is not part of the EU Treaty itself. Article 50 of the Treaty sets out how a Member State can leave the EU, and allows for a two-year window within which the departing Member has to negotiate its 'withdrawal agreement' (although this can be extended).

It is anticipated that the UK's 'withdrawal agreement' would set out its new relationship with the EU, but the UK Government has stated that this could take up to ten years to resolve. The Isle of Man's underlying relationship with the Crown and the UK would not change.

**Free movement of goods and customs** matters Customs Union and currency union with the UK would continue, although the Customs and Excise Agreement may need to be amended, because it is written in a way that depends on UK membership of the EU (and references EU rules). Trade with the EU and the rest of the world – for businesses both in the UK and the Isle of Man – could be disrupted.

**Free movement of people Manx residents** who currently qualify as British Citizens would continue to do so, and British Citizens would continue to be able to live in the UK. However, the rights of British Citizens to live and work in the rest of Europe may be affected. Similarly, the rights of EU citizens to live in and work in the UK and Isle of Man may also be affected.

**Economic impact Exporters of goods** – that is those in the manufacturing, agricultural, and fisheries sectors – would be likely to see the most significant effect, as the Island's current relationship with the EU allows for free trade in these sectors. Most food produced in the Isle of Man is exported to the UK but exports to the EU (either directly, or through UK intermediaries)

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and the rest of the world may see increased costs or restrictions (higher tariffs or quotas) and administrative burden. Manufacturers may also see increased costs, barriers to trade or other non-tariff measures which could mean that their products are comparatively more costly. Their UK based partners could be similarly affected. Aircraft, shipping and yacht management sectors may be adversely affected by changes to access to the European Market, and in particular if the Island's VAT status is altered. This could in turn affect the Corporate Service Providers who support this sector. For Financial Services (and services generally), the Isle of Man is already classed as a 'third country' and so Island companies do not enjoy automatic right of access to the Single Market. For this reason, the UK leaving the EU is not anticipated to be likely to have a significant impact, although any impact on the UK would undoubtedly affect local businesses. Similarly, e-gaming is not currently regulated at an EU level, with access to EU markets governed by national rules – this is unlikely to be significantly affected, but loss of UK influence in the EU could affect future policy in this area, and potentially restrict access to the EU market.

**Provision of Government services** The delivery of Government services such as Health, Education and Home Affairs, and the many other services provided for the public will be largely unaffected.