

4 December 2024



## **Constitution, Europe, External Affairs and Culture Committee**

### **Review of the EU-UK Trade and Co- operation Agreement (Services)**

Evidence from ICAS

# Review of the EU-UK Trade and Co-operation Agreement (Services)

## About ICAS

The Institute of Chartered Accountants of Scotland (ICAS) is a global, professional membership organisation and business network for Chartered Accountants. It's also an educator, regulator, examiner and a professional awarding body.

ICAS' diverse membership is made up of over 24,000 world class business professionals who work in the UK and in more than 80 countries around the globe. Members of ICAS are also known by the letters CA, an exclusive professional designation in the UK.

ICAS members operate at the forefront of ethical and sustainable business. Educated, regulated, and led by the highest standards of ethical leadership since 1854, they are at the top of their game. They are trusted professionals, who transform business and support one another for the greater good.

Acting in the public interest is the guiding principle of all that ICAS does and we continually work to maintain trust in the accountancy profession. That ethos is enshrined in the ICAS Code of Ethics – which applies to all members, students and member firms, and is underpinned by our Royal Charter commitment.

ICAS is a member of the Chartered Accountants Worldwide Network, a global family that brings together the members of 15 leading institutes to create a community of over 1.8 million Chartered Accountants and students in more than 190 countries.

Any enquiries should be addressed to James Barbour CA, Director, Policy Leadership.

## Comments

ICAS welcomes the opportunity to provide written evidence to the Constitution, Europe, External Affairs and Culture Committee's 'Review of the EU-UK Trade and Co-operation Agreement (Services)'.

As was highlighted in the evidence session involving representatives from the legal profession the Free Trade Agreement between the UK and the EU was weak in relation to content on the provision of services.

### Free Trade Agreement - Recognition of professional qualifications

The Free Trade Agreement (FTA) at pages 97 to 98 with an annex on pages 770 to 774 outlines the framework agreed by the UK and EU for the recognition of professional qualifications which is based on the approach taken in recent EU FTA agreements. It does however make improvements on those agreements, which are designed to make the system more flexible and easier for regulatory authorities to use. These provisions facilitate those responsible for professional qualifications in the UK and EU member states to submit joint recommendations to the UK-EU Partnership Council for profession-specific arrangements. Those responsible may be either the professional bodies or authorities, which are relevant for the sector of activity concerned in their respective territories. Such joint recommendations shall be supported by an evidence-based assessment of:

- the economic value of an envisaged arrangement on the recognition of professional qualifications; and
- the compatibility of the respective regimes (i.e. the extent to which the requirements applied by each Party for the authorisation, licensing, operation and certification are compatible).

On receipt of a joint recommendation, the Partnership Council (probably via a committee mechanism) shall make a determination within a reasonable period of time. If approved, these mutual recognition agreements would provide routes for UK professionals to have their qualifications recognised in the jurisdiction of an EU member state, and vice versa.

The FTA clarifies that the provisions on professional qualifications are without prejudice to alternative arrangements that the UK may agree with the EU, allowing for improved mechanisms to be agreed in future. Agreements were to be negotiated on a profession-by-profession basis.

As explained below, UK professional accountants will need their UK professional qualification officially recognised if they want to work in a profession that is regulated in the EU, Switzerland, Norway, Iceland or Liechtenstein and will need to be recognised by the appropriate regulator in each country where they intend to work. This is necessary even when providing temporary or occasional professional services. Until mutual recognition agreements have been put in place, UK professional accountants have to continue following GOV.UK advice on using their qualifications in an EU member state. This involves checking the European Commission's Regulated Professions Database (REGPROF) to find out if their profession is regulated and then contacting the relevant country to find out how to get their professional qualification recognised.

### **Accounting and Tax Services**

After the UK's decision to leave the EU in 2016, the UK accountancy bodies worked together to seek the UK Government to negotiate as favourable a deal as possible in relation to the mutual recognition of professional qualifications between the UK and the EU. Ultimately, our requests were not met in the trade deal eventually agreed.

In terms of accounting and tax services, neither of these is currently regulated in the UK. The situation across the EU is mixed with some jurisdictions being similar to the UK, whereas others such as France specifically regulate who can provide accountancy and tax services. The different regulatory frameworks across Europe are highlighted by Accountancy Europe, of which ICAS is a member body, in its July 2020 publication '[How is access to the European accountancy profession regulated?](#)'.

Therefore, a professionally qualified UK accountant wishing to provide general accounting and tax services in an EU member state which regulates accountancy and tax requires membership of the relevant professional body – and potentially two different bodies as accountancy and tax are often regulated separately. Prior to the UK's exit from the EU, and subject to an equivalence assessment, recognition and membership of the professional bodies required completion of either an aptitude test or adaptation period, rather than re-qualification. However, in the absence of appropriate agreement(s) post Brexit, full requalification is required. It's also possible that pre-qualification requirements based on a "relevant" university degree could also be required. This may arise given the established tradition in many EU member states for access to a profession to be given on the basis primarily of university education, rather than through education and training provided through professional bodies. Such matters will be determined by the local professional body in conjunction with the appropriate jurisdictional regulatory body. While the EU recognition regime is not perfect, from a UK perspective it had proved to be a significant improvement on the recognition challenges which exist with many other major economies. Generally, it proved to be a largely predictable and time-efficient system, and avoided lengthy re-qualification procedures.

ICAS through Professional Accountancy Education Europe (PAEE) (formerly the Common Content Project) has been working with leading European institutes to develop a new education benchmark for professional accountants. Following the agreement of the new framework the Institute's own education and assessment processes are being assessed to confirm compliance with the requirements.

### **Audit**

Statutory audit is a heavily regulated area given the important role that it plays in promoting financial stability and the effective functioning of the capital markets. Audit is therefore a service regulated in the UK and in all EU member states. Reference should be made to the guidance issued by the UK

Government 'Auditing for UK auditors and audit firms operating in the European Economic Area (EEA)'

**Mutual Recognition Agreements - Audit**

The Financial Reporting Council (FRC)'s work includes agreeing Mutual Recognition Agreements with third countries covering the recognition of audit qualifications and undertaking equivalence and adequacy assessments. It recently entered into an arrangement with the Federal Audit Oversight Authority (FAOA) - Switzerland's competent audit authority. This provides a process by which auditors who have obtained professional audit qualifications and registration as a statutory auditor in either the UK or Switzerland (audit expert) can apply for recognition of their qualification and audit rights in the other country. To enable this, the FRC assessed the Swiss statutory audit qualification as equivalent to UK statutory audit qualifications. The assessment of qualifications was possible due to funding provided by the Department for Business and Trade under the Recognition Arrangements Grant Programme. The programme is part of the UK Government's support offer to encourage UK regulators and professional bodies in all sectors to agree recognition arrangements with their international counterparts. The arrangements follow an umbrella agreement on Recognition of Professional Qualifications between Switzerland and the UK which was signed in June 2023 and comes into force in 2025.

The FAOA intends to recognise persons approved to conduct statutory audits in the UK who have obtained their registration as statutory auditor in line with the Eligibility Criteria issued by the FRC as well as the relevant UK law, provided those persons successfully complete a test on Swiss law in accordance with Article 4 para 2 lit. d AOA which constitutes a legal requirement for the pursuit of the profession of a licenced audit expert in Switzerland.

Whilst a few other such arrangements have been made by the FRC with other jurisdictions, work with EU member states remains ongoing and no such deals have yet been agreed.




[icas.com](https://www.icas.com)

 [@ICASaccounting](https://twitter.com/ICASaccounting)

 [ICAS – The Professional Body of CAS](https://www.linkedin.com/company/icas)

 [ICAS\\_accounting](https://www.instagram.com/ICAS_accounting)

 [ICAS\\_accounting](https://www.tiktok.com/@ICAS_accounting)