

EFAA Policy Position on the consultation on 'Regulation of professional services - update of reform recommendations to Member States'

EFAA for SMEs welcomes the European Commission consultation, "Regulation of professional services - update of reform recommendations to Member States", and would like to stress that:

1. It should not be assumed that regulation is only about additional costs as this would ignore the benefits of assurance, trust and quality.
2. The free movement of accountancy services between Member States will likely always be hampered by language barriers.
3. Furthermore, and most importantly, so long as laws and regulations governing fiscal and accounting practices and procedures are not harmonised between Member States, a thorough knowledge of local laws and institutions will remain a necessary requirement for those providing such services.

EFAA for SMEs invites the European Commission to begin by tackling this last point and, in this regard, underlines the following:

1. In the context of the current lack of harmonisation of tax and accounting laws and procedures, further deregulation of the professional services across the Member States would inevitably result in a significant reduction in the quality of professional accountancy services in Member States that presently boast high-quality education and training, ethical and professional standards for liberal professions.
2. The financial health and stability of individuals and businesses, SMEs in particular, depends on the availability of affordable high-quality accountancy services. This availability requires that those providing such services have a high standard of qualification, undertake continuing professional education, adhere to an ethical code that gives primacy to the public interest, and that their conduct is carefully monitored. Such standards are best assured by requiring membership of a professional accountancy organisation.
3. The physical proximity and close working relationship of small and medium-sized accountancy practices (SMPs) with their SME clients, give SMPs a unique and essential role. The Covid-19 crisis has demonstrated that SMEs, as well as national and local authorities, can rely on high-quality local professional services.
4. SMEs, including SMPs, are not only the backbone of the European economy but also provide the fabric and diversity on which local economies and culture depend. They are also an essential component in the development of sustainable economies. Furthermore, simplified internal market regulations are already benefiting larger international networks and seem to exacerbate market concentration and erode choice. Proposals for reform, therefore, should not be driven only by the single-minded pursuit of more open markets and deregulation: they must also avoid damaging or destroying the local ecosystems on which most SMEs depend.

5. EFAA strongly recommends that a clear distinction be made between unjustified, self-interested protective regulation, on the one hand, and regulation that safeguards the public interest, on the other. Past decisions in this regard were not always beneficial for the European economy. Appropriate professional regulation does not, per se, constitute an obstacle to the functioning of the internal market; rather it can have an important role in guaranteeing fair competition as well as quality services. New problems sometimes arise due to indiscriminate deregulation, as has already happened in some other sectors. EFAA suggests the introduction of both some minimum EU-wide regulation as well as some liberty for the Member States to maintain additional regulations where these are justified. This would reduce asymmetries and facilitate the cross-border provision of services while taking account of the fact that the accountancy profession, and/or access to it, is regulated in 19 EU Member States
6. Finally, EFAA would like to stress that the provision of innovative services through new business models, e.g. online platforms, should fully respect relevant European and national professional regulations. In other words, the principle stated by Commissioner Vestager, “What’s illegal offline is equally illegal online”, should be fully respected.

Brussels, 31 March 2021