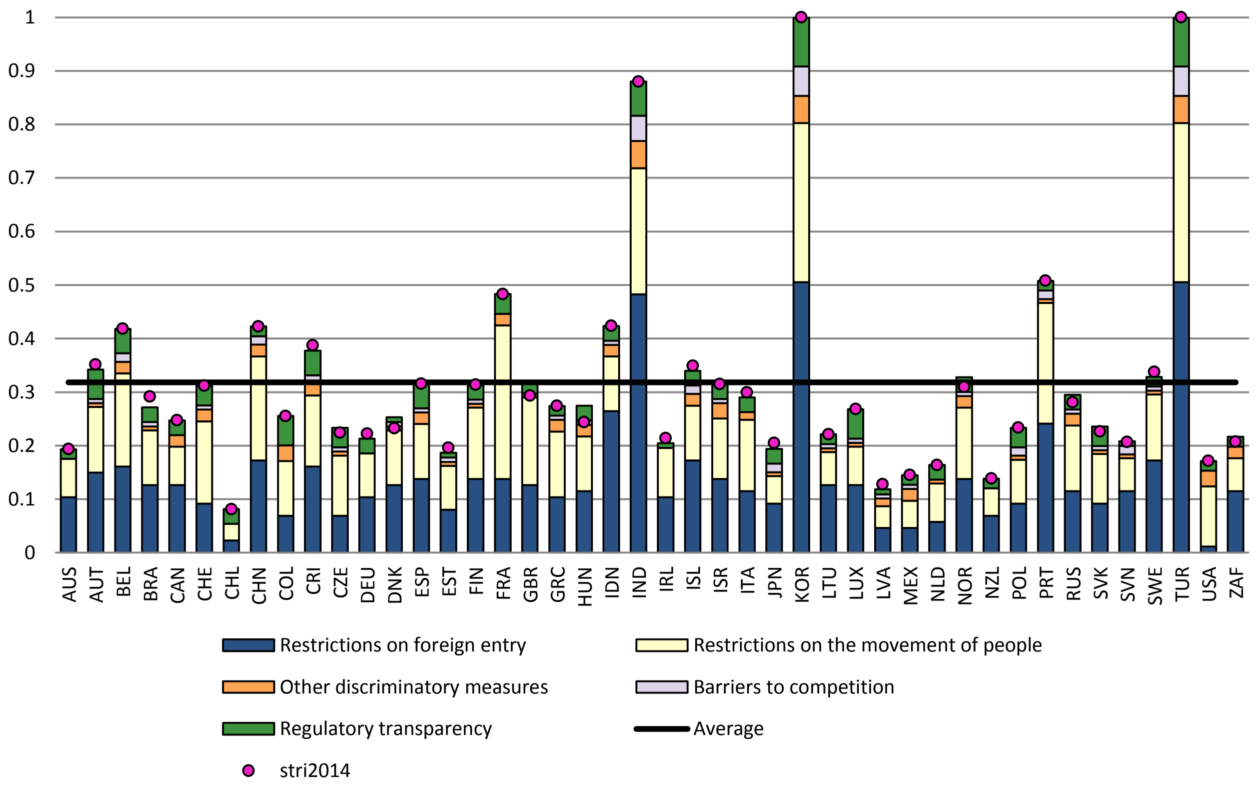
# STRI Sector Brief: Accounting services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 35 OECD countries and Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Lithuania, the Russian Federation and South Africa in 2016.

The STRI covers accounting, auditing and book-keeping services. The international market for these services is dominated by the "Big Four", which are organised as a network of firms, generally owned and managed independently, with presence in a large number of countries where they are often the prominent providers. These four firms are responsible for most of the audits of publicly-traded companies and other private companies in the world.

**STRI by policy area: accounting services (2016)**




*Note*: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.

The chart depicts the index for each country. The overall level of restrictiveness is quite high with an average of 0.32. The 2016 scores range between 0.08 and 1, suggesting that there is significant variation in trade restrictiveness among the countries covered in the analysis. The distribution according to restrictiveness is skewed towards the low end, as there are 31 countries below and 13 countries above the average.

The measures in the STRI database are organised under five policy areas as indicated in the chart. In the accounting services sector, the results are driven by two policy categories: *Restrictions on the movement of people* and *Restrictions on foreign entry*. This reflects the characteristics of the sector. Accounting services are skilled labour intensive and subject to licensing in a number of countries.

Foreign equity limits are rarely used in both accounting and auditing services. Yet, most countries restrict the firms' ownership to locally-qualified professionals, particularly in auditing services. Ownership restrictions are often coupled with requirements that the majority of the board (or equity partners in the case of partnerships) and the manager of auditing firms must be locally qualified.

Accountants and auditors are subject to economy-wide limitations on natural persons wishing to provide services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Eight countries have quotas on one or more of these three categories, 37 countries apply economic needs tests to stays that last longer than 3-6 months and the duration of stay is limited to less than three years in 34 countries. In addition, the temporary movement of accountants and auditors can be significantly constrained by impediments related to licensing and qualifications. These include nationality and residency requirements to practice, as well as lack of recognition of foreign qualifications. Additional limitations include restrictions on firm names, fee-setting and advertising. It is notable that 19 countries do not require a license to practice accounting services, while auditing is not a regulated profession only in Chile.

The requirements for obtaining a license to practice and the activities reserved for licensed professionals largely define market access for foreign suppliers. In cases where only nationals can obtain a license and a license is required to practice and to hold shares in auditing or accounting firms, market access for foreign suppliers is very limited. When these apply to both accounting and auditing services, and are coupled with non-availability of temporary licensing as an additional channel for entry into the market, the sector is completely closed. This is the case for the two countries in the sample which has an STRI score of one.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 24 countries, 11 have a lower (less restrictive) score, and 9 record a higher value of the STRI index (more restrictive) in 2016. Improvements in administrative procedures under the regulatory transparency area explain most of the changes in the STRI index for the countries with a lower index. Some countries have also implemented regulatory reforms affecting accounting services. Japan has lifted the requirement that at least one board member in a corporation must be resident; Korea has eased restrictions on capital controls; and Portugal has removed commercial presence requirements for service provision. Most of the increase in the index stems from the introduction of quotas and labour market tests and shortening the duration of stay for temporary services suppliers.

Accounting and auditing are knowledge intensive business services and many activities in the sector have been digitised in recent years. To realise the new opportunities for trade and exchange of ideas and knowledge that technology has opened, countries could consider modernising regulations and ease the entry barriers to the profession.

**More information**

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

*The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.*