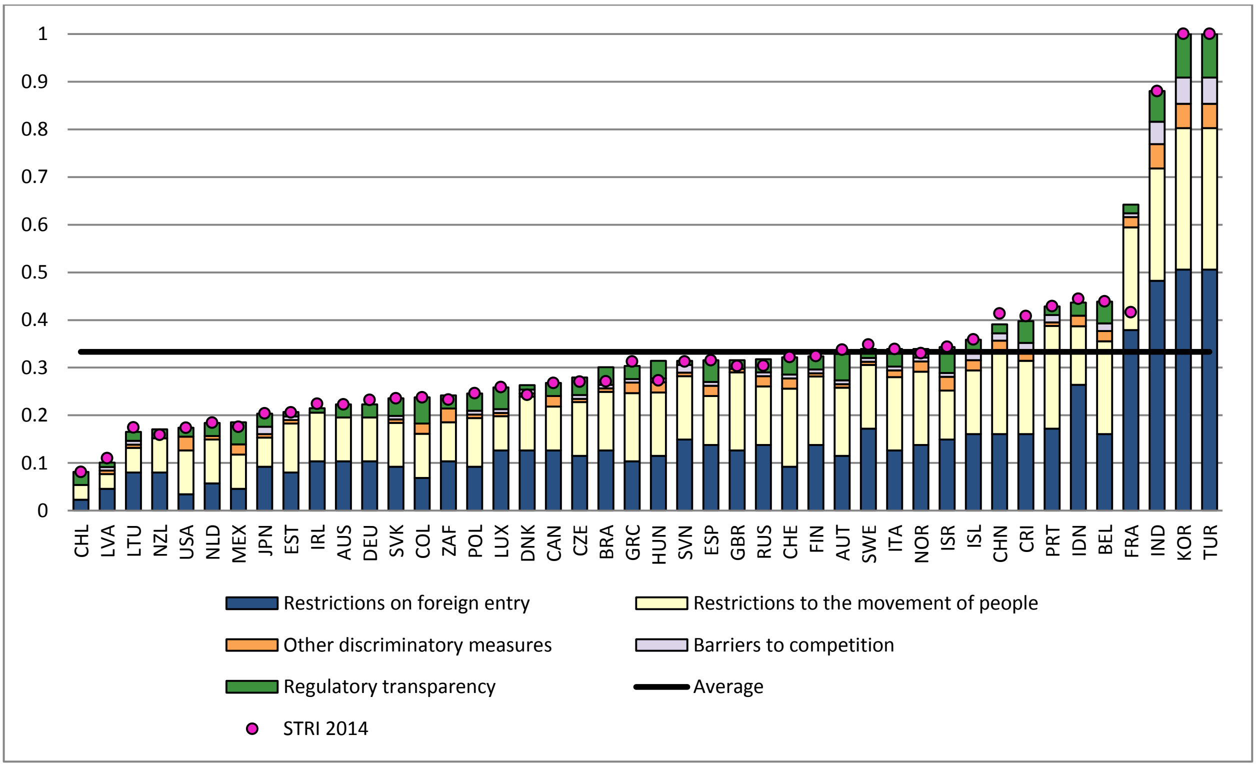
STRI Sector Brief: Accounting services

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 for accounting services in 2017.

The STRI covers accounting, auditing and book-keeping services (ISIC Rev 4 code 692). The international market for these services is dominated by a handful of corporations characterised by a high degree of concentration, organised as a network, and generally owned and managed independently with presence in a large number of countries.

STRI by policy area: Accounting services (2017)



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 2017 scores in this sector range between 0.08 and 1 with an average of 0.33. The distribution according to restrictiveness is skewed towards the low end, as there are 30 countries below and 14 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 seeking to provide services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Ten 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 21 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.

Other discriminatory measures contain regulation related to taxes, subsides and public procurement. Two countries report areas where national treatment is not fully granted regarding taxes or subsidies, while 38 countries limit non-discriminatory access to public procurement to free trade agreement or WTO government procurement agreement (GPA) partners. *Barriers to competition* do not appear wide-spread or particularly pernicious in this sector. The most common measure under this policy area is minimum capital requirements found in 24 countries. The *regulatory transparency* policy area builds on information from administrative laws and regulations, information from the migration authorities on requirements for obtaining a business visa and the World Bank Doing Business Survey. The latter records time, cost and number of procedures required for establishing a company. These measures are benchmarked against a global threshold set at the 40 best performing countries. There are 29 countries included in the STRI database that are not among the 40 best performing countries on one or more of these measures. The score in the regulatory transparency area is largely attributed to this. In addition lengthy, costly and complex regulatory procedures related to obtaining a business visa contribute to the index for 38 countries.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 20 countries, 11 have a lower (less restrictive) score, and 13 record a higher value of the STRI index (more restrictive) in 2017. China has lifted the requirement that at least one board member in a corporation must be national while Lithuania and Costa Rica have facilitated the procedures for the recognition of foreign qualifications. Most of the increase in the index stems from the introduction of quotas and labour market tests and shortening the duration of stay for persons providing services on a temporary basis. France has tightened its regulatory regime limiting ownership in auditing firms only to licensed professionals.

More information

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri.

» Read more about services trade policies and their impacts in this publication: Services Trade Policies and the Global Economy

» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org.

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