

## **The Chartered Institute of Management Accountants (CIMA) – Written evidence (FTS0054)**

### ***About CIMA***

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders. Chartered Global Management Accountant (CGMA) is the most widely held management accounting designation in the world. It distinguishes more than 137,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management.

CIMA is a founder member of The Association of International Certified Professional Accountants (the Association). The Association is the most influential body of professional accountants, combining the strengths of the American Institute of CPAs (AICPA) and CIMA to power opportunity, trust and prosperity for people, businesses, and economies worldwide. It represents over 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. In the UK alone CIMA has over 80,000 members working across all sectors. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CIMA and CGMA designation holders and accounting and finance professionals globally.

One of the core missions of the organisation is to develop research and analytical thinking of the challenges faced by both our management accounting professional but also the wider and global finance sector.

### **What is the impact on the UK-EU Free Trade Agreement on trade in services?**

1. The new free trade agreement does not confer the same benefits as membership of the Single Market for services. The new trading relationship, as with most other trade agreements, does not cover services to any great extent. The focus is on goods. This puts UK business at a severe competitive disadvantage vis-à-vis the EU as the UK service sector, notably accounting and finance is relatively much stronger than the EU's.
  - 1.1. The agreement does, as a minimum, allow for the potential to develop specific frameworks into the future. This will require dedicated UK Government and sector resource but over time the door is open for the UK to gain back some of its losses from single market withdrawal. We hope the government will focus on negotiating greater access for sectors that add

huge value to the UK economy such as accounting and finance in future UK/EU trade negotiations.

- 1.2. However, at this current juncture it is too early to tell the full effects of the trade agreement between the EU and UK. In terms of immediate effects, we know some of our members across different sectors and businesses large and small have had difficulties with customs and VAT on importing and exporting goods to the EU since the start of January 2021. These are the only direct and immediate issues that have been raised with us so far.
- 1.3. Clearly, the trade agreement between the UK and the EU allows for the UK to pursue more flexible and appropriate regulations for UK business than the one size fits all model that the EU framework provides. It also allows for the UK to potentially secure trade agreements with third countries better targeted to the UK's needs in terms of the service sector. However, this freedom is bought at the price of the current reduced access to our main export market. The benefits rely on using the newfound freedoms to build a pro enterprise tax and regulatory framework.

**What effect will the arrangements on the mobility of professionals have on trade in services between the UK and EU?**

2. We are concerned that there will be a negative impact on the mobility of professionals under the Free Trade Agreement agreed between the UK and EU.
  - 2.1. The mobility of professionals within the EU single market meant few or no barriers to people moving across Europe to provide professional services to clients, often based on their home jurisdictions' rules. Naturally this is much easier than buying in dedicated resources to navigate foreign governance rules. This will no longer be possible and any UK nationals wishing to provide services to EU entities face numerous barriers including technical standards, recognition of qualifications and restrictions of entry and exit to the EU. The provision of services is by its nature closely linked to the free movement of labour/people which has been curtailed.
  - 2.2. Currently, with the pandemic ongoing this impact is not fully apparent, but we believe once the pandemic abates and international travel opens up this will become more obvious.
  - 2.3. The 90 days travel to the EU permitted in 180 days needs to be better explained to business, so they can understand how this will work in practice and how they can monitor business travel to the EU for work purposes.
  - 2.4. The other area of concern is the role recognition of professional qualifications may play in limiting the movement of professionals or making that movement more challenging. We explain this concern more in answer to another question in this inquiry.

## **How will the new EU-UK framework for mutual recognition of qualifications affect professionals and service sector businesses?**

3. Selling UK qualifications and training to EU nationals is undoubtedly going to be harder, partly as a result of the negative perceptions the UK's departure from the EU has created. There is a mechanism under the Trade and Cooperation Agreement for professions to seek a mutual recognition agreement through the Partnership Council. We understand that the Department for Business, Energy, and Industrial Strategy (BEIS) seems to be indicating that it anticipates profession-wide negotiations with counterparts in Europe.
  - 3.1. The government should ensure that any sector – wide deals take full account of the variation between specialisms in what are often very broad sectors. The accountancy sector for example involves many different specialisms and professions including audit, internal audit, finance, accounting and management accounting to name but a few. Often these different areas under the same sector heading have very different regulations and laws by which they have to abide. This could make negotiating a sector – wide deal with the EU on mutual recognition of qualifications and other matters more difficult and time consuming.
  - 3.2. We believe that the government should not solely focus on the sector route for mutual recognition of qualifications and should instead take into account that professions within the same sector may have differing outlooks and regulatory requirements that cannot easily be accommodated under a single framework.
  - 3.3. There is still the ability for organisations to agree bilateral agreements with corresponding bodies. However, given the relatively limited amount of take up of recognition under the General System Regulations pre-Brexit that we experienced in the accountancy sector, there is a question on how productive and useful to UK qualifications this may be.
  - 3.4. We believe that the agreement causes a major imbalance in the legal position. EU qualified providers can continue to be recognised through UK domestic legislation. UK recognition, however, no longer exists at European level and so the UK qualified will need to rely on the generosity or otherwise of local restrictions within the EU. Some countries such as Poland do not recognise any extra-EU qualifications and so no UK qualified person could provide regulated services there. Work is likely to be required by the UK government to address the imbalance on a country-by-country basis.
  - 3.5. The government should ensure that it has the right strategy for mutual recognition of qualifications and when deciding on approaches takes account of the great breadth in UK sectors and ensures that when deals are being negotiated the views and the value of the whole sector is understood.

## **How will the arrangements in the UK-EU Trade and Cooperation Agreement shape UK-EU trade in financial services?**

4.1 Without agreement of new provisions to make it easier for UK – based providers to serve clients in EU countries, there will be significant disruption as individual professional organisations seek to negotiate agreements with professional bodies in other countries to allow for some form of mutual recognition. During the interim period UK providers will lose business and will potentially face a significant struggle to rebuild their presence.

4.2 The UK Government should recognise the importance of the provision of government support and, where necessary, assistance to UK based professional bodies to achieve rapid agreements with their EU based counterparts and of agreeing a common framework to govern financial services. We welcome the commitment to agree in the next few weeks a Memorandum of Understanding establishing the framework for this cooperation (by March 2021) and await details of its content.

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