

1 October 2020

Ms Elisabeth Bowes
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Dear Ms Bowes

Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants welcome the opportunity to provide input into the negotiations for a future Australian - United Kingdom (UK) Free Trade Agreement.

Australia enjoys a unique and close relationship with the UK, we share language, history, culture and business practices. We share democracy, rule of law and embrace open trade and foreign investment. We share much by way of law, government and regulation. This history and commonality have produced great political, strategic, cultural and economic benefits for both countries.

The enduring people-to-people links underpin the vibrancy and robustness of our relationship. Australia remains the preferred destination for British ex-pats, and we continue to send many of our best and brightest to the UK. Some Australians stay, making a life-long contribution to the UK's growth. Many return home to enhance Australia's technical skill set and know-how.

Those relationships inevitably translate into business opportunities and deeper investment in both directions.

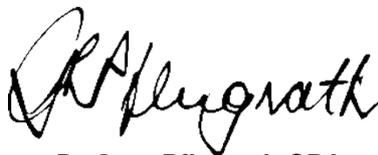
Together Chartered Accountants Australia New Zealand, CPA Australia and Institute of Public Accountants have over 11,900 members in the UK, many of whom support the trade and investment flows between Australia and the United Kingdom, and Australia and the European Union. In the following pages, we make some recommendations to continue to enable our members to drive economic growth and prosperity in both countries.

Should you have queries concerning the matters discussed above or wish to discuss them, please contact Simon Grant via email at simon.grant@charteredaccountantsanz.com or phone on 02 9290 5756 or Gary Pflugrath via email at gary.pflugrath@cpaaustralia.com.au or phone on 03 9606 9941 or Vicki Stylianou via email at vicki.stylianou@publicaccountants.org.au or mobile 0419 942 733.

Yours sincerely,



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Introduction

Chartered Accountants Australia New Zealand (CA ANZ), CPA Australia and Institute of Public Accountants (IPA) strongly support the negotiation of a deep and comprehensive Free Trade Agreement (FTA) between Australia and the United Kingdom (UK), two countries for which international trade and foreign investment have always been an engine of economic growth, opportunity and prosperity.

Both the Australian and the UK economies are underpinned by vibrant services sectors. As both countries seek growth opportunities in 2021 and beyond, they will derive benefit from an agreement which facilitates growth in services industries, by reducing barriers to services trade and the movement of professionals and specialists to spur innovation and investment.

There is great commonality in the accounting, auditing, accounting ethics and accounting education standards between Australia and the UK, and the hard-won recognition of skills from professional bodies in both jurisdictions, has produced a vibrant, efficient and mutually beneficial exchange of talent in both directions.

The shared approach, style and skills between the Australian and UK accountancy professions are vital to growing exports and investment in both directions.

Professional Accountants in the UK

The membership of CA ANZ comprises over 128,000 professionals, of whom around 4,500 are working in the UK either on a permanent, intra-company, employer sponsored or youth mobility basis. CPA Australia has almost 170,000 members worldwide, of whom more than 1,200 work in the UK. IPA has over 40,000 members worldwide, of whom approximately 6,200 live and work in the UK.

The UK has long been a preferred destination for Australian professionals in the accounting profession, and vice versa. They are highly educated and credentialed professionals. In Australia, prospective professional accountants are generally only admitted to the profession where they have successfully completed a business-related university degree with relevant accounting, law, and accounting-related subjects included in a prescribed major of up to eight papers. They then have to complete a professional qualification and have extensive practical experience, under the guidance of a mentor for three years.

UK based accounting professionals undergo similar training and practical experience. As a result, for example, members of The Institute of Chartered Accountants in England and Wales; The Institute of Chartered Accountants in Scotland; and Chartered Accountants Ireland (covering Northern Ireland) immediately qualify for membership of CA ANZ. While reciprocally the Association of Chartered Certified Accountants (ACCA - United Kingdom) qualify for CA ANZ membership and vice versa after five years of post-qualified work experience when resident in Australia and the UK.

Australia and the UK enjoy significant consistency in terms of relevant accounting and accounting - related standards, legislative foundations and business practices, meaning accounting professionals from both jurisdictions rapidly contribute to the efficacy and profitability of the businesses they join and advise.

In a standard year over the last generation, around 1,000 of our members would typically travel to the UK on a variety of visas, with a similar number Australia bound, filling demand for high quality services and, through their engagement in corporate life, solidifying the economic relationship between Australia and the UK.



Accountancy services

Given the historical and current level of interchange of professionals across accountancy and accountancy-related services, together with the internationalisation of business standards in terms of financial reporting and auditing standards, there is a well-established market for Australian accountants in the UK, and vice versa.

These services are critical to the smooth, lawful and prosperous operation of businesses in both jurisdictions. In both markets, Australian and UK accountancy professionals complement talented local employees, while injecting skills and industry know-how which may be rarer in one place than the other. An example would be Mining related skills from Australia being in demand in the UK as many of the world's miners are headquartered and listed in the UK, while Financial Services skills are in need in Australia.

This has produced significant economic benefits on both sides. Another example, the interchange of both accounting and finance experts has contributed to the success of the FinTech Bridge established between Australia and the UK in 2018 and sets up both countries for further innovation and collaboration in new fields and new approaches.

Mutual recognition of skills

The mutual recognition of skills is essential to growing trade in services.

Australian professionals, specialists and technicians who are able to work in the UK are critical to the facilitation of work between Australian and UK partners, and by their very effectiveness in both markets, are able to sustain and expand export and investment relationships to mutual benefit.

Foreign skills are essential to Australia's economic growth, and their careful integration into the Australian corporate and public sector can bring vital technical and specialist knowledge into our economy.

In a recent report on Australia's services exports by the OECD, financial services made up a growing segment of Australia's exports, accounting for nearly 6% of total services exports by value in 2016 (OECD, *Australian Services Trade in the Global Economy*, 2018). Growth in value of this specialist services trade is reliant on Australia's regulated bodies, skilled financial experts, and accountants being recognised overseas.

The accounting profession has been global in nature for many decades, not just with the internationalisation of the large accounting firms and the rise of large global corporates operating across many borders, but also with the internationalisation of Accounting, Auditing, Accounting Ethics and Accounting Education standards, which distinguishes it from other professions.

There are already detailed Mutual Recognition Agreements in place between the professional bodies of Australia and the UK. CPA Australia has signed Mutual Recognition Agreements with the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Management Accountants.



Likewise, as noted earlier CA ANZ has a Mutual Recognition Agreement in place with the Institutes of Chartered Accountants in England, Wales, Scotland and Ireland, and an alliance with the Association of Chartered Certified Accountants in the UK whereby the qualifications of members of each are recognised.

IPA acquired the Institute of Financial Accountants (UK) in 2015 to form the IPA Group and offers mutual recognition of designations across Australia and the UK.

The future FTA should facilitate recruitment in both directions by entrenching the ongoing recognition of skills in critical services exports, including accounting services.

Mutual recognition of qualifications and licensing

The mutual recognition of qualifications would be a welcome inclusion in the FTA, however, we recognise that this presents a different set of challenges, often subject to in country barriers. Of all the FTAs and other trade agreements which have been negotiated, we believe that the Australia UK FTA enjoys the highest probability of achieving this outcome and becoming the gold standard for the liberalisation of trade in professional services. In our view, a mutual recognition framework could be developed, given the 'common content' of qualifications and the existing internationally derived regulatory requirements (outlined above). In the past, equivalency matrixes have proved useful in the development of such frameworks.

The framework could be extended to include the mutual recognition of professional licensing, registration and authorisations. We contend that this could be underpinned by the comparable regulatory framework for accountants and accounting. In addition to what has been described above, there is extensive cooperation between our respective regulators and standard setters. For example, we have commonality across the regulation of anti-money laundering, data breach reporting, integrated reporting, international taxation and so on. These are mostly based on internationally derived principles, agreements and systems. Two more recent examples are the Making Tax Digital initiative in the UK where there has been extensive cooperation between Australia and the UK; and the introduction of the registration of tax agents in the UK which has borrowed heavily from the Australian system.

We have numerous examples of how our members have established practices operating in London and other UK cities and in Sydney through a joint venture arrangement and utilising the mutual recognition of their designations. Overall, these practices have been successful in servicing clients across the UK, EU, Australia and in a few cases, in China. Their work has included digital trade, supply agreements, tax and pensions and procurement. Most also have a keen interest in the Australia European Union FTA. We believe that these types of practices and arrangements offering trade in professional services can be significantly expanded through the facilitation offered by a FTA.



Encouraging greater movement of professionals between both markets

Critical to the success of any FTA is making it as easy as possible for individuals and businesses to be able to visit and work in the other market.

Over the past 20 years, the movement of people between the two jurisdictions has become harder, and part of the FTA negotiations should consider whether flexibilities can be reintroduced to facilitate movement in both directions.

In the past, many large firms have operated on a “one in, one out” basis, with Australian accountants transferring within a firm while a British accountant travelled in the opposite direction.

The UK remains a preferred destination for Australian innovators and start-up owners to establish overseas businesses. Those with the specialist skills considered important to start-ups should be able to work in both jurisdictions via simplified visa approval processes and simplified visa procedures for family members.

We are encouraged by broad statements by the UK Government that there will be greater flexibilities in terms of visas, and that the UK Government will not impose a cap on the numbers of skilled workers, and also abolish the rule which required employers of skilled migrants to carry out a resident labour market test as a condition of sponsoring a worker (HM Government, *The UK's future skills-based immigration system*, December 2018, page 15, paragraphs 18 – 19).

We also strongly welcome commitments by the UK Government to facilitate work visas, by allowing nationals of ‘the lowest risk countries’ to be able to apply for work visas in the UK, avoiding the expense and time required for Australian work visa holders to return to Australia to move from one visa type to another.

We would like to see these flexibilities secured through the provisions of a FTA between Australia and the UK.

An E3 equivalent for Australian professionals with reciprocal operation

We join with others in advocating for consideration of an E3 type visa for Australian professionals in the UK, with reciprocal offerings for UK professionals in Australia.

The E3 visa was an innovation associated with the Australia United States FTA. The E3 is a flexible visa for professionals offered by the United States for up to 10,500 Australians per annum and was a complement to the negotiation of AUSFTA to facilitate and underpin the use of the market entry opportunities offered to Australia via the Agreement.

The E3 visa sits outside the US’ traditional working visa (the H-1B visa) which is limited to only 65,000 persons a year. The E3 facilitates temporary entry in a speciality occupation, often requiring a tertiary education qualification and sponsorship, and which provides working rights for spouses.

Based on the eager recruitment and assimilation of our members in the UK, and Australia’s reciprocal welcome of UK trained accountants into Australian businesses, we estimate an E3 type visa arrangement would be popular on both sides of this negotiation.

Conversion of short-term visas to longer term visas

Before COVID-19, international recruitment was increasingly facilitated by short-term work assignments. Many of CAANZ’s 4500 UK members began their overseas work experience in the UK via the Youth Mobility Visa which will continue to be an element of the UK’s future immigration system.



Until COVID-19, a holder of a Youth Mobility Visa who was invited by their UK based employers to remain in the UK to work was required to return to Australia to apply for a new visa from UK authorities.

In the past, this practice has been both expensive and time-consuming. Nevertheless, it was a process through which applicants and employers were willing to proceed. In early 2020, COVID-19 caused wide-spread closure of international borders, and in the case of Australia, strict limitations of the numbers of Australians allowed back into Australia on a weekly basis, and out of Australia for professional purposes.

In a very welcome move, UK Authorities announced in mid-2020 that Youth Mobility Visa holders would be allowed to switch visas from their existing home base in the UK. We hope that this change, and the activity underway pursuant to this change, will prove sufficiently efficient and advantageous to UK based employers for UK Authorities to consider making this concession permanent, and in the event of doubt, it would be advantageous to encompass this change via the provisions of the Australia UK FTA.

This is currently a live issue for many of our members who have Youth Mobility Visas which are expiring in the coming months and limited travel opportunities to do this switch to another visa status or even to return home. We appreciate the UK Government provided some relief to the end of August 2020 however it would help if this switching in country could be facilitated permanently through the FTA for applicants and sponsors.

Flexibility

Given the rate of change and the level of uncertainty in both economies in the current economic climate, as well as the likely increase in trade and investment activity which is likely to result from the Australia UK FTA, it is important that the Agreement be a living one, with built-in opportunities to review and expand its reach over time, as well as to accommodate the evolving trade and investment relationship between the UK and the European Union.

Conclusion

Through enduring people to people links, technical and specialist knowledge transfer, and the recognised ease of doing business between analogous systems, Australia and the UK have maintained a vibrant and trusted trade and investment relationship over centuries.

The Australian market offers UK businesses and professionals a safe, familiar and innovative gateway to Asia, and the UK will continue to offer Australians and Australian businesses a base in the financial centre of Europe, and a launch pad into the European Union. The Australia-UK Agreement is critical to the success of Australian and UK businesses and professionals well beyond the borders of our individual countries.

Greater and easier trade in both goods and services will drive economic growth on both sides, as the globe emerges from the economic impact of COVID-19. With this reality in mind, the Australia UK FTA has both the potential and the onus of setting a new benchmark for bilateral trade agreements. In the context of current threats and challenges in global trade and the global trading system, it is important that this agreement be both uniquely bold in its ambition and innovative in its design, and provide meaningful, enduring and adaptable outcomes on both sides.

