

## **The European Union, a Reality and an Opportunity for Chartered accountant and their clients**

*Over time and through its evolution the European Union has increasingly become the new area for the development of Chartered accountants' activities. It affects and alters their professional lives as well as that of their firms and more generally how the profession of chartered accountant functions in France and in other European Member States. How do we understand the evolution of a regulated profession following the establishment of European directives impacting it ? How do we best advantage and accompany our clients in this new economic area?*

The construction of the European project has been long and winding, born long before the middle of the 20th century<sup>1</sup> but which only actually materialized after the World War II. The influence of the European Union, with its motto "United in Diversity", has never been so influential on our professional or personal life, than since introduction and adoption of the Euro currency on 1 January 2002.

The European Union (EU) is the first economic power in the world, ahead of the United States, China and Japan, with a 2014 GDP of 13 900 billion constant Euros. Five European member states (Germany, United Kingdom, France, Italy and Spain) are responsible for 71.4% of the EU's GDP<sup>2</sup>.

Despite this, the European Union is in the midst of an internal crisis marked by a rise of Euroscepticism during the 2014 European election campaigns where the EU often served as a scapegoat for this crisis.

The implementation of the "Services", "Recognition of professional qualifications", "Accounting" EU Directives<sup>3</sup> and their transpositions into French law, have altered the regulatory landscape of French chartered accountants.

Should this be a source of concern or of opportunity? Chartered accountants have chosen.

The impacts of EU legislation are negative and positive for Chartered accountants.

On one hand, they may feel competition from other European chartered accountants following the recognition of European diplomas and the opening of their firms to outside capital funding. This competition can cause a decrease in the rates of services provided to clients and an increased concentration of firms at the expense of smaller firms.

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<sup>1</sup> Victor Hugo, during a speech given on 21 August 1849 at International Congress in Paris, used for the first time the expression "United States of Europe" and pushed for European States to unit their power

<sup>2</sup> Source : EUROSTAT

<sup>3</sup> EU Directives n° 2006/123/EC of 12/12/06, n° 2013/55/EU of 20/11/13 and n° 2013/34/EU of 26/06/13

However at the same time, with this new European market, they may develop their activities, leave the country, increase their professional mobility and become more intellectually and culturally diverse, and notably be able to develop EU wide based firms or networks. This European opening allows the profession to diversify in order to better adapt to the globalized economy of the 21st century.

Small and medium-sized companies constitute the majority of Chartered accountant's clients in the 28 EU member states. In 2013, the majority, 99.8%, of the companies were in the non-finance sector of the market economy, representing 21.6 million companies. They employed 66.8% of European employees, i.e. 88.8 million people and contributed to 58.1% of value added at factor cost, or 3 666 billion Euros (28% of EU GDP).

To offer the best assistance and services to clients in the EU, some adaptations are necessary and desirable, among them: strengthening or learning other European languages and having a computer and digital ecosystem that resembles that of the clients and their markets. In fact, digital technology has abolished European borders and distances. Now is the time to seize this opportunity! The combination of effective and inexpensive communication systems and easy air and train transportation, make affluent and good European markets more and more accessible to professionals.

Thus, the major and "only" obstacles seeming to block Chartered accountants from servicing SMEs in the EU are : social law, tax law, national languages and psychological barriers which are all surmountable as long as accounting professionals are motivated, have confidence in their ability to open up to others, and view the European Union as our common living space and national territory.

Once these barriers are overcome, everything becomes simple and possible: Let's go! And thus, a French company that sells in Germany will no longer be "exporting" but simply trading!

But one last question arises: How can we conceive of serving a client in the European Union, a Union which actually puts into question its very founding principles ?