

PRESS KIT

**A NEW TRUST-BASED
RELATIONSHIP**
BETWEEN BUSINESSES
AND THE TAX AUTHORITIES

Paris, 14 March 2019



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A word from the Minister



France's tax authorities play a key role in making it easier to do business in France and in boosting the competitiveness of the French economy. In a complicated and ever-changing legal environment, they alone can enable businesses to foresee how current legislation applies to their circumstances.

The tax authorities' efforts to foster legal certainty are longstanding thanks to the "tax ruling", a legal instrument that emerged during the 20th century before being mainstreamed in the Government Reform Act for a Trust-Based Society (ESSOC) to encompass all areas of government action. However, we need to go further still and this was one of the clear conclusions from the wide-reaching consultation conducted in autumn 2018.

Legal uncertainty concerning tax matters can lead to high levels of financial risk for businesses. We cannot simply sit back and wait for these matters to be decided on, belatedly, as part of a tax audit or by the courts. As long as businesses give the tax authorities comprehensive, clear and relevant information, they should be able to count on legal certainty as and when they carry out their transactions.

We are now about to recast the relationship between businesses and the tax authorities by taking a series of ground-breaking measures. These initiatives have been crafted through intensive collaboration with businesses, their representatives and a group of tax experts, and I would like to thank all these participants for their unswerving commitment and the high standard of their contributions.

Firstly, companies which require certainty concerning the tax implications of their business activities will have a panoply of arrangements for this purpose:

- A tax partnership with mid-tier companies and major enterprises will enable the major tax issues which they face to be handled as they arise, together with a special team of experts
- Customised tax support will be introduced throughout France for SMEs, especially those experiencing strong growth, which wish to call on the tax authorities to identify their tax risks and have their situations assessed, either informally or in writing, depending on their requirements
- In a number of scenarios, such as acquiring a new company, rules for processing compliance requests will allow businesses to rectify their tax situation within a clear, transparent and standardised framework

- An assessment of tax compliance by a trusted third party will provide businesses with upstream certainty concerning their returns by checking a number of points against a pre-drafted work plan

Furthermore, the support and expertise of the Public Finances Directorate General (DGFIP) and the French diplomatic network abroad will be marshalled to help our businesses which have different countries competing to tax their profits. Issues with foreign tax authorities will be systematically inventoried so as to arrange for this support.

Lastly, the timeframe for issuing tax rulings concerning the most complex topics, which is at present often unreasonably long, will be shortened. The practical arrangements for discussions and appeals as part of tax audits are slated to be bolstered so that businesses have stronger warranties as to the adversarial examination of the arguments and to guarantee that audits are also a source of legal certainty.

These provisions have a common thread in that none of them introduces new obligations and they are all grounded in businesses' voluntary involvement. Their goal is to foster fresh mutual trust. Obviously trust cannot be ordered by decree, it is a step-by-step process that requires both sides to alter their practices and their cultures. But someone needed to take the first step in this new era and this is the goal of the initiatives that I am presenting today.

Gérald Darmanin

Minister for Government Action and Public Accounts

Event schedule

- 9am** **Welcome**
- 9.30am** **Introductory speech by Gérald Darmanin, Minister for Government Action and Public Accounts**
- 10am** **New compliance policies: prevention not treatment**
Overview of the tax partnership, the Tax Compliance Department and customised tax support by Marie-Christine Brun, followed by discussions with the group of speakers and a Q&A session with the participants.
- 10.40am** **Changes to audit procedures**
Overview of the assessment of tax compliance and improved discussions and appeals as part of tax audits by Maïté Gabet, followed by discussions with the group of speakers and a Q&A session with the participants.
- 11.20am** **Legal certainty to foster growth**
Overview of the action plan for tax rulings and the international support arrangements by Edouard Marcus, followed by discussions with the group of speakers and a Q&A session with the participants.
- Midday** **End of the discussions and signing session for the first partnership agreements**
- 12.30pm** **Media briefing and buffet lunch**
- 2pm to 5pm** **One-on-one meetings with tax authority managers at Bercy Lab (Hôtel des ministres)**
- Tax partnership, customised support for SMEs, tax rulings, international support (every 20 minutes) with Edouard Marcus, Arnaud Sage, Louis-Olivier Fadda, Julien Lesavre and Sophie Hondo
 - Tax partnership, tax compliance requests (every 20 minutes) with Maxime Gauthier, Marie-Christine Brun and Cédric Boizart
 - Assessment of tax compliance, changes to audit procedures (every 20 minutes) with Maïté Gabet, Stéphane Créange and Marie Magnien

Speakers' biographies



Claire Goudet

Deputy Managing Director, Rocher Participations

Claire Goudet is Deputy Managing Director of Rocher Participations, the Rocher Group's family holding company. She was previously Head of Tax & Corporate Law with the Group, a position she held for 22 years. As part of her duties in that post, she represented France on the European Commission's Platform for Tax Good Governance. She was also chair of the EU working group on direct taxation, chair of the MEDEF's European taxation working group and a member of other working groups (customs and transfer pricing, family-owned businesses, employee shareholding). She holds a Corporate Legal Counsel Diploma (DJCE) and a master's degree in business law from Université de Paris II-Assas.



Valère Moutarlier

Director, Direct taxation, tax coordination, economic analysis and evaluation – Directorate-General for Taxation and Customs Union, European Commission

After studying business law and finance at Université de Paris II-Assas and Sciences-Po Paris, Valère Moutarlier practised tax law for a number of years at Bureau Francis Lefebvre, a French law firm. He joined the European Commission in 1993 where he worked in the Directorate-General for Taxation and Customs Union, then in the Directorate-General for Budget and in the Directorate-General for Enterprise and Industry in 2003, where he headed up the strategic planning unit. After five years spent in the Private Office of the European Commissioner for Taxation Policy (2009-2014), he returned to the Directorate-General for Taxation and Customs Union as Director responsible for direct taxation, tax coordination, economic analysis and evaluation.



Yves Rutschmann

Partner lawyer, Bredin Prat

Yves Rutschmann, Partner, leads the tax team at Bredin Prat. He specialises in tax aspects of transactions (mergers and acquisitions, private equity, restructuring) and regularly advises French and international companies, and their managers, in relation to the tax implications of their international transactions or as part of high-stake tax litigation before the highest courts, including the Constitutional Council. Yves Rutschmann has written numerous articles on tax issues surrounding transactions and tax consolidation and also gives lectures in tax law at the French business school HEC. He was admitted to the Paris Bar in 1995 and is a graduate of the HEC (1993) and of the law faculty of the University of Paris (Postgraduate diploma (DESS) in business law and taxation, 1994).



Cyril de Maleprade

Chief Financial Officer, Sinequa

Cyril de Maleprade is a graduate of the EDHEC Business School and holds a master's degree in management and information systems from Université Paris-Dauphine. He has been Chief Financial Officer at Sinequa since 2007. The company is an independent software vendor providing an AI-powered search and analytics platform for Global 2000 companies and government agencies. Sinequa specialises in research and the analysis of data based on machine learning, deep learning and natural language processing (NLP). It has been trialling the trust-based relationship with the French tax authorities since 2013, and this partnership has bolstered the company's solid growth both in Europe and the United States.



Alfred de Lassence

Head of Tax, Air Liquide

Alfred de Lassence is Head of Tax at Air Liquide and Chair of the MEDEF's International Tax Commission. As Head of Tax, he works on all aspects of taxation and, in particular, relations with different tax authorities, intellectual property taxation, double taxation issues, multilateral discussions organised by the OECD, EU tax law, ethical challenges, compliance and streamlining taxation. From 2001 to 2013, he was Senior Vice-President, Tax, with Thomson Multimédia which became Technicolor as well as heading up the internal audit department between 2009 and 2013. He previously worked at Bull and Intel in various finance-related positions.



Frédéric Iannucci

National and International Tax Audit Director (DVNI)

Since 1 January 2018, Frédéric Iannucci has been National and International Tax Audit Director (DVNI) with the Public Finances Directorate General (DGFIP). This national directorate is tasked with auditing major enterprises. From 2013 to 2017, he was Director of the National Tax Investigation Directorate (DNEF), another of the DGFIP's national directorates that is responsible for searching for information (investigations, right to carry out searches and make seizures, etc.) prior to tax audits. From 1992 to 2013, he held a number of central administration positions at the Tax Policy Directorate, the Tax Audit Sub-Directorate and the Local Authorities Department at the DGFIP. He was also first secretary and cultural, scientific and technical cooperation attaché at the French Embassy in Bolivia from 1996 to 1998.



Maïté Gabet

General Public Finances Administrator, Head of the Tax Audit Department

Maïté Gabet has a DEA (post-graduate degree) in public law from Université Paris I and graduated from the National Tax Academy in 1984. She began her career at the National and International Tax Audit Directorate where she was responsible for auditing multinationals before joining the Île-de-France Region Tax Audit Directorate as senior tax inspector. She was subsequently appointed as Divisional Tax Director and joined the central administration of the DGFIP as Head of the International Affairs Bureau in 2005. In 2012, as General Public Finances Administrator, she headed up the National Tax Situation Audit Directorate where she was tasked with auditing individuals. In this capacity, she set up the Offshore Disclosure Unit (STDR). In November 2016, she assumed responsibility for the DGFIP's Tax Audit Department.



Marie-Christine Brun

Public Finances Administrator, Head of the Tax Compliance Department and the Corporate Partner Department

Marie-Christine Brun is a Public Finances Administrator and Head of the Tax Compliance Department (SMEC) and the Corporate Partner Department (SPE) which are part of the Large Business Directorate (DGE). She previously held a number of positions with the Tax Policy Directorate (Bureau B1 – corporate taxation) and the National and International Tax Audit Directorate including, recently, that of Deputy Director.



Edouard Marcus

Senior Civil Administrator, Head of the Legal Department – Taxation

After studying literature and obtaining a master's degree in business law/corporate taxation at Université Paris II, Edouard Marcus began his career with the Tax Policy Directorate after graduating from the Ecole Nationale d'Administration in 2002. He was initially Deputy Head of Bureau A where he was responsible for coordinating legislative and regulatory procedures before becoming Head of Bureau E2 where he managed European and multilateral negotiations, in particular at the OECD. After holding positions relating to upgrading public management, he became Assistant Director in the National and International Tax Audit Directorate in 2007 and then Head of Bureau and Deputy Director in the Tax Audit Department. Edouard Marcus returned to the Tax Policy Directorate in 2013 as Deputy Director for European and international taxation. On 1 January 2018, he was appointed Head of the Legal Department – Taxation with special responsibility for promoting legal certainty for taxation matters. He also works as a lecturer, in particular at Sciences Po.

The main initiatives for the new trust-based relationship

7 measures



Customised tax support for SMEs

- Involvement of dedicated experts within the DGFIP's regional directorates
- Support concerning growth and innovation-related tax issues
- Legal certainty arrangements so that company executives can focus on their businesses' growth



The tax partnership for mid-tier companies and major enterprises

- A partner department that is separate from audit functions
- Dialogue about the financial year's key tax issues
- Legal certainty about major tax issues, fewer audits



The voluntary compliance approach

- A clear framework to enable businesses to voluntarily rectify complex tax situations
- A one-stop-shop for filing and processing requests



Assessment of tax compliance by a trusted third party

- A certificate of conformity issued by a qualified auditor
- Legal certainty concerning commonplace tax matters
- Rectification with no penalties or interest on arrears in the event of auditor error



Improved discussions and appeals as part of tax audits

- Issues concerning sectors or groups of businesses handled as part of a forum for dialogue
- Publication of public-interest tax adjustments
- Expedited access to interlocutory appeals, with a bench hearing where necessary
- Introduction of a tax guarantee



A more proactive approach to tax rulings

- A one-stop-shop for filing ruling requests
- A standardised request procedure to ensure that applications are complete
- Publication of public-interest tax rulings



Support for French companies abroad

- Identifying difficulties with foreign tax authorities
- Improved support for companies by French tax authorities
- An expanded International Legal and Economic Advisory Unit

Customised tax support for SMEs



RATIONALE FOR THE SME-SPECIFIC SUPPORT

When a tax audit uncovers errors having serious financial consequences, the economic risk is much greater for smaller companies. SMEs experiencing strong growth therefore have heightened legal certainty requirements as they are faced with fresh difficulties and usually lack the expertise to ensure that their transactions are properly taxed.

The goal of this customised tax support is to give companies the option of relieving their executives of the tax risks relating to their companies' operations so that they can focus on their businesses' growth.

SUPPORT CONTENT

The main support measures are as follows:

- The involvement of the tax authorities, at the taxpayer's request, either for recurrent transactions with major financial repercussions, or at key stages in a company's economic expansion or restructuring (takeover, deciding on a sale price, asset valuation method, discontinuation of a business activity, help for an affiliate, international expansion requiring tax expertise regarding the provisions of one or more tax treaties, etc.). Both scenarios call for constructive discussions between the tax authorities and the company to establish a clear understanding of the issues raised and the company's situation. In keeping with the conclusions of the consultation with businesses, the list of eligible topics for the tax authorities' intervention has been left open so that relevant questions can be addressed as and when they arise.
- Help with identifying the main tax issues to be addressed; businesses do not need to have conducted a comprehensive review of their requirements and the options open to them. They are offered direct support, on one hand, with pinpointing the tax issues for which it would be in their interest to know the tax authorities' position, whether to inform a one-off decision or to ensure the legality of a recurrent transaction and, on the other, with formalising questions.

In this respect, issues analysed by the tax authorities are determined by joint agreement with the company outside the normal formal context governing written correspondence.

BENEFICIARIES

This support is targeted to an open-ended list of businesses, with special emphasis on those with strong growth potential. On this basis, the DGFIP is looking to focus this support on SMEs that have the following features:

- Phase of growth as regards both jobs and turnover
- Innovative nature, involvement in R&D
- Operating in sectors which are strategic for the French economy

WHEN AND WHERE: THE CONDITIONS

The DGFIP is making a commitment concerning businesses' key economic and tax deadlines in terms of responsiveness and flexibility: carrying out transactions, filing returns, etc. The commitment concerns the timeframe for issuing tax rulings that provide businesses with certainty, factoring in their constraints and the relative complexity of their concerns.

To ensure local oversight, each participating company's contact will be the Business Tax Department (SIE) that manages its tax affairs, within the regional public finances directorates. The Business Tax Department will provide companies with information on the support offered.

When a business opts to receive this support, it will be assigned dedicated experts within the DGFIP's network, working outside the tax audit departments. Contacts with businesses will be managed at regional directorate level. If need be, the case officer may visit the company in question, at its request, to clarify the issues at hand.

CONTACT

Companies interested in receiving this support may contact their competent Business Tax Department (SIE) for all information and to be referred to the department tasked with tax support.

Your SIE's contact details can be found at:

<https://www.impots.gouv.fr/portail/contacts>

The tax partnership for mid-tier companies and major enterprises



RATIONALE FOR THE TAX PARTNERSHIP

As the current goal is to enable France's major enterprises and mid-tier companies to expand, and as business models and legal rules are increasingly complex, there is a pressing need for strong measures that foster compliance and legal certainty on tax matters.

To provide certainty concerning the tax issues that these businesses have flagged up as representing a legal and financial risk, companies have stated that they need to have "ongoing" discussions with a special contact within the tax authorities. This contact will have to be technically competent and able to understand the context of their business activities.

The findings of the 2013 experiment call for more flexible arrangements, focusing on complicated and high-stake topics, and for which discussions with a dedicated DGFIP department would provide the most value added.

THE PARTNERSHIP'S CONTENT

Businesses which opt for the tax partnership will benefit from ongoing discussions with the tax authorities on the tax issues identified by either partner as representing strategic risks and/or challenges. The partnership will rely on the tax ruling procedure (i.e. resulting in an official written position being issued) for questions raised by the business or the tax authorities. Tax rulings are binding on the tax authorities.

The partnership has two separate aspects:

- A commitment to look into the tax treatment of certain transactions that are identified well before filing or operational deadlines with an eye to improving the tax ruling service provided to major enterprises and mid-tier companies through in-depth discussions and rationally factoring in both parties' time management constraints.
- To this end, the assignment of a dedicated contact for companies in order to nurture over time: (i) improved knowledge of their business activities and features and (ii) heightened reciprocal trust between the two parties in terms of the professionalism of the teams, the companies' voluntary commitment to transparency and the tax authorities' ability to understand the constraints imposed by business life.

The businesses and tax authorities will decide jointly on the points to be analysed. The process will lead to tax rulings being issued allowing for certainty concerning the returns (corporation tax for the financial year, VAT, etc.) in respect of these points.

The cooperation between the DGFIP and businesses has the shared aim of bolstering tax compliance and legal certainty. It is inextricably linked to a reciprocal, trust-based and transparent approach.

In this respect, to ensure that this partnership is both efficient and of a high standard, businesses undertake to provide the tax authorities with the in-house and external information at their disposal that may help identify the issues requiring expert analysis and to ensure that this information is processed in compliance with effective legislation.

The outcome of this work is that businesses are provided with legal certainty concerning the tax issues examined, which is binding on the tax authorities. This means that these points cannot give rise to subsequent adjustments. Businesses may still be subject to tax audits but the preferred procedure will be for settlement of the main high-stake and risk issues as part of the partnership. This will result in the scope for potential audits being narrowed.

Obviously, the tax authorities adopt their position in light of the information provided by businesses. As a result, the latter may be challenged – in accordance with effective positive law – if a false presentation or fraudulent concealment were to be revealed.

BENEFICIARIES

In tandem with the customised support offered to SMEs, the tax partnership is for major enterprises and mid-tier companies. Businesses wishing to sign up for this long-term relationship have to meet criteria covering tax compliance and

cooperation with the tax authorities. These conditions are a prerequisite for opting for the partnership and must be complied with throughout the relationship. To be eligible, businesses must have respected the following obligations during the three years preceding the submission of their application:

- Tax filing obligations and the resulting payment deadlines
- Withholding tax filing obligations, documentation on transfer pricing and country-by-country reporting
- The obligation to file the imprimé fiscal unique, a form showing transactions on, and income from, securities and the statement of professional fees, commission, brokerage fees, discounts and directors' fees

Moreover, during the three years prior to the submission of the application, businesses must have complied with:

- The obligation to reply to requests for information and/or requests made by the tax authorities as part of their right to discovery
- The conformity requirement of the accounting entry journal with established standards
- The obligation concerning invoicing systems and the reliable audit trail warranty
- The obligation of making transfer pricing documentation available

Businesses having been handed down penalties for intentional breaches during this three-year period are not eligible. However, breaches which are settled voluntarily or result in discretionary tax relief are excluded from this condition.

These criteria are considered together with the relevant businesses with the assessment taking account of both circumstances and the stakes at hand.

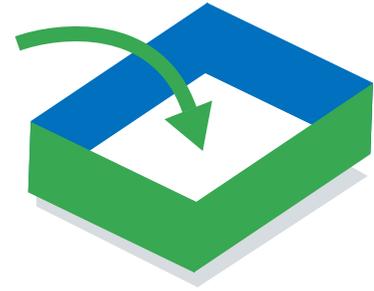
ORGANISATIONAL ASPECTS WITHIN THE DGFIP

For tax partnerships, the single contact point for all businesses, irrespective of their size, is the Large Business Directorate (DGE). A special team, called the Corporate Partner Department (SPE), has been set up within this directorate. This setup ensures that tax partnerships are completely separate from the audit departments.

CONTACT

The Corporate Partner Department can be contacted by e-mail at dge.spe@dgfip.finances.gouv.fr and by telephone on (+33) 1 49 91 15 60.

The voluntary compliance approach



THE TAX COMPLIANCE DEPARTMENT

Business taxation is complex and evolving due to changes in national and EU legislation, case law and tax guidelines. It can give rise to diverging or even contradictory interpretations which have an impact on the tax choices made by businesses. Incidentally, over their long existence, legal entities may undergo major changes to their internal tax policies, for example, when they change shareholders, executive management or board directors.

The government is looking to make it easier for businesses to voluntarily make their tax situation compliant. To this end, a circular establishes a clear and transparent framework and sets up a dedicated department to process amended returns filed in a number of complex scenarios.

LOCATION OF THE DEPARTMENT

The Tax Compliance Department is part of the Large Business Directorate (DGE). It is competent throughout France and is the one-stop-shop for examining compliance requests. It guarantees processing that is in line with ordinary law rules and that is standardised for the entire country. All businesses, irrespective of their size, file their requests with the Large Business Directorate.

THE DEPARTMENT'S COMPETENCE

The Department is authorised to process compliance requests relating to:

- all tax anomalies discovered by the new owners and parties having taken over a business
- certain international tax issues such as business activity in France that represents an undeclared permanent establishment, the deduction of all or part of a loan granted by a foreign company, arrangements that are published on the economie.gouv.fr website and arrangements involving structures abroad
- certain issues concerning taxation of executives ("Dutreil" schemes, capital gains on the sale of shares, arrangements for expatriates)
- transactions that could be subject to the heaviest tax penalties (80% surcharge)

CONSEQUENCES FOR TAXPAYERS

The Tax Compliance Department will apply a transparent and non-negotiable penalty schedule. For instance, the penalty rate for a deliberate breach, which may be adjusted by the tax authorities under ordinary law rules, will be set at 15%. Interest on arrears will be reduced by 40%.

This means that businesses will be aware of the settlement conditions in advance. There will be no good or bad surprises. They will have to pay all the evaded and non-time-barred taxes under ordinary law conditions as well as the resulting penalties and fines.

Lastly, the Department only deals with voluntary requests unrelated to any ongoing tax audits. Other procedures have been planned for situations involving a tax audit. These include an adjustment during the audit, the scope of which has been broadened by the Government Reform Act for a Trust-Based Society (ESSOC).

The circular signed by the Minister for Government Action and Public Accounts, which sets out these arrangements, has been published on the [impots.gouv.fr](https://www.impots.gouv.fr) website (<https://www.impots.gouv.fr/portail/demandeconformitefiscale>).

CONTACT

The Tax Compliance Department can be contacted by e-mail at dge.smec@dgfip.finances.gouv.fr and by telephone on (+33) 1 49 91 15 60.

Assessment of tax compliance by a trusted third party



To bolster legal and tax certainty, businesses which pay corporation tax will have access to the services of a qualified third party auditor. The latter will conduct an audit on routine tax matters and provide the businesses with a certificate of conformity once an amended return has been filed to correct any anomalies if necessary.

THE QUALIFIED THIRD-PARTY AUDITORS

This work will be carried out by statutory auditors due to their incumbent role as account certifiers and their close ties with businesses. Other professions may be subsequently authorised to carry out these audits depending on the conclusions of the review that will be conducted.

SCOPE OF AUDITS

Only certain routine matters for which tax law and accounting practices generally converge may be audited. The points which have been identified are depreciation, expenses, compliance with VAT eligibility, withholding tax payment rules and invoicing voucher chronology, or provisions. These points will be more accurately defined following a consultation with the representatives of statutory auditors and businesses, and a standardised audit trail will be published. It should be noted that this is not a comprehensive tax review.

BUSINESSES CONCERNED

All businesses may make use of this scheme. The qualified third-party auditors will invoice for this service either specifically, or separately if it is incorporated into existing invoices.

BENEFITS FOR BUSINESSES

Businesses will no longer have to worry about the tax risk on routine matters against an increasingly complex backdrop. Using the services of qualified third-party auditors also represents an advantage vis-à-vis other third parties (banks, customers) and will be taken into account for access to the tax partnership and customised tax support offered by the DGFIP without being in any way mandatory. Lastly, in the event of a tax audit and subsequent adjustment concerning a point that has been validated by a qualified third-party auditor, the latter will be liable for compensation in the commensurate amount of the fees paid to him/her in this respect by the company in question. This compensation stipulation will be added to the ordinary law provisions on statutory auditors' liability.

Businesses which comply with their qualified third-party auditor's recommendations will not owe any penalty or interest on arrears should the tax authorities question the stance adopted by the auditor.

By helping to forestall or correct mistakes made by taxpayers, the assessment of tax compliance will enable businesses to reduce their tax risks and allow the tax authorities to cut back on audits (duration, frequency) of the relevant companies in order to focus their efforts on fighting tax evasion.

Improved discussions and appeals as part of tax audits



The Government Reform Act for a Trust-Based Society (ESSOC) gives precedence to support and advice as part of the relationship between the tax authorities and taxpayers acting in good faith. In particular, the Act has bolstered appeal channels by enabling taxpayers to lodge challenges with a higher administrative authority as part of desk audits and by extending the jurisdiction of the board of direct taxation and turnover tax.

More broadly, looking for ways of making tax audits more stress-free and effective involves introducing the means of settling complex tax issues which are common to companies (concerning sectors or groups of businesses) as far upstream as possible and further improving appeal channels.

EARLY SETTLEMENT OF ISSUES COMMON TO COMPANIES

To pinpoint cross-disciplinary issues as they emerge and to help the tax authorities adopt a position on them prior to tax audits, a forum for dialogue involving the tax authorities and employer representation bodies will be set up and will meet two or three times a year. The agenda will be decided on jointly by both sides, and the tax authorities will respond to the complicated tax issues which are raised. The authorities will undertake to comply with these responses during subsequent tax audits.

Furthermore, in the same way as rulings of public interest are now slated to be systematically published, the stances adopted during audits concerning issues which are common to an economic sector or group of companies will also be made public.

APPEALS TO HIGHER ADMINISTRATIVE AUTHORITIES DURING TAX AUDITS

In the event of a disagreement, individual or corporate taxpayers will be able to refer the matter directly to the *département*-level contact for all cases in which the auditor's line manager has validated the adjustment proposal beforehand (i.e. especially when it provides for the levying of penalties for intentional breach or fraudulent practices).

What this means in tangible terms is that, in the majority of cases, taxpayers will no longer have to refer the matter to the auditor's department head (usually the unit head) before appealing to the *département*-level contact at the directorate's headquarters.

STRONGER GUARANTEES FOR DISCUSSIONS FOLLOWING AUDITS

One of the main goals of the appeal channels is to provide for an additional expert appraisal which is separate from that of the auditor. This “fresh look” at the case paves the way for new discussions with the taxpayer. To this end, from now on and whenever this is possible and is justified by the matter at hand, the dialogue will be overseen by a bench, one of whose members will not have had prior knowledge of the case.

Therefore, in practice, the contact designated by the director may be assisted by the head of legal affairs and the head of a tax audit division which has not validated the file or, in directorates without a tax audit division, by the head of tax management.

IMPROVEMENT OF LONG-TERM GUARANTEES

The concept of a “tax guarantee” allows taxpayers to rely on the position adopted by the tax authorities concerning the points examined during tax audits which did not lead to adjustments. This new guarantee bolsters taxpayers’ long-term legal certainty and gives them confidence in their management decisions.

Progress in this respect is two-fold:

- The auditor will note the points that were specifically examined and which did not lead to an adjustment on the procedural documents following the audit.
- The tax authorities will much more frequently use audit procedures which target specific points that businesses will be informed of from the start of the audit. As a result, the tax guarantee will apply *ipso facto* if there is no adjustment to one of the points mentioned in the “audit notice”.

A more proactive approach to tax rulings



Tax rulings enable taxpayers acting in good faith to request that the tax authorities adopt a stance, which is binding on them, in respect of the application of legislation to their specific situation. They are essential for helping the DGFIP provide taxpayers with legal certainty.

Every year, the DGFIP issues around 18,000 tax rulings concerning actual situations referred to it by taxpayers. The majority are handled by regional departments (*Département* Public Finances Directorates) and are issued rapidly. The DGFIP's central departments deal with the most complex cases or those with major financial stakes. The action plan described below covers the latter cases.

The set of initiatives should improve the standard of service provided to users as regards legal certainty and shorten the timeframe for processing their requests.

CLARIFYING AND STREAMLINING ACCESS TO THE SERVICE

To make the process even more open, processing applications for rulings submitted by taxpayers at DGFIP central department level has been streamlined. This will make the procedure more understandable for users and ensure that deadlines are complied with.

The DGFIP's Legal Department – Taxation (SJF) has therefore become the central administration's sole point of entry for these applications. It processes them and sends responses to taxpayers. For points without a precedence, it refers the matter to the Tax Policy Directorate (DLF).

SPEEDING UP APPLICATION PROCESSING

To help process general tax ruling applications as quickly as possible, taxpayers can use a form setting out the main information to be provided which is available at [impots.gouv.fr/Les rescrits/Je demande un rescrit/Documentation utile/modèle de rescrit](http://impots.gouv.fr/Les-rescrits/Je-demande-un-rescrit/Documentation-utile/modèle-de-rescrit)

Taxpayers requiring a rapid response should enclose, with their applications, all the analysis information in their possession, in particular in-house and external legal consultations, to inform the tax authorities' assessment.

As an overall objective, the DGFIP will strive to reply to 80% of applications for general tax rulings within three months at both central administration and regional department level. Regular reports will be published on the achievement of this goal.

BETTER POOLING OF RESPONSES

To foster users' access to general tax rulings and to heighten their transparency, a new category devoted to the publication of tax rulings, called RES–Rescrits, has been added to the BOFiP-Impôts documentary base. The rulings, which are classified by tax or income category, are published as and when decisions are taken and can be accessed via a link from the “Actualités” section on the BOFiP-Impôts homepage. They are also flagged up on the www.impots.gouv.fr website.

The thirteen published tax rulings concern:

- the timeframe for completing accommodation units purchased off-plan as part of the “Pinel” tax incentive scheme ([BOI-RES-000005](#))
- the calculation of the collection modernisation tax credit for farmers eligible for the young farmers' allowance ([BOI-RES-000019](#))
- the interaction of optional arrangements for staggering certain income in terms of agricultural profits ([BOI-RES-000012](#))
- the notion of the initial hiring of a young doctor to determine the staff expenditure eligible for the research tax credit ([BOI-RES-000017](#))
- the VAT rules applying to a parasailing business activity ([BOI-RES-000002](#))
- the VAT exemption applying to the supply and fitting of dental implants ([BOI-RES-000009](#))
- the VAT arrangements for sales of property under the occupied life annuity scheme ([BOI-RES-000001](#))
- the date for conducting means testing and assessing household category to apply a reduced VAT rate for social housing ([BOI-RES-000003](#))
- the tax on company vehicles applying to certain vehicles designed to transport goods ([BOI-RES-000024](#))
- the exemption from the business premises contribution for craftspersons depending on the size of their premises ([BOI-RES-000018](#))
- the calculation of the income to be taken into account by owners of buildings classified as historic monuments or listed in the supplementary inventory of the historic buildings register for capping property wealth tax ([BOI-RES-000020](#))
- the liquidation surplus tax (droit de partage) following the dissolution of “Sofica” financing companies for the cinema and audio-visual industries ([BOI-RES-000006](#))
- the timeframe for filing a tax ruling application relating to innovative startups ([BOI-RES-000014](#))

More are set to be published as and when the tax authorities adopt formal general tax rulings. Seventeen new publications are scheduled for this year covering, for instance, the following topics:

- SMEs' eligibility, within the meaning of EU law, for the immediate refund of research tax credit receivables
- The conditions for applying the withholding at source provided for in Article 182 B of the French General Tax Code in respect of toll work
- VAT treatment of fixed-odds betting

Support for French companies abroad



Businesses are subject to competition on the international stage. As regards taxation, countries' competing sovereignty, the increasing number and heightened complexity of applicable standards can generate legal uncertainty and create the risk of double taxation which is damaging to business activity. The OECD's rollout of its BEPS programme is altering international standards but this revamping of benchmark principles can actually further complicate matters.

Against this backdrop, controlling international tax risks is central to ensuring businesses' competitiveness. Governments and international organisations (OECD, European Commission) have introduced a legal framework grounded in international treaties, the main purpose of which is to avoid double taxation. However, French companies' international expansion is sometimes held back by incorrect application of international tax treaties and principles by certain countries and/or by difficulties in their relations with foreign tax authorities.

In conjunction with the Tax Policy Directorate (DLF) which negotiates the international treaties, the Public Finances Directorate General (DGFIP) has already set up a special international tax ruling system (permanent establishment ruling, advance pricing agreement, APA) and a department tasked with eliminating double taxation (International Legal and Economic Advisory Unit, MEJEI).

These arrangements are supplemented by the following initiatives to bolster support for businesses with their international operations.

REGULAR INFORMATION SESSIONS AND CONSULTATIONS BETWEEN BUSINESSES AND THE DGFIP

A bi-annual meeting will be arranged between the Tax Policy Directorate's departments and the DGFIP, on one hand, and representatives from the business world (AFEP (French Private Companies Federation), MEDEF employers' federation, foreign trade advisers, etc.), on the other, to discuss issues surrounding implementation of the treaties, the problems encountered and to propose potential changes, amongst other topics. The Tax Policy Directorate will take advantage of treaty renegotiations to reword articles with unclear definitions whose application is problematic. The Tax Policy Directorate will also consult the economic stakeholders on the three-year treaty programme, the compiling of information and requirements on a country-by-country basis prior to the start of fresh negotiations.

SUPPORTING BUSINESSES IN THEIR RELATIONS WITH FOREIGN TAX AUTHORITIES

The DGFIP now has a special contact point, which reports to the Legal Department – Taxation, so that businesses can explain the difficulties encountered abroad.

After an examination of the matter:

- Businesses may be offered advice and guidance towards tailored arrangements (out-of-court settlement, APA, letters enabling companies to rely on France’s stance vis-à-vis foreign tax authorities in respect of the interpretation of the articles of treaties)
- If need be, the DGFIP will contact its counterparts regarding technical issues via our diplomatic network or during international meetings
- Lastly, depending on the stakes relating to the matter, the DGFIP will brief French officials prior to foreign trips with an eye to possible high-level intervention

CONTACT

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