

PRESS

Fight against fraud and strengthening tax compliance Results 2019



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Editorial



Philip Edward
Prime Minister

The principle of a common contribution to the maintenance of public services is one of the foundations of our republican pact. It appears in the text of the Bill of Rights of Man and the Citizen, which states that this contribution should weigh equally on all citizens.

One way to ease the tax consent is to ensure that the level of taxation remains within reasonable limits. This is why in 2017 the Government launched an unprecedented tax decrease that benefits all. At the same time, we have demonstrated the strongest for all taxpayers, individuals and businesses, the rules. In this fight, we took care to distinguish what is the honest mistake - acknowledging a "margin for error" - for what concerns the intentional fraud. If everyone makes mistakes, no one should be allowed to escape voluntarily and organized its obligations. It is a question of justice, trust and equality. From the first budget of this five-year term in 2017, We have tightened sanctions against fraudsters, by providing an additional penalty of disenfranchisement in the most severe cases. The law on fraud in 2018 has, in turn, strengthened the tools of tax and legal services to **detect, combat and punish fraud: new "tax police", " name and shame "**For serious fraud companies, sanctions against

the intermediate associates,
sanctions against companies based in tax havens of the European
blacklist, strengthened transparency requirements for platforms

Internet, increased use of criminal complaints against fraudsters.

The challenge now is to fully implement these new tools; to improve their functioning, as we have done recently by obliging intermediaries to declare to tax the tax optimization montages services they offer and sell to their customers. The figures for 2019 show that the policy of firmness produces results. This fight against fraud, which is actually a struggle for equality in taxation and national solidarity will continue. We owe it to our public services and the millions of taxpayers who perform their duties with exemplary citizenship.



Nicole Belloubet
Justice Ministry

The cause tax evasion a serious moral damage and financial society because it challenges two principles at the heart of the republican pact: equality before tax and tax consent. This is why the Department of Justice is conducting a criminal particularly firm policy to fight this crime which

terms have considerably clouded, internationalized and more complex in recent years. Given the challenges that this fraud behind in terms of sovereignty and recovery of public accounts, it was important to make available to the judicial authority of new legal and human resources to enable it to conduct proceedings efficiently.

This is what was done with the Act of 23 October 2018 which provided in tax matters the possibility of the appearance of prior recognition guilt and judicial agreement public and created a new service of "tax police" at Bercy. The efforts have led already allowed the judicial authority to lead in 2019 to several appearances on

prior recognition guilt and judicial conventions of public interest in tax fraud. These

first results very encouraging essentially reaped in the financial national prosecutor, intended to be amplified with the strategy to strengthen

the links between the tax administration and the judiciary at the local level. This legal mobilization will continue through the strengthening of staff affected judges in the specialized interregional court in order to have a narrower territorial network of experts in this field. It will continue also at European level with the forthcoming creation of the European Public Prosecutor who has vocation to pursue fraudulent behavior affecting the EU budget,

more particularly the facts VAT scams involving several Member States.



Gerald Darmanin
Minister of Action and the
Public Accounts

For over two and a half years, the tax audit initiated a thorough transformation of its organization, tools and methods. This transformation requires an unprecedented enrichment of information sources that feed it, by very significant investments in

artificial intelligence, systems
Information and human expertise, and the
intelligence sharing between services. It also requires a new
doctrine manual control of our forces, of better adapt the extent of
the investigation to the challenges of each folder. This results, on
the one hand, a sharp rise of more targeted control modes and
less intrusive for taxpayers, thereby generally increasing the
number of control operations, and also intensified lashings the
judicial authority and its services investigators, particularly the new
inquest finance department.

The first results of this policy are there. Global business services remained at a high level in 2019, and realizes a dramatic rise in performance with receipts approaching total

the € 10bn. The sums
recovered at Following checks
the tax administration include up
16.3%, or € 1.3 billion more than in 2018, the highest since 2015.
These results, we

the need to great
professionalism of officers finances
public, including I salute the commitment and the
flawless mobilization in the fight against fraud and promoting tax
compliance.

Summary

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Key figures for the tax audit in 2019



- Nearly € 10 billion received in 2019, of which € 9 billion as a result of tax audits (16.3% compared with 2018), € 530 million in fines collected *via* CJIP (plea bargains) and € 358 million collected by the processing service corrective statements (PADS , Regularization of foreign accounts)
- Nearly 54,000 control operations
- Increased number of short and targeted procedures (48% of targeted audits in companies), fewer full audits (-14%)
- More than 35 000 inspections on site and off-regularized under test (against about 3 900 in 2018)
- 1678 files forwarded to the judicial authority, more than double that in 2018 (823 cases), 30 referrals to the criminal investigation department of finance by the national financial prosecutor
- **100,000 control proposals from the *datamining* addressed to service in 2019 or + 16%** compared to 2018, 22% of controls are now from this targeting technique
- In total, € 785 million of fees and penalties assessed following the checks involved from the **information *datamining*, is** + 142% with respect to 2018 (324 M €)
- 3 new compensation advisors in 2019
- New trust: 30 groups representing more than 2,300 companies, 665,000 jobs and € 318 billion in revenue service partner for companies,
118 SMEs opted for
personalized tax guidance, 17 filings in compliance service

Strengthening inter-ministerial cooperation in the fight against fraud



Faced with increasingly organized fraud, complex and mobile, the Government is determined to give a new impetus to the interdepartmental policy against fraud. The current system will be overhauled to better adapt to the challenges of today.

Priority will be given to operational sharing of information and the definition of common strategies of actions between partner administrations. To this end, 10 national operational groups fraud will soon be made on priority themes. Each one will be under the responsibility of a pilot management.

On the current model *task Force VAT*, which brings together the different organizations involved in the fight against fraud, these operational groups will ensure the opening up of approaches by sharing information and analysis,

developing investigative strategies

contact information, and the establishment of shared risk maps in particular to better identify and combat emerging frauds. Finally, they allow better articulation of administrative capacity and judicial actions and sanctions.

These groups meet particular administrations of the Ministry of Action and the Public Accounts, Ministry of Justice, the Interior, the Ministry of Solidarity and Health, Ministry of Labor and the administrative investigation services and judicial around the following priority issues:

- the VAT fraud;
- **fraud via e-commerce;**
- illegal work;
- fraudulent ephemeral companies that disappear after committing their fraud;

- Fraud at the residence, designed to obtain aid or to evade taxes;

- document fraud and identity, particularly in terms of social benefits

- means the adaptation of surveys to digital issues;
- looking for a better debt recovery for fraud public finance;

- counterfeiting;
- tobacco trafficking.

At local level, mobilization Operational Committees departmental fraud (CODAF), under the co-chairmanship of the prefects and prosecutors will also be strengthened about priorities for action and exchange of information for fraud to tax and social contributions and benefit fraud.

A new mission interdepartmental coordination fraud will also be set up to replace the current DNLF. Lightweight and narrow, it will have main missions:

- ensure active monitoring of national operational groups fraud by providing methodological support and expert help while being a force of proposal. She will report on their work and results to the Prime Minister and the ministers concerned;
- coordinate and support the work of CODAF;
- to be a dynamic relay in the fight against fraud against the financial interests of the European Union

Financial results up



The amount of receipts is growing

The amount of tax audits following receipts totaled € 9bn in 2019, an increase compared to 2018 (+ 16.3%, or € 1.3bn). These amounts received in 2019 regardless of the year of control. It is also the sum of the highest since 2015.

It should be added criminal fines collected in 2019 as part of two judicial public policies (CJIP) for an amount of € 530 million, as a result of tax evasion prosecutions by the national financial Procuratorate on complaint of the tax administration. Treatment Service corrective statements has also cashed 358 M € in 2019.

Receipts were up on all tax types

In M €	2014	2015	2016	2017	2018	2019
Income taxes, levies social (1)	2266	2118	2050	2182	2061	2287
VAT, corporate tax, duties Registration, ISF / IFI (2)	5301	6633	5638	5197	5187	5884
Rights of inheritance tax returns filed after stimulus	896	783	869	642	432	745
Rights statements ISF / IFI filed after stimulus	58	57	55	56	56	84
TOTAL cashed out and PADS CJIP	8521	9590	8612	8077	7737	9001

(1) and other taxes issued by assessment

(2) other taxes and self-liquidated

The services also prevent undue reimbursement of tax credits

Beyond the controls that result in enhancement of taxes and possibly penalties, services have prevented undue reimbursement of tax credits.

In 2019, the share of services has prevented the disbursement € 1.8 billion (including € 1.7bn rebate application rejection VAT credits) in up 8.4% compared to 2018.

Money that the cover-up is requested to taxpayers are up

Now the results are not presented in respect of amounts "reported" to taxpayers by the end of possible appeal to the consultative bodies, but in terms of amounts that the "recovery set" is requested at the end of these remedies, which allows to take into account the statements made and the decisions of the advisory committees. This is more in line with the reality of the amounts for which payment is actually asked.

In 2019, these amounts were up 1% compared to 2018 and amounted to € 11.7bn (€ 11.6 billion in 2018).

The recovery ratio is on the increase:

In M €	2015	2016	2017	2018	2019
Taxes and penalties that may be cashed	13601	<u>12029</u>	<u>12,140</u>	<u>11608</u>	<u>11730</u>
Proceeds (regardless of the year control)	9590	8612	8077	7737	9001
Ratio (%)	52%	51%	49%	51%	67%

Significant amounts are still under discussion with taxpayers under review boards

About € 2bn remained subject in late 2019 to the decisions of advisory committees. A portion of these amounts will be subject to a recovery set in 2020.

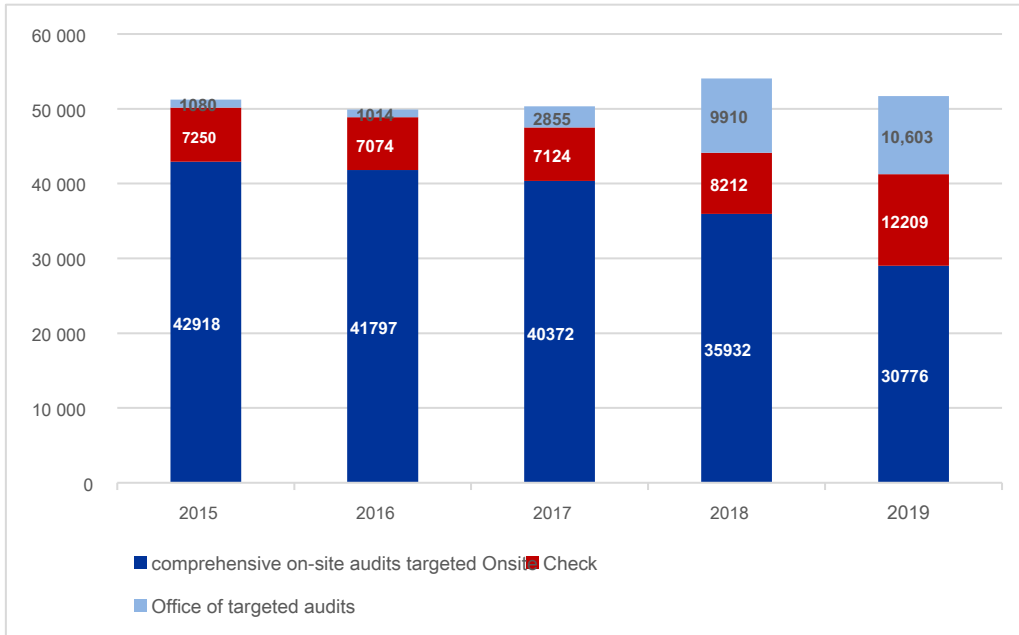
More targeted and less intrusive controls for companies ...

The number of short and targeted procedures, performed on the spot by spot checks in the company (48%), or scheduled operations and conducted the office (+ 9%) rose sharply.

Meanwhile, the number of general audits declined (- 14%).

These trends illustrate a change in practice which aims to adapt the methods and procedures used in the nature of records, reserving the most intrusive procedures to records that deserve it.

The following table illustrates this evolution since 2015:



...with procedural delays which contract

The development of these minor procedures mechanically drives a period shorter onsite procedures 2 days compared to 2018. The lightest operations have a duration of 69 days on average, while the more invasive operations such as general audits (VG) have an average of 116 days.

... and a significant increase in the number of operations since 2017

The total number of operations performed by audit brigades from all procedures¹ is about 54,000 (nearly 2,000 correspond to files awaiting advice of advisory committees).

	2015	2016	2017	2018	2019 (*)
Number operations	51248	49885	50351	54054	53588

(*) 51 688 cases in which the cover-up has been requested and 1900 cases in the consultative bodies.

¹ General 1Vérifications, review of personal tax situation, spot checks, simple checks, accounting examinations, checks on parts due to programming plug (3909), instruction on site repayments of VAT credits, checks on parts of DNVSF, coordinated controls and controls on pieces of heritage brigades DIRCOFI

Criminal proceedings



The doubling of the dossiers submitted to the judicial authority

In 2019, the number of cases referred to the judicial authority was two times higher than in 2018

- Under the new device **required disclosures** introduced by the Law of 23 October 2018 on the fight against fraud, tax administration sent **965 cases to the judicial authority**.
- Moreover, the Tax Department continued to enter the Tax Offenses Commission (CIF) **whenever it saw fit. So, 672 complaints for tax evasion were also filed after favorable opinion of the CIF.**
- Finally, **41 complaints presumptions** characterized tax evasion, were filed. Among these files, 18 complaints of taxpayers mentioned in the case of "*Panama Papers*" were filed in national financial prosecutor.

In total 1678 tax records led to a referral to the judicial authority, double the number of complaints of fraud or presumption of tax evasion in 2018 (823), confirming the estimates mentioned in the parliamentary debates on the Act of October 23, 2018.

In these transmissions, there are the complaints of tax-scam or reports made pursuant to article 40 of the Code of Criminal Procedure made on VAT fraud, the number rose slightly in 2019 (127 in in 2019 against 119 in 2018).

The number of complaints of opposition to functions, intended to fight against the practice of obstructing the action of the administration, it remains as stable in 21 cases.

The first appearances of records prior recognition of guilt (CRPC) and judicial conventions of public interest (CJIP)



The year 2019 was also marked by the conclusion of the first appearance procedures prior admission of guilt (CRPC) and public legal agreement (CJIP) on tax fraud established by law on the fight against fraud of 23 October 2018.

The CRPC procedure has been implemented in thirteen tax fraud cases. In the context of these cases, fifteen convictions (two people were prosecuted in 2 cases), including 12 prison sentences and 12 fines amounting to € 323,500, including € 262,500 without suspension were pronounced. In addition, at the conclusion of most of these procedures, the evaded duties, covered by complaints, totaling € 4.38 million were settled by taxpayers, either immediately or at the end of a settlement plan.

The CJIP has it, allowed the settlement of 2 complex tax fraud cases.

A first legal agreement of public interest has been reached between the national financial Parquet and asset manager, for an abuse of law constituting tax fraud, over the period 2010-2014. The agreement, approved June 28, 2019 by the President of the Tribunal de Grande Instance of Paris, charged to the company a fine of public interest in the amount of 30 million euros. A parallel agreement was concluded in fiscal matters.

A second CJIP, approved September 12, 2019, was concluded between the national financial and flooring companies GOOGLE IRELAND LTD and GOOGLE FRANCE SARL, for a transfer of benefits constituting tax fraud and complicity in that offense, the period 2011- 2016. Under this agreement, the two companies Google Group paid to the French state fined the public interest for a total of 500 million euros. In resolving this matter in its criminal, was backing a tax matters agreement with the General Directorate of Public Finance, putting an end to all ongoing litigation relating to the imposition of Google France.

The creation of the judicial investigation finance department (sejf)

Key figures:

On 31 December 2019, the sejf had before tax cases 27: 18 complaints for alleged tax evasion, 7 laundering investigations of tax evasion and two reports under article 40 of the Code of Criminal Procedure.

The creation of the criminal investigation department of Finance (sejf) The law of 23 October 2018 on the fight against fraud has strengthened the legal proceedings tax investigation for assigning agents tax services, legal tax officers (FOJ), within a specialized service for the Action Ministry and the public Accounts, and not only the Ministry of interior.

national service, the criminal investigation department of Finance (sejf) was thus established on 1st July 2019.

Under the dual authority of the Directors General DGFIP and DGDDI and led by a magistrate of the judiciary, it is composed of 266 investigators: FOJ 25 and 241 officers of the judicial duty (ODJ) specializing in the fight against the fraud customs, tax and financial complex. A new wave of recruitment FOJ was launched and 14 officers are currently in training at the Customs School in Tourcoing.

The sejf does not replace national prosecution of tax delinquency Brigade (BNRDF), attached to the Ministry of Interior, but complement it. The BNRDF intervenes effect on a field of very wide survey with priority given to cases where tax evasion is mixed with other offenses (corruption, fraud, organized crime, for example). This is why it seemed appropriate to give the flooring and, if necessary, investigating judges with the opportunity to direct some complex tax fraud cases to a service whose skills are fully mobilized on criminal tax issues.

The sejf offers complementarity and sharing of customs and tax culture and shared services and support to investigators, analysts, operational and technical support.

Based in Ivry-sur-Seine, it is composed of two divisions:

- one corresponding to the former National Service of judicial customs, which allows to conduct judicial ODJ on major trafficking investigations with investigative powers defined by the Code of Criminal Procedure;
- the other, called the tax investigation division, which includes the FOJ Investigators tax criminal investigations.

In this context, the mission of the FOJ is especially in research and finding, on the whole territory, the offense of tax evasion "complex" (fraud conducted through tax havens; fraud resorting to fake or forgery; fraud using fictitious tax debits or artificial), to enable the establishment of the tax evaded and

the

conviction of the perpetrators.

This mission is exclusively criminal. The FOJ implement judicial police powers at the request of the judicial authority. To this end, they personally perform during their investigations pleadings and perform hardware operations permitted by the Code of Criminal Procedure

(Spinning, monitoring, hearings searches, arrests, guards to view wiretapping, sound systems).

The progress
***datamining* in the**
service

Targeting of fiscal
controls



Rise of the Mission Applications and Valuation

Key figures:

Team of 26 people and 4 new courses recruitment

Investments of over € 6 million in 2018-2022

100,000 files sent to service in 2019

At the origin of 22% of fiscal control operations affecting business in 2019; 50% target in 2022

Fees and penalties assessed after checks engaged from the transmitted production:
785 M € in 2019

The Tax Department has embarked on a process of modernization of its tax audits targeting work by establishing the mission and enhancement requests in charge of developing the use of new data analysis methods and creating programming centers located in 8 directions specialized tax audit.

The progress of the project, in terms of recruitment and team composition and investment is in line with the timetable set in the transformation plan:

- **The data-scientists recruitments are finalized and the constitution of the team is almost complete (30 people under the contract, 26 at present).** A recruiting additional 4 was launched to complete in 2020, the rise of phase expected load.

The skills sought are not available all the DGFIP, this building was done in large part from outside recruitment (mostly contractual and two attached INSEE).

The team also relies on providers whose work provides a rapid increase in competence. She also engaged in early 2019, a partnership with a research laboratory of the CNRS specialized in the use of techniques for analyzing data in the fight against fraud.

- **Hardware and software major investments were made in 2018 and 2019 and the new IT platform project has been operational since early 2019.**

The implementation of this platform allowed to operate quickly, in a programming perspective, international data received as part of the automatic exchange of information (including 5 million bank accounts held by French residents in financial institutions foreigners or the information contained in parpays country reports reported by multinational companies with annual turnover of over EUR 750 million).

MRV has addressed, in 2019, thousands of letters to taxpayers who have complied with the reporting requirements relating to the detention of foreign accounts for significant amounts. About 4 000 people are already coming to regularize their situation in a service DGFIP. In addition, more than 3 000 inspections of holders of offshore accounts who have not regularized their situation has also been made in

2019. More than 85 M € of fees and penalties have been recalled.

These investments have been accompanied by a rise of analytical work that has resulted in the significant increase of production and their ownership services.

The number of files sent to the service rose from a few hundred in 2016 to over 100,000 in 2019.

In the field of occupational fraud, the mission developed a hundred queries based on machine learning techniques or risk analysis that allow it to cover most of the tax risks and determine automatically to each company under d a real declaration system, a rating reflecting the level of its financial risk.

This work allowed the productions of the mission to be the cause of 22% of fiscal control operations for companies programmed in 2019 (14% in 2018, 11% in 2017) with the prospect that the rate is 35% in 2020 and 50% in 2022 for professionals.

Furthermore, in accordance with the favorable opinion of the CNIL, the mission now produces a quarterly, lists relating to fraud conducted by individuals and is responsible for 11% of individuals related to inspections completed in 2019 and 12 % of taxes called.

In total, the fees and penalties assessed after checks engaged from productions transmitted by the mission in 2019 amounted to over € 785 million.

Material and technical investments made during the previous two years now possible, thanks to the experience and the computing power gained to implement more powerful analysis technologies and target new areas of investigation.

Thus, in 2020, the mission will develop new applications and models that will integrate new data (including data from the collaborative platforms pursuant to Article 242 *bis* CGI after Law on the fight against fraud adopted in 2018 and those that will be obtained through the analysis of social networks). It will also continue its technological developments, particularly by developing its ability to handle unstructured data (*text-mining*).

Exploiting public data sites

social platforms and networks



An experiment to strengthen the arsenal of the administration to detect the most serious fraud

Section 154 of the 2020 Finance Act allows tax administrations and customs, on an experimental basis for a period of three years to collect and use through automated processing data published by users on the matchmaking platforms online (such as marketplaces or social networks).

This system aims to strengthen the tools available to the administration to detect particularly serious tax or customs fraud, for which traditional means of administration are inadequate investigation: false tax domicile abroad, business occult illicit activities such as tobacco smuggling or the drug trade.

These treatments focus on public data on Internet sites concerned and made public by users themselves. The administration will act transparently, it will not use a pseudonym and will not run in tight circles of people to collect them.

A strictly controlled experiment that provides guarantees of respect for the privacy of users of the platforms

While the use of the law was not necessary, the Government wanted a wide debate with the national representatives to answer various questions and remove doubts that have been expressed.

The in-depth review conducted by the National Assembly and the Senate has strengthened the safeguards surrounding the use of data collected on digital platforms to tax or customs control purposes. He also helped to widely inform users of the operating platforms that may be made of the data they make themselves accessible to all.

The implementation of these treatments is well surrounded by many safeguards provided by law. In particular, the retention periods of the collected data is limited to the strict minimum, only agents

specially authorized can perform the treatments and no facial recognition system can not be used, the administration can not outsource the collection or storage of data, then the treatment will not lead to the automatic engagement of a control.

Thus the administration will ensure, in the implementation of this device that fits in the framework set by the Data Protection Act of 1978, not to carry out intrusive data processing that would affect disproportionately the freedom of expression or civil liberties.

It should be noted in this connection that the Constitutional Council has validated the overall device. He considered that the device was subject to safeguards to ensure fair balance between the right to respect for privacy and the constitutional objective of the fight against fraud and tax evasion.

Calendar

The administration is currently engaged in the preparatory measures for the implementation of the experiment. The text will be submitted to the opinion of the CNIL in the first quarter and in the opinion of the Council of State, before the launch of the experiment itself.

The design of tools for collecting and analyzing data will be launched in the year.

An interim report will be drawn up in mid-2021 and a final report in 2023. They will be forwarded to Parliament and to the CNIL, to assess the proportionality of the processing implemented and their effectiveness in the fight against tax and customs fraud.

The tax information



The new National Intelligence Strategy

The fight against social and fiscal fraud figure explicit way in the new national strategy of intelligence in July 2019.

To date, three services will have to deal in the tax information in the Action and the Ministry of Public Accounts:

- **Two intelligence 1st circle, the National Directorate of Intelligence and Customs Investigations (DNRED) and TRACFIN**
- A tax investigation specialist service, the National Directorate of Tax Investigations (DNEF), which aims to strengthen its tax collection capacity and intelligence to intensify exchange of information with the intelligence services and, in particular those Bercy, even if they are already structured and fed.

To be effective, the tax information should be structured along the commonly applied to other kinds information standards. So it must be oriented around action and priority issues priorities in order to concentrate the action of service on the high financial stakes and complex fraud engineering.

If DGFIP, Customs and TRACFIN have intelligence sensors on taxation, these services will now have improved sharing of intelligence on priority labor issues and objectives of common interest.

The establishment of a new structure

End 2019, a *task Force* Operational dedicated to tax information associating DNEF, DNRED and TRACFIN was established.

This *task Force* operates tax information it brings together around thematic operational for the three services and sharing any information that may be useful in identifying tax evasion complex patterns.

The directors of the three structures define the strategic directions of the *task Force* tax information (TFRF).

The operational structure, composed of representatives identified within each of the three services, centralizes all exchanges and disseminates information to field players in its structure operationally working on files or targets.

The redesign of computers tax control officers



A tax audit information system modernization project



The under-computerization of the tax audit penalizes the action of the control services and makes steering difficult activity.

This is why, in 2018, the Tax Department wanted to modernize its information system by creating a comprehensive tool for monitoring and control, and so:

- monitoring a watched folder from programming to recovery and litigation
- modernize and simplify the work of the responsible agent of tax audit
- improve recovery and management of the business

The PILAT project (supervision and control Analysis) is part of an innovative approach and receives funding from the transformation of public action fund (FTAP) of € 13.4 million over 3 years between 2019 and 2021 and a departmental funding 1.5 M € in 2018.

This project is one of 50 major digital projects of the state followed by the interministerial management of digital (DINUM).

New resources for the benefit of the tax control and the fight against fraud



A vector of transmission of information and the information between services:

The new environment will allow the flow of information and communication between internal information services (management, research, monitoring, litigation, recovery) and external (legal information, external information).

A tool targeting business service

Programming The axes will now be transmitted to the control services by the application.

The application will plot the different treatments for each axis control (relevance, financial issues, recovery, litigation) and ensure a return flow to programming services. PILAT The tool therefore also aims to improve the targeting of operations and better direct control policies and the fight against fraud.

A tool facilitating budgetary performance monitoring

Assurant the flow of information and removing breaks application between application control and recovery, the PILAT application will prevent the risk of non-recovery and the immediate integration of the tax audit of receivables in the collection information system. So not only the work of the agents will be simplified and facilitated by reducing the risk of data entry errors, but the time of recovery action will get reduced.

Calendar



The work, begun in 2018 have helped deliver the first modules of the application in December 2019, the main features will be deployed regularly by allotment until the end of 2021.

The action international



key figures

- Automatic exchange of increasingly diverse (foreign bank accounts, rescripts and tax schemes ...) and many (4.8 million bank accounts held abroad by French taxpayers received in 2019)
 - € 9.5 million of fines for failure to declare a bank account abroad in 2019 (3 times more than in 2018)
 - 12 countries added to the French list of states and non-cooperative jurisdictions and 6 removed.
 - + 8% of French staff missions under the European Fiscalis cooperation program (control coordinated with other Member States and participation in the Eurofisc network against VAT fraud)
-

France, a major player in fiscal transparency



The past year, the Tax Department continued its numerous exchanges with its foreign partners. In addition to information obtained in the course of trade on demand **the information obtained automatically continued to grow**. For example,

the administration has thus including information relating to the balance or the amount of payments made over 4.8 million accounts held by French residents abroad.

Moreover, it is in France that the 10 years of the Global Forum on tax transparency were celebrated in November 2019. Ten years after its creation, the Global Forum has approximately 160 member jurisdictions and has made considerable progress in setting implement international standards of tax transparency and information exchange. France is a major player in the global forum and remains vigilant to ensure that its partners do apply their tax cooperation commitments on exchange of information, in compliance with international principles. This is why **the French list of states and territories uncooperative in tax matters was updated early in 2020**

with the removal of 6 countries and adding 12 more including Anguilla, the Bahamas, the British Virgin Islands and Seychelles for their deficiencies in information exchange with France. The number of countries on the French list is more important than that adopted by the European Union.

The appropriation of new data and new tools



In international tax audit, the Tax Department operates the large mass of new data received through automatic exchange between States: the information provided by foreign tax authorities relating to income earned by French residents abroad, to accounts held abroad as well as those of subsidiaries of multinational groups are subject to treatment by the mission and enhancement requests. These works allow to confront this new information to the reporting data of the persons concerned and improve the targeting of the work of tax fraud. So, **the application of fines in the event of bank accounts abroad undeclared increased by € 3 million in 2018 to € 9.5 million in 2019.**

Furthermore, since September 2019, **DGFIP testing the new European risk-analysis tool Transaction Network Analysis (TNA)** in the fight against VAT fraud. The TNA, developed through close collaboration between the Member States and the European Commission, allows much more intense cooperation between members of the network of experts fraud in the European Union ("Eurofisc") so that fraud the type of VAT "carousel" can be detected and stopped quickly. It strengthens cooperation and exchange of information to cross check information with national databases, the information held by Europol and OLAF, the European Agency for the fight against fraud, and to coordinate cross-border investigations. This new tool will be fully operational in 2020 and will continue the preventive approach of VAT numbers suspension (4,

The fight against VAT fraud in the *e-commerce*



What changed in 2020:

Joint and several liability of online platforms for the payment of VAT

Online platforms must report to the government revenues generated through them

The publication of the list of platforms that do not cooperate with the administration

The information obligation in charge of logistics warehouse operators

What changed in 2021:

Electronic platforms will be liable for VAT for certain transactions outside the European Union and shall maintain a detailed electronic record of supplies of goods and services

In 2019, many studies have been conducted to strengthen the obligations of electronic platforms and provide the tax authorities new ways to fight against VAT fraud in online commerce.

New obligations in the fight against VAT fraud on the Internet



The law on the fight against tax and social fraud has created a new system, in force since 1st in January 2020, introducing a system of **several liability of online platforms for the payment of VAT** caused by operators performing via these platforms, certain taxable transactions to VAT in France.

Since 1st January 2019, remote linking platforms have the obligation to transmit to the administration the necessary information to the taxation of income earned through them. The early returns were filed in January 2020.

Under the Finance Act 2020, will become electronic platforms **pay VAT for transactions they facilitate**

as of 2021, since the seller is established in a third country in the European Union. In addition, they **will be required to maintain a register which must be kept 10 years to allow Member States where those supplies are taxable to check that the VAT has been correctly paid.**

Operators of logistics warehouses involved in distance sales of imported goods in the European Union are under an **new disclosure vis-à-vis the tax authorities on the origin, nature and quantity of goods, the identity of the owners.**

Finally, **list of platform operators considered noncoopératifs** for not complying, repeated way, their tax obligations on French territory will be published on the Internet.

A modernization of procedures and tools



A **right of communication to the benefit of the administration exercised directly from the warehouses and logistics platforms** was established to trace the flow of imported goods and to clearly identify the person liable for VAT. Beyond its target for tax control, the reform should allow better fight against unfair competition from vendors located outside the European Union who do not pay VAT and thus have an advantage over their competitors respectful their tax obligations.

At European level, a political agreement was reached in 2019 on a set of rules to facilitate the detection of tax evasion in connection with cross-border transactions of electronic commerce. **These new rules will allow Member States collect payments on the data in e-commerce, made available electronically by payment service providers, such as banks. These data will then be stored in a new European central electronic system,**

the CESOP, for further processing by **the** national administrations in charge of the fight against fraud.

The statement of income generated through platforms



Key figures:

First year of application of the device

99 platforms have submitted declarations

Data on operators 1.6 million, 1.2 million individuals, reported in DGFIP

The introduction of declarative device



France is one of the first states to have asked the commerce platforms online and collaborative economy to declare to the tax authorities income earned during the commercial transactions through them.

This system was adopted by Parliament in 2018 as part of the "law fraud." It is applicable for the first time income from 2019. The information should be transmitted to the DGFIP in January 2020.

99 platforms, French and foreign, have made statements deposits. The number of individuals declared to the tax administration is about 1.2 million and that of professional and other legal persons is about 0.4 million.

The tax administration has revived the failing platforms. Some of them, if they remain in default, may be sanctioned by a fine equal to 5% of amounts not declared. They are also likely to be included in the "black list" public platforms that do not respect some of their tax obligations.

The information received by the administration are being processed.

Reminder of obligations platforms



- Provide, on the occasion of each transaction, fair, clear and transparent about the tax and social obligations to their users performing business transactions through them. They are also required to provide a
electronic link public sites facilitate
the fulfillment of the obligations incumbent upon them;
- Address, no later than January 31 of each year, each of their users with receiving money in connection with transactions made through them and which they are aware, an information document stating in particular, for
year
previous, the number of operations carried out and the under gross amount of such operations;
- Forward to the tax authorities by 31 January each year, the information for all taxpayers concerned.

These obligations apply to all platforms that users resident in France or making sales or services located in France under the rules of territoriality applicable to value added tax. They apply regardless of the State in which the platform is established.

The implementation of the law ESSOC and trust



key figures

26.5% of controls conclude with acceptance of taxpayers (+4 points compared to 2018)

Over 35,000 accruals being checked

A new trust with 30 groups representing more than 2300 companies and 118 SMEs

Increased support services in the implementation of the law ESSOC



The implementation of the law ESSOC enjoyed an accompanying enhanced framework that enabled the appropriation legislation and the development of measures to promote the acceptance of control: rating services,

FAQs "ESSOC law" working group on assistance of the auditors the relationship aspect of the tax audit, e-training ESSOC law for auditors.

Strengthening legal certainty upstream controls



The upstream preventive action control, based on the development of devices supporting SMEs, tax partner with large companies and medium-sized companies or tax compliance service has contributed to strengthening legal certainty for taxpayers.

For large enterprises and medium-sized companies (ETI), a partnership of dedicated service has been established. Offered to businesses that meet their tax obligations, it provides a service to interested party in the period to resolve the new tax issues that they face. On 31 January 2020, 30 groups representing more than 2,300 companies, nearly

665 000 jobs and € 318 billion in sales involved the device and 17 rescripts have already been issued.

For SMEs, the regional directorates are responsible for creating and developing a fiscal accompanying service dedicated to this category of companies. Nearly 3000 companies were canvassed. The goal by the end of the five-year period is that they have benefited 800 SMEs in the dialogue with the tax authorities. In early January, 118 SMEs were entered in this.

Moreover, to facilitate the possibility for a company to conduct spontaneous compliance of its tax position, a compliance service companies was established in early 2019. This service can process files dealing with defined complex tax issues. At January 31, 2020 17 compliance cases were filed.

The increase controls ending with acceptance of the taxpayer



The share of controls for which acceptance (total or partial) of the taxpayer² was obtained stood at 26.5%, against 22.6% before the enactment of the law. This increase reflects the ownership tools control services available to them to help where possible a peaceful and rapid conclusion of controls.

Over 36,000 accruals being checked

In 2019, the adjustments being monitored increased, pursuant to Article L.62 of the Book of tax procedures, both in on-site inspection (CFE) as office (CSP).

In spot check, this procedure existed but ESSOC law has fostered its development: + 43.1% in 2019 compared to 2018.

In monitoring conducted from the office, the procedure established by the law ESSOC, resulted in 30,633 accruals in 2019 for an amount of € 295 million rights and € 11.4 million of interest on arrears.

² Number of transactions, general regulations, regularization procedures in CFE and CSP relative to the number of operations excluding compliance matters.

The implementation of the tax guarantee after checks



Established by the ESSOC law, tax warranty applies to checks undertaken from 1st January 2019. It strengthens the legal certainty of taxpayers by bringing the administration's stance on all issues discussed at a control, including in the absence of correction

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