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TAXES AND DUTIES

What should we expect from the French TVA group?

NATHALIE HABIBOU | 02/07 at 07:00

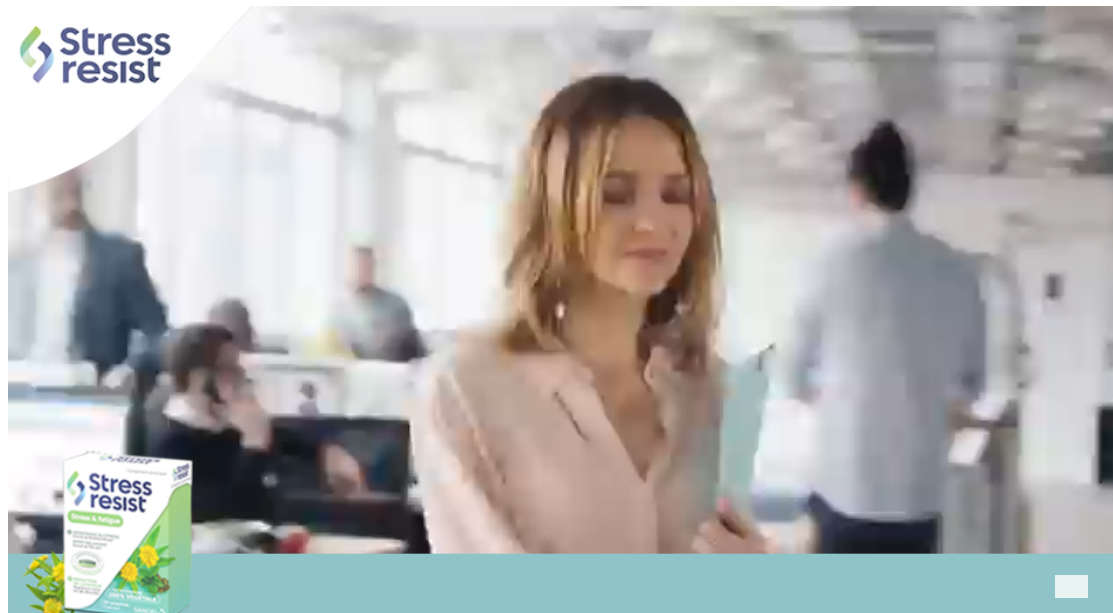


The TVA group should also have a direct positive impact on the groups' cash flow. - DENIS/REA

Chronicle | The TVA group should be introduced by the finance bill for 2021. As of today, companies can identify the flows concerned and anticipate its future scope.

<https://business.lesechos.fr/directions-financieres/fiscalite/taxes-et-impots/0603125910860-fiscalite-et-gestion-de-crise-s-inspirer-de-l-etranger-336950.php> , France is (finally) preparing to transpose into domestic law the VAT group system provided for by the VAT Directive. For months, companies in several sectors, notably the financial sector, have been questioned about the establishment of such a French-style TVA group. In parallel, given the potential negative **impact** (<https://business.lesechos.fr/entrepreneurs/aides-reseaux/0600159648226-ess-20-incubateurs-pour-lancer-un-projet-a-impact-social-325212.php>) of this transposition on State revenue, the General Inspectorate of Finance was responsible for carrying out a quantified assessment of the fiscal and budgetary consequences of the implementation of a such scheme.

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Concretely, the TVA group should make it possible to consider as a single taxable person, for the purposes of VAT, companies established in France - including French permanent establishments of foreign companies -, independent from a legal point of view, but closely related to each other. financial, economic and organizational plan. Thus, the VAT group would cause each member to lose its quality as a taxable person for VAT and would constitute a single taxable person identified by means of a single VAT number. All of the transactions carried out between the members of the group (internal flows) would thus be neutralized and would, a priori, eliminate certain VAT friction.

The new TVA group would offer groups an alternative to the exemption regime for the provision of services rendered to its members by means groups (so-called 261 B), which was severely restricted in 2017 by the **Court of Justice of the European Union** (<https://business.lesechos.fr/directions-juridiques/metier-et-carriere/profils/dans-les-coulisses-de-la-cour-de-justice-de-l-union-europeenne-301908.php>). (CJEU). The TVA group should also have a direct positive impact on the groups' cash flow, going further than the current consolidation of payments regime reserved for companies under the DGE.

Application on January 1, 2022

The possibility of setting up such a VAT group is eagerly awaited in France. For companies with an international activity, the TVA group could make it possible to avoid certain VAT credits. For companies in the banking or financial sectors, this regime should make it possible to neutralize internal flows which do not give the right to deduct, or which give a weak right to deduct VAT.

The TVA group should be introduced by the finance bill for 2021. This regime should be optional and only companies that have given their consent could be members. A priori, for application to the 1st January 2022, the option must be made no later than 31 October 2021 and will be effective for a period of five calendar years.

As of today, companies can identify the flows concerned and anticipate the future scope of their VAT group, which may be more extensive than that of tax consolidation, given its more flexible holding conditions.

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