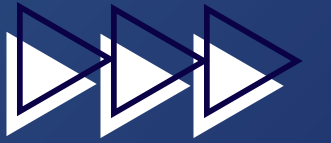


HEIGHTENED TAX ENFORCEMENT AND NEGOCIATION TRENDS



**University
of Ferrara**

INTRODUCTORY REMARKS



key notions of the topic:

- tax enforcement
- heightened
- tax negotiations
- negotiation trends

why this topic matters ?

- new risks
- government under pressure
- more transparency
- rise of tax litigation
- evolution of tax advisors

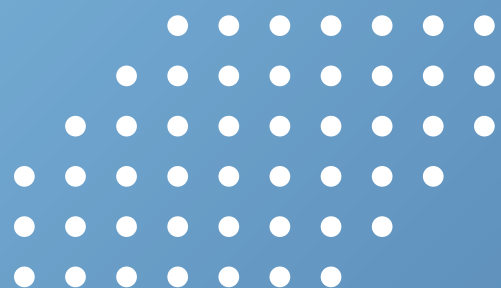


Taxation

[tak-'sā-shən]

The act of a taxing authority, usually a government, levying a financial obligation on its citizens or residents.

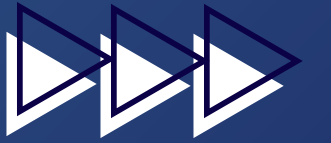
 Investopedia



PLAN >>>>

- **THE SHIFT FROM TAX LAW AS A LEGAL ISSUE TO A POLITICAL ONE - TAX ADMINISTRATIONS UNDER PUBLIC SCRUTINY**
- **CRIMINAL TAX ENFORCEMENT : INCREASING MANDATORY REFERRALS AND PROSECUTION THRESHODS**
- **THE RISE IN TAX LIMITATION AND CORPORATE RISK MANAGEMENT STRATÉGIES**
- **THE ENVOLVING ROLE OF TAX ADVISORS IN PROACTIVE RISK MITIGATION**
- **PARLIAMENTARY PREASURE**

THE SHIFT FROM TAX LAW AS A LEGAL ISSUE TO A POLITICAL ONE - TAX ADMINISTRATIONS UNDER PUBLIC SCRUTINY

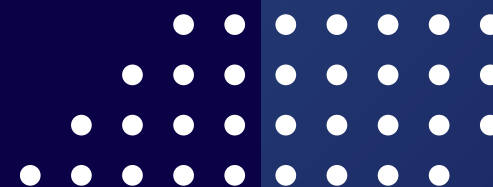


FROM A LEGAL DEBATE TO A POLITICAL BATTLE

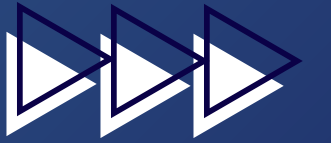
I) PUBLIC OUTRAGE AND MEDIA EXPOSURE

II) POLITICAL AND GOVERNMENTAL PRESSURE

III) GLOBAL REGULATORY CHANGES



I- PUBLIC OUTRAGE AND MEDIA EXPOSURE



Actors: journalism, TV channels, public

Targets: large multinational corporations and wealthy individuals

minimize or avoid taxation

Aggressive tax planning strategies

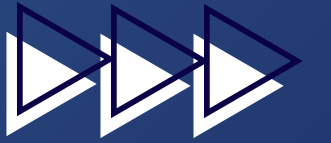
Rise of social activism

Reputational disaster

Some tax scandals changed everything:

- Panama papers
- Paradise papers
- Starbuck and McDonald's
- Gucci, Prada
- Football clubs

II- POLITICAL AND GOVERNMENTAL PRESSURE



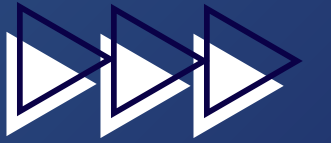
France:

- Pressure for a stricter tax enforcement
- Debate on taxation policies
- Influence of elections on tax administration
- EU and global influence

Italy

- Pressure to fight tax evasion
- Political interference
- Bureaucratic challenges
- EU and IMF influence

III- GLOBAL REGULATORY CHANGES



OECD' BEPS initiative

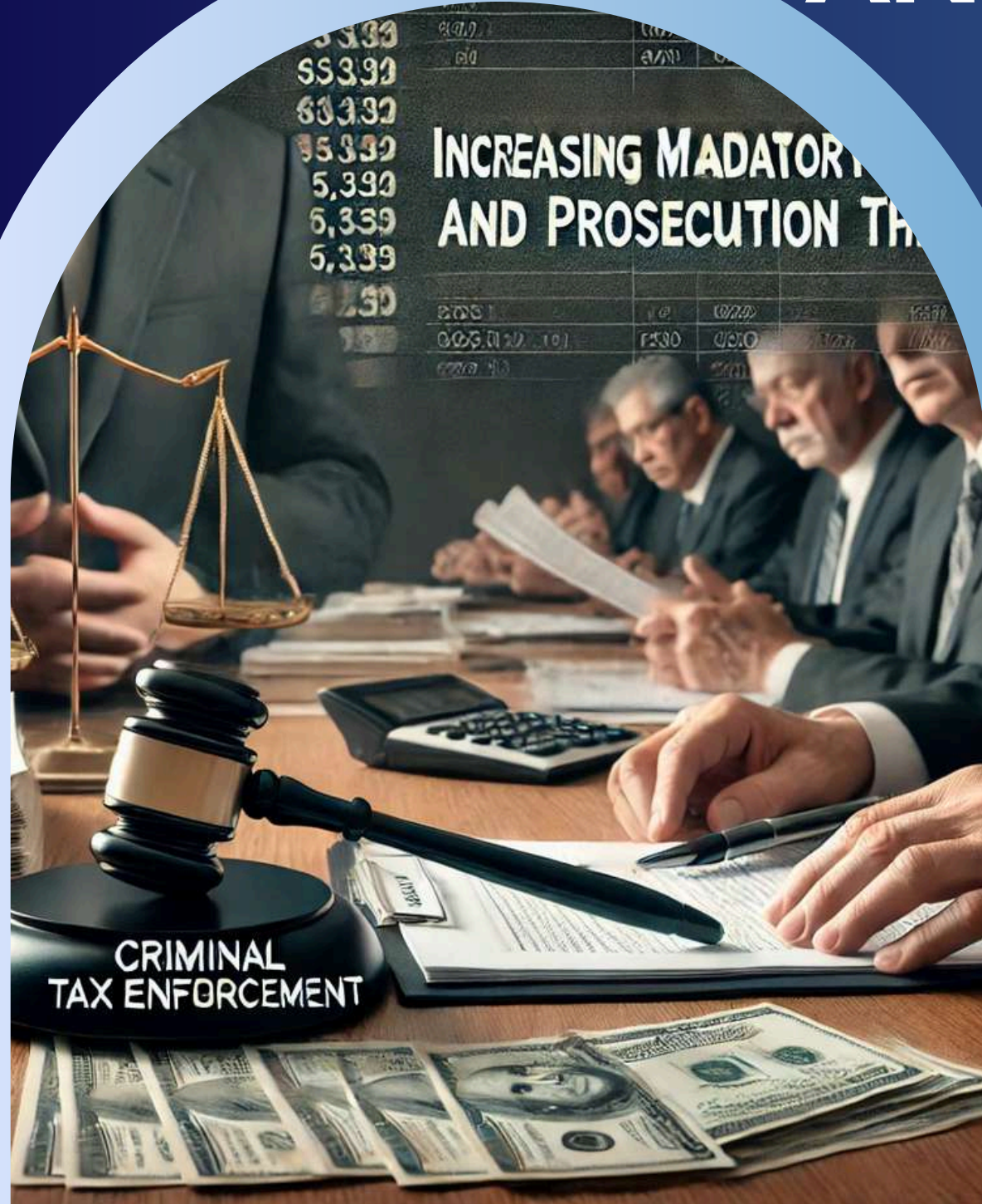
The EU's crackdown on tax avoidance

The global minimum corporate tax

Conclusion



CRIMINAL TAX ENFORCEMENT : INCREASING MANDATORY REFERRALS AND PROSECUTION THRESHOLDS

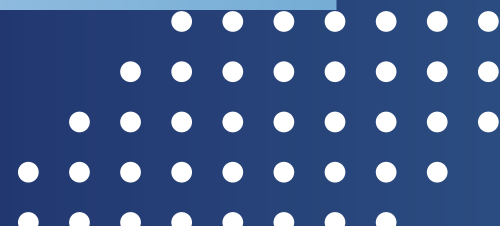
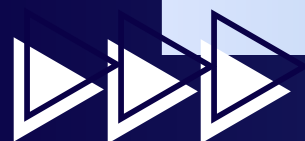


PLAN

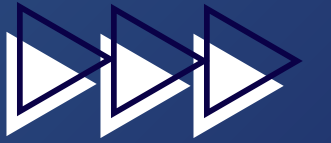
**I. STRONGER CRIMINAL TAX
ENFORCEMENT THROUGH
MANDATORY REPORTING**

**II. STRENGTHENED INTERNATIONAL
COOPERATION AGAINST TAX FRAUD**

**III. HARSHER PENALTIES AND
PROSECUTION OF CORPORATE
EXECUTIVES**

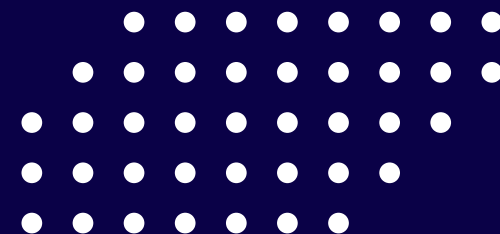


I. STRONGER CRIMINAL TAX ENFORCEMENT THROUGH MANDATORY REPORTING (1/2)

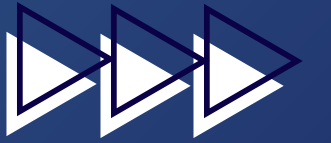


France: Automatic Reporting of Tax Fraud > €100,000

- **Before 2018:** The "Bercy Lock" gave the tax administration exclusive control over referring tax fraud cases to the prosecutor.
- **Since 2018:** Tax fraud exceeding €100,000, with aggravating circumstances, must be automatically reported to the prosecutor.
- **Objective:** Ensure systematic prosecution of serious tax fraud.
- **Notable Case:** UBS case (2019) - €3.7 billion fine for aggravated tax fraud.
- **Creation of the SEJF** (Judicial Financial Investigations Service) to investigate complex tax fraud (VAT fraud, international tax evasion).

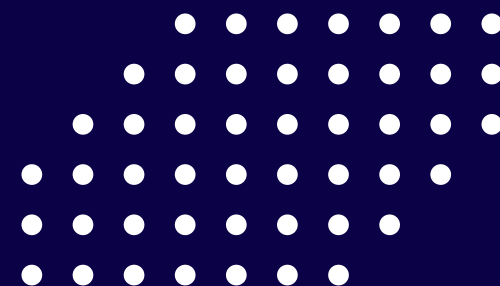


I. STRONGER CRIMINAL TAX ENFORCEMENT THROUGH MANDATORY REPORTING (2/2)

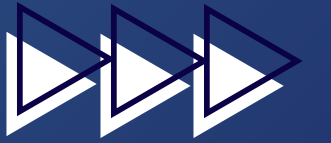


Italy: Lower thresholds

- **Historical issues: Underground economy and organized crime.**
- **Automatic reporting to the judiciary when thresholds are exceeded:**
 - **Underreporting of taxable income: > €100,000**
 - **Issuing fake invoices: > €100,000**
 - **Failure to file a tax return or VAT: > €50,000**
- **Notable Case: Dolce & Gabbana case - accused of evading €200 million through offshore entities.**



II. STRENGTHENED INTERNATIONAL COOPERATION AGAINST TAX FRAUD



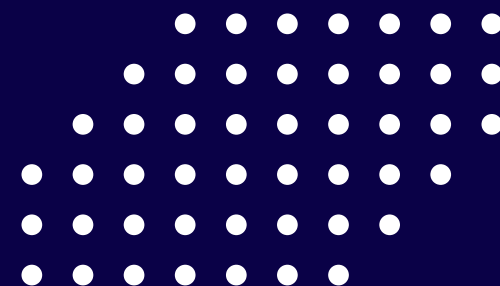
1. Automatic Exchange of Information (AEOI)

- **France & Italy participate in the OECD's AEOI framework, enabling the exchange of financial data to prevent offshore tax evasion.**
- **Impact : Leaks like the HSBC Swiss Leaks have exposed undeclared accounts, leading to major tax fraud investigations.**

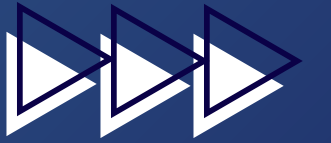
2. European Anti-Fraud Measures

- **DAC6**
- **Eurofisc**

CumEx Files Scanda



III. HARSHER PENALTIES AND PROSECUTION OF CORPORATE EXECUTIVES



**Different objectives being pursued :
increased Prison Sentences and Fines**

France:

- **Up to 5 years in prison + €3 million fine for tax fraud**
- **10 years for organized fraud**

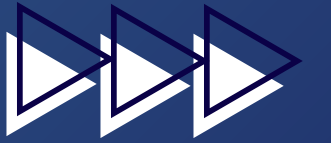
Italy:

- **Up to 8 years for serious tax fraud (e.g., VAT fraud)**

Criminal Liability of Business Leaders

=> Company executives can be held personally liable for tax fraud, leading to high-profile prosecutions.

IV. HARSHER PENALTIES AND PROSECUTION OF CORPORATE EXECUTIVES



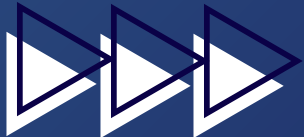
France – The Patrick Balkany Case

- **Former mayor convicted of tax fraud & money laundering**
- **Hid luxury properties abroad using offshore companies**
- **Penalties:**
 - **Patrick Balkany: 4 years in prison + 10-year ban from public office**
 - **Isabelle Balkany: 3 years in prison**

Italy – The Dolce & Gabbana Case

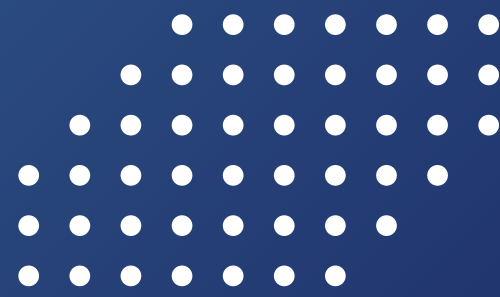
- **Accused of shifting revenue to Luxembourg to avoid €200 million in taxes**
- **Penalties (2013): 1 year and 8 months in prison (later overturned in 2014)**
- **Key Debate: Legal tax planning vs. illegal tax fraud**

CONCLUSION



Criterion	France	Italy
1. Tax Fraud Threshold	- €100,000 (general)	- €150,000 (general) - €50,000 for certain serious offenses (e.g., VAT fraud)
2. Criminal Sanctions	- Up to 5 years in prison and 500 000 € fine- 7 years and €3 million fine fine for organized fraud	- Up to 8 years in prison - 3 to 6 years for VAT fraud - Mandatory imprisonment for complex frauds
3. Alternatives to Criminal Prosecution	- CJIP (Judicial Public Interest Agreement) - CRPC (Plea guilty procedure)	- No equivalent to CJIP or CRPC - Automatic prosecution once threshold is exceeded

THE RISE IN TAX LITIGATION AND CORPORATE RISK MANAGEMENT STRATEGIES

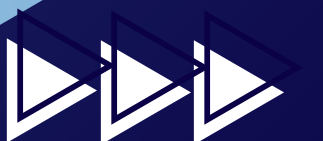


PLAN

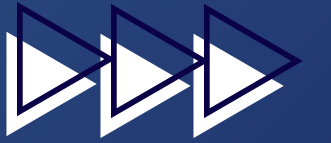
I- THE SURGE IN TAX DISPUTES

II- CORPORATE RISK MANAGEMENT STRATEGIES : FRANCE VS ITALY

III- IMPACT ON BUSINESSES AND FUTURE TRENDS



I- THE SURGE IN TAX DISPUTES



Factors driving the rise in tax litigation is due to :

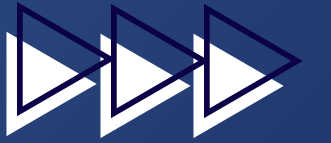
France:

- The increased fight against fraud with the “anti-abuse” principle
- The complexity of tax rules and heavier penalties
- The strengthening of tax controls, particularly through the use of data analytics and artificial intelligence

Italy:

- The criminalization of tax evasion increased
- More targeted controls in certain sectors
- The “redditometro” system

II. CORPORATE RISK MANAGEMENT STRATEGIES



France:

- Tax rating
- Tax rulings
- Anti-Tax Fraud Law
- Tax transaction

Italy:

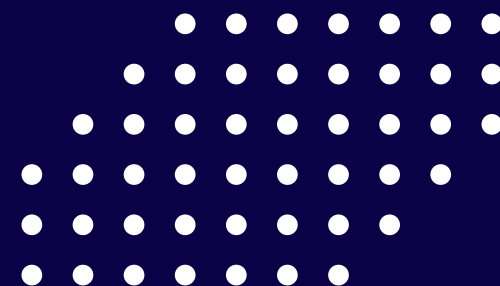
- Cooperative Compliance
- Interpello Fiscale
- Tax compliance program
- Tax transaction + Tax arbitration

III. IMPACT ON BUSINESSES AND FUTURE TRENDS

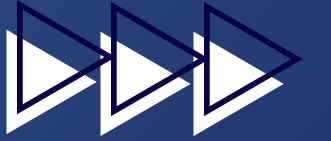


Both, France and Italy will need to adapt to evolving European tax standards :

- **The growing digitalization of tax reporting (ViDA)**
- **The implementation of the OECD's BEPS 2.0 framework**
- **Anti-abuse measures**
- **Anti-tax evasion policies**
- **Enhanced cooperation between EU tax authorities**



THE ENVOLVING ROLE OF TAX ADVISORS IN PROACTIVE RISK MITIGATION

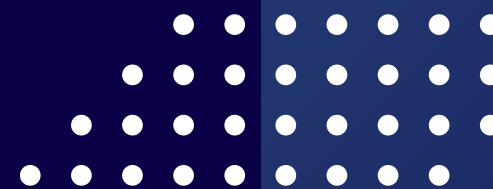


I- COMPLIANCE WITH THE TAX CODE

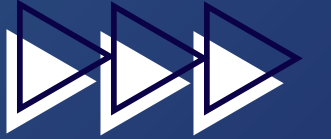
II- FIGHT AGAINST TAX FRAUD AND STRENGTHENING TAX TRANSPARENCY

III- SUPPORT IN TAX AUDITS AND LITIGATION

IV- COMPLIANCE WITH INTERNATIONAL REGULATIONS



I- COMPLIANCE WITH THE TAX CODE



Why Consult a Tax Advisor?

- Ensures compliance with complex, evolving tax laws.
- Helps avoid errors, penalties, and potential tax adjustments.

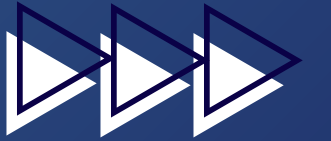
Tax Regulations in France

- Governed by the General Tax Code (CGI) and Tax Procedure Code (LPF).
- Covers income tax, VAT, and corporate taxes.
- Regularly updated through annual finance laws and reforms.
- Requires constant monitoring to ensure compliance and avoid sanctions.

Tax Regulations in Italy

- Governed by the Testo Unico delle Imposte sui Redditi (TUIR).
- Establishes tax declaration and payment rules.
- Regular updates through annual finance laws and legislative decrees.
- Navigating the system requires expert guidance to stay compliant.

II- FIGHT AGAINST TAX FRAUD AND STRENGTHENING TAX TRANSPARENCY



✚ Key Role of Tax Advisors:

- Ensure correct declaration of foreign-held accounts and assets
- Help comply with increasingly stringent regulations
- Anticipate audit risks and avoid heavy penalties

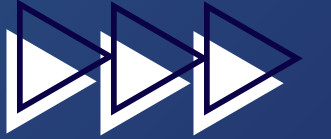
France:

- Sapin II (2016) & Anti-Tax Fraud Law (2018)
- Harsher penalties, “name and shame” for convicted companies
- Expanded investigative powers for tax authorities
- Strengthened controls on transfer pricing to prevent profit shifting to low-tax jurisdictions

Italy:

- Decree-Law n° 128/2015: Strengthened tax transparency
- Compliance Program for large companies to collaborate with tax authorities
- Regulates transfer pricing per OECD standards
- Tightened sanctions against tax evasion
- Essential professional assistance to ensure compliance with national and international tax obligations

III- SUPPORT IN TAX AUDITS AND LITIGATION



Tax Advisor's Role

- Ensures tax compliance and prevents risks.
- Prepares documents, manages the audit process, and defends clients in case of adjustments.

Tax Audits in France

Types of Audits:

- Document Review
- Verification
- Personal Tax Situation Review

Penalties:

- 10% to 80% surcharge on evaded taxes, 0.20% late payment interest/month.

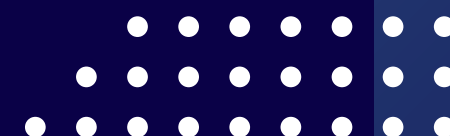
Criminal penalties: fines up to €500,000 and 5 years in prison for proven fraud.

Tax Audits in Italy

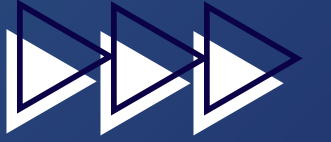
Control Mechanisms:

- Automatic checks
- formal checks
- on-site tax inspections by Agenzia delle Entrate.
- Penalties:
 - 30% to 120% increase on evaded amount.
 - Fines of €250 to €2,000 for undeclared actions.
 - Penalties for false inheritance declarations: €250 to €1,000.

Criminal penalties: prison sentences of 6 months to 2 years for unpaid taxes exceeding €150,000



IV- COMPLIANCE WITH INTERNATIONAL REGULATIONS



Role of Tax Advisors

- Ensure compliance with international tax standards
- Assist with interpreting European regulations
- Prevent risks of reassessment and financial penalties

EU Tax Regulations

France and Italy must comply with EU tax standards:

- Tax transparency
- Combatting tax evasion
- Automatic exchange of information
- Directives impacting taxation:
 - Anti-Tax Avoidance Directive (ATAD)
 - Administrative Cooperation Directive (DAC6)
- Key Compliance Areas
 - Pricing: Reporting intra-group transactions
 - Cross-Border Tax Arrangements: Reporting potentially abusive tax schemes

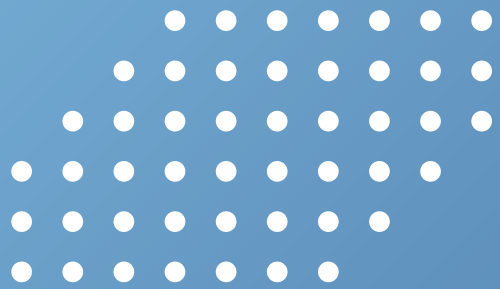
France

- Automatic information exchange via CRS and FATCA
- Stringent compliance with transfer pricing rules

Italy

- Strong enforcement of OECD transfer pricing rules
- Enhanced reporting of cross-border arrangements and foreign assets





Thank You

