

THE EVOLVING ROLE OF TAX ADVISORS IN PROACTIVE RISK MITIGATION

Tax advisors → conseiller fiscaux

Proactive risk mitigation → “atténuation proactive des risques” → Cela désigne une approche préventive visant à identifier, évaluer et réduire les risques potentiels avant qu’ils ne deviennent problématiques, plutôt que de simplement réagir après leur survenue.

Introduction :

Tax advisors play a crucial role in the proactive management of tax risks, helping businesses and individuals anticipate legislative changes, ensure compliance, optimize their tax strategies, and handle potential disputes with tax authorities. In an increasingly complex and globalized tax environment, understanding both national and international regulations have become a major challenge. Differences between tax systems, the multitude of tax treaties, and the constant evolution of laws often make it necessary to seek professional advice to avoid mistakes, financial penalties, and prolonged litigation.

This need is evident in many countries, particularly in France and Italy, where tax obligations are strictly regulated. In this context, tax advisors not only ensure rigorous compliance with local obligations but also help optimize tax management in a secure framework by anticipating risks and identifying opportunities within the applicable regulations.

Transition → In this discussion, I will demonstrate why consulting a tax advisor is essential, particularly for interpreting tax codes, preventing tax fraud, managing tax audits, litigation, and criminal liability risks, as well as addressing challenges related to international taxation. To do so, I will conduct a comparative study of tax issues in France and Italy.

I- COMPLIANCE WITH TAX CODES

Consulting a tax advisor is essential to ensure compliance with the tax codes in France and Italy, where tax legislation is complex and constantly evolving.

In France, the **General Tax Code (CGI)** and **tax procedure code (LPF)** governs the taxation of individuals and businesses, imposing strict obligations regarding income declarations, VAT, and corporate taxes, and it evolves annually through finance laws that regularly introduce reforms requiring constant monitoring to avoid errors and sanctions.

In Italy, the (italian tax code) **Testo Unico delle Imposte sui Redditi (TUIR)** plays a similar role by establishing the rules for declarations and taxation, and tax advisors are indispensable for navigating this ever-changing regulatory framework, particularly through annual finance laws and legislative decrees that regularly update the tax system to prevent potential tax adjustments.

II- FIGHT AGAINST TAX FRAUD AND STRENGTHENING TAX TRANSPARENCY

Consulting a tax advisor is essential to combat tax fraud and enhance transparency in France and Italy, where regulations are tightening to prevent tax evasion.

In France, the Sapin II (2016) and anti-tax fraud (2018) laws have strengthened penalties against fraud, introducing harsher sanctions and a “name and shame” system for convicted companies. They have also expanded the investigative powers of tax authorities, making professional assistance essential. Transfer pricing

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controls have been reinforced to ensure compliance with the arm's length principle and prevent profit shifting to low-tax jurisdictions.

In Italy, Decree-Law n° 128/2015 has **enhanced** tax transparency through a cooperative compliance program, allowing large companies to collaborate with tax authorities to prevent tax risks. It **aligns** transfer pricing regulations with OECD standards, **tightens** sanctions against tax evasion, and provides a more secure framework for taxpayers. Tax advisors play a key role in ensuring compliance, particularly regarding foreign-held accounts and international tax obligations. Tax fraud is a serious crime in Italy, making professional assistance crucial to avoid severe penalties.

In both countries, tax regulations are becoming increasingly stringent, and consulting a tax advisor is a necessity to ensure compliance, anticipate audit risks, and avoid potentially heavy penalties.

III- SUPPORT IN TAX AND LITIGATION AUDITING

Tax audits are complex procedures that can lead to significant adjustments and penalties in case of irregularities. In both France and Italy, tax authorities have broad powers to verify the compliance of taxpayer declarations, whether for businesses or individuals. Therefore, the role of a tax advisor is essential to assist clients at every stage of the audit and to defend them in the event of litigation.

In France, tax audits take various forms: remote document reviews, on-site accounting verifications for businesses, and personal tax situation reviews for suspected fraud. Penalties range from a 10% to 80% surcharge, 0.20% monthly interest, and up to €500,000 in fines or 5 years in prison for tax fraud. Tax advisors help ensure compliance and assist in audits.

In Italy, strict tax controls include automatic checks, formal reviews, and on-site inspections. Penalties range from a 30% to 120% increase in adjustments, fines from €150 to €2,000 for declaration errors, and an 80% surcharge for unpaid stamp duty. Criminal sanctions include 6 months to 2 years in prison for unpaid taxes exceeding €150,000 per tax period.

In both countries, the role of the tax advisor goes beyond simple administrative assistance. They intervene early to ensure tax compliance and prevent risks. During audits, they accompany their clients in managing the tax authority's requests, prepare necessary documents, and ensure that procedures are followed.

IV- SUPPORT IN TAX AND LITIGATION

As EU members, France and Italy must comply with European and international tax regulations, particularly on transparency, anti-evasion measures, and automatic information exchange. Businesses and individuals must adapt to avoid penalties.

Key directives include ATAD, which limits deductible interest, regulates controlled foreign corporations, and combats hybrid schemes and DAC6, requiring disclosure of certain cross-border tax arrangements. Non-compliance leads to financial penalties and audits.

France enforces these rules via CRS, FATCA, and strict transfer pricing documentation. Italy closely monitors international transactions, enforces OECD transfer pricing rules, and imposes strict reporting on foreign assets.

In both countries, tax advisors ensure compliance, help interpret regulations and mitigate reassessment risks in an increasingly harmonized EU tax system.

Conclusion

By way in conclusion , the role of tax advisors has become essential in an increasingly complex and globalized tax environment. In both France and Italy, tax legislation is constantly evolving under the influence of national reforms and European directives, making compliance a strategic priority for businesses and individuals. Whether ensuring adherence to reporting obligations, preventing tax fraud, managing audits and litigation, or adapting to international requirements, tax advisors play a crucial role in providing expertise and securing tax strategies. With stricter sanctions and enhanced cooperation between tax authorities, their support not only helps mitigate financial and criminal risks but also optimizes tax management within a secure and compliant framework. As a result, consulting a tax advisor is no longer merely an option but a necessity for effectively navigating an ever-evolving regulatory landscape.