

Titre: Heightened Tax Enforcement and Negotiation Trends

INTRODUCTION:

Good morning everyone, with my French and Italian colleagues we are going to introduce our work on the following topic: Heightened Tax Enforcement and Negotiation Trends.

So as an introduction I think it could be interesting to define the different notions of the title:

- Tax enforcement is the process by which governments ensure that individuals and corporations comply with tax laws. It includes audits, investigations, penalties, legal proceedings, and criminal prosecutions for tax violations.
- Heightened refers to the increased efforts by tax authorities. It involves stricter regulations, more frequent tax audits, and harsher penalties for tax evasion or aggressive tax avoidance.
- Tax negotiation refers to the process of discussing and settling tax disputes between taxpayers and tax authorities. It includes negotiating tax liabilities and obtaining tax rulings to clarify obligations.
- Negotiation trends refer to emerging patterns in how disputes such as greater transparency, legal challenges, or proactive compliance to avoid disputes.

Why this topic matters ?

- Corporations face new risks: The consequences of tax audits are no longer just financial—they can damage a company's reputation and even lead to criminal liability.
- Governments are under pressure: Public and parliamentary scrutiny has pushed tax authorities to be more aggressive in their enforcement.
- Tax settlements are more transparent: Inquiries like the UK Parliament's investigation into Google's tax practices have set new precedents.
- Prosecution thresholds are lower: making tax compliance a more serious issue than ever.
- Tax litigation is rising: More companies are challenging tax assessments in court, requiring sophisticated legal and financial strategies.
- Tax advisors must evolve: Their role is no longer just about compliance—they must anticipate risks, advise on corporate reputation, and navigate complex negotiations.

So to summarize and try to help you understand these trends, we will explore five key points today:

- The shift from tax law as a legal issue to a political one – How tax compliance has become a matter of public debate and media scrutiny.
- Parliamentary pressures on tax settlements –
- The rise of criminal tax enforcement
- The increase in tax litigation
- The evolving role of tax advisors

Lets start by the first part:

1. 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

For decades, corporate taxation was considered a technical issue, handled through legal frameworks and financial strategies. Tax planning, tax audits, and tax disputes were matters discussed behind closed doors between tax authorities and corporate accountants.

However, this has changed significantly. Today, tax compliance is no longer just a legal concern—it is a major political issue that attracts public scrutiny, media investigations, and government intervention. Tax enforcement has intensified over the past decade. Governments, media, and the public now closely monitor corporate tax strategies. This shift has been driven by three key forces:

1. Public outrage and media exposure over corporate tax avoidance.
2. Political and governmental pressure on tax administrations to enforce stricter compliance.
3. Global regulatory changes, led by organizations like the OECD and the EU, forcing greater transparency.

Let's explore how these factors have reshaped the global tax landscape.

1.1. Public outrage and media Influence:

So this part refers to the public and media criticism of large multinational corporations and wealthy individuals who use legal loopholes, offshore accounts, or aggressive tax planning strategies to minimize or avoid paying taxes in the country. Italy and France have a relatively high tax burden, especially on small businesses and individual workers, while some multinational companies manage to pay very little tax despite generating significant revenue in these countries. This has led to public frustration, especially during times of economic hardship and government austerity measures.

Several high-profile leaks and investigations have brought tax avoidance into the spotlight. These revelations have shown how some of the world's biggest companies have used loopholes to minimize their tax liabilities.

There are some Tax Scandals that changed everything:

LuxLeaks (2014): Leaked documents exposed how multinational corporations such as Google, Apple, Amazon or Facebook secured secret tax deals with Luxembourg, allowing them to pay almost no tax in Europe.

Panama Papers (2016) & Paradise Papers (2017): These leaks revealed offshore tax schemes used by corporations, wealthy individuals, and even politicians to hide assets and evade taxation.

In Italy specially, Starbucks and McDonald's have faced scrutiny over royalty payments and profit shifting that allow them to pay minimal taxes in the country
Some luxury Brands such as Gucci, Prada, Dolce & Gabbana have been accused of underreporting income or shifting profits to tax havens. Dolce & Gabbana, for example, faced legal battles over alleged tax evasion.

Several Italian football clubs and players have also been investigated for tax fraud related to image rights and offshore accounts.

We observe The Rise of Social Media Activism, especially with the fact that public outrage spreads instantly: A tax scandal can go viral within hours, leading to consumer backlash and reputational damage. The use of Hashtags like #TaxJustice and #FairTax have fueled campaigns against companies accused of tax dodging.

So it can become a reputational disaster very quickly. Today, companies must consider public perception just as much as legal compliance, because the citizen court can be as severe or even more severe than a regular law court. The main risks for companies are protests and Boycotts which lead to a significant drop in sales.

1.2. political and governmental pressure on tax administrations

When public anger has grown, governments have been forced to act. In both France and Italy, tax administrations face significant political and governmental pressure due to economic, social, and electoral considerations. However, the nature of this pressure differs based on each country's political environment, economic policies, and historical approach to taxation.

France: political and governmental pressure on tax administration

Pressure for stricter tax enforcement

- The French government has historically placed strong pressure on tax authorities to combat tax evasion, especially targeting wealthy individuals and multinational corporations.
- High-profile tax fraud cases (such as those involving UBS, Google, and high-net-worth individuals) have led to stricter enforcement and crackdowns.
- Public demand for tax fairness has pushed the government to ensure big corporations and the wealthy pay their fair share.

Political debates on taxation policies

- France has one of the highest tax burdens in Europe, leading to constant political debates about lowering taxes for businesses while maintaining social spending.
- Right-wing parties often push for tax cuts to stimulate business and investment, while left-wing parties argue for higher taxation on wealth and large corporations.
- The "Gilets Jaunes" (Yellow Vests) movement, which started in 2018, was partly fueled by anger over high taxes and perceived unfairness in the tax system.

Influence of elections on tax administration

- Governments often adjust tax policies before elections to appeal to voters. For example, tax cuts for the middle class or small businesses are common campaign promises.
- Political leaders sometimes push tax authorities to delay or modify enforcement actions that could harm their electoral chances.

EU and global influence

- France is a strong advocate for European and international tax reforms, such as the OECD's global minimum corporate tax.
- The government pressures tax authorities to align with EU directives on tax transparency, digital taxes, and anti-money laundering measures.

Italy: political and governmental pressure on tax administration

Pressure to combat tax evasion

- Italy has one of the largest shadow economies in Europe, with high levels of tax evasion, particularly among self-employed professionals and small businesses.
- Successive governments have pressured tax authorities to increase tax collections, particularly from high-net-worth individuals, businesses, and the informal economy.
- Large-scale investigations often receive political backing to boost government revenues.

Political interference and tax leniency

- Unlike France, where enforcement is relatively strict, Italy has a history of tax amnesties, where governments offer reduced penalties for those who voluntarily declare undeclared income.
- These amnesties, though criticized, are politically motivated as they generate short-term revenue boosts without the need for lengthy legal battles.
- Governments, particularly during election cycles, sometimes push tax authorities to adopt more lenient policies to avoid backlash from businesses and voters.

Corruption and bureaucratic Challenges

- Political interference in Italy's tax system has been linked to cases of corruption, where politicians allegedly protect influential business figures from tax investigations.
- The tax administration also faces bureaucratic inefficiencies, making enforcement inconsistent and subject to political manipulation.

EU and IMF Influence

- Italy has been under pressure from the EU and the IMF to improve tax collection efficiency as part of broader economic reforms.
- The government sometimes pushes tax authorities to align with EU tax regulations while simultaneously negotiating for more fiscal flexibility to support economic growth.

1.3. The role of international organizations and regulatory changes

With tax scandals becoming global issues, international bodies have stepped in to impose stricter regulations and close loopholes. France and Italy are both members of these bodies.

OECD's BEPS initiative (Base Erosion and Profit Shifting)

- Launched in 2013, this initiative aims to prevent profit shifting to low-tax jurisdictions.
- Key measures include: Country-by-Country Reporting (CbCR): Multinationals must disclose their tax payments in every country where they operate. Tighter rules on interest deductions to prevent tax base erosion. Stronger exchange of tax information between countries.

The European Union's crackdown on tax avoidance

- Anti-Tax Avoidance Directive (ATAD) imposes stricter controls on aggressive tax planning.
- Mandatory public reporting for large companies on their tax strategies.
- EU Digital Tax Initiative: A proposed new tax specifically targeting digital giants like Amazon, Facebook, and Google.

The global minimum corporate tax (2021 agreement)

- In 2021, 136 countries agreed to a global minimum corporate tax rate of 15%, preventing companies from shifting profits to tax havens.
- This initiative was led by the OECD and G20 and aims to ensure a fairer distribution of tax revenues.
- Companies like Amazon and Apple have already started adjusting their tax strategies to comply with this new framework.

Conclusion: tax is no longer just a business issue—it's a political and social one

- The era of silent tax deals is over—corporate taxation is now a matter of public interest.
- Companies must consider not just legal compliance, but also reputation risks when planning their tax strategies.
- Governments and tax administrations are under pressure to enforce stricter tax laws and be transparent about corporate settlements.
- International organizations are reshaping tax norms, reducing loopholes, and enforcing stricter global tax governance.

So for the next section I will give the floor to my Italian colleagues Carlotta: Parliamentary pressures and how governments are forcing transparency in corporate tax settlements.