PONDARRE Quentin
LE GALL Perrine
DUQUENNE Andréa

Seminar

General introduction :

In a globalized and increasingly regulated environment, tax governance and compliance are key challenges for businesses and tax authorities. While France emphasizes strict internal controls and regulatory obligations, Italy promotes a cooperative approach based on dialogue between companies and tax administrations. Both systems aim to enhance tax compliance and legal certainty, but through different strategies. This comparative analysis highlights their respective benefits and challenges in managing tax risks effectively.

To better understand the evolution of tax governance and compliance, we will examine four key aspects. First, we will explore substance requirements and the risks associated with beneficial ownership, which are central to tax transparency and anti-abuse measures. Then, we will analyze the growing role of internal controls in tax risk management, highlighting their importance in ensuring compliance and mitigating risks. Next, we will review best practices adopted by tax administrations and multinational companies, illustrating how proactive strategies can enhance compliance efficiency. Finally, we will focus on the specificities of the Italian legislative regime, particularly its cooperative compliance framework and its impact on businesses.

I. Substance requirements and risks related to beneficial owners

The Beneficial Owner

What is a Beneficial Owner?

A beneficial owner is one or more natural persons who ultimately own or control an interest in a legal entity or arrangement, such as a company, trust, or foundation.

Characteristics of a Beneficial Owner

*The concept of a beneficial owner, aimed at ensuring that income taxation aligns with economic reality, can involve various criteria. Some may be classified as **legal** (rights and obligations of the apparent beneficiary regarding income usage), others as **functional** (economic function of the entity receiving the income), and others as **factual** (amounts redistributed to third parties, timing of redistribution, etc.).*

Since the notion of a "beneficial owner" is not limited to a strictly legal approach and does not solely exclude agents and representatives, a person can still be denied the status of a beneficial owner if, despite having no contractual obligation to redistribute the income, factual and/or functional criteria indicate that they are merely a conduit with no actual economic entitlement to retain and use the income.

*The determination of a **beneficial owner** relies on a **set of indicators** and depends on case-by-case assessments, considering the specific actors and income flows involved. Even though general considerations regarding the entity's broader role* *within a chain of actors may be relevant, it is impossible to establish a strict hierarchy of criteria or to define universal, clear-cut solutions.*

The Concept of Beneficial Ownership in Case Law

*A concrete example from **the suprem court (CE 9th-10th chamber, November 8, 2024, No. 471147, Sté Foncière Vélizy Rose)** illustrates this concept. To determine that the compagnie **Vélizy Rose Investment** was **not** the beneficial owner of the dividend paid on **July 2, 2014**, the court relied on several indicators:*

- ***Factual criteria**: The entire sum was redistributed the day after receiving the dividend, and **Vélizy Rose** had no other available funds.*
- ***Functional criteria**: Analysis of the company's substance showed that its sole role was holding shares in the french **Foncière Vélizy Rose SAS**, with no independent activity beyond receiving and redistributing dividends.*
- ***Mixed factual and functional criteria**: The company's decisions were entirely controlled by its **100% shareholder**, with management directed by common executives.*

*These combined findings led the court to conclude that, even though **Vélizy Rose** legally owned the dividend paid by French **Vélizy Rose**, it acted merely as a **pass-through entity** and **could not** be considered the actual beneficial owner. Consequently, the redistribution of the dividend was **not** viewed as a free economic disposition of income by its **true beneficiary**.*

The Tax Treaty Application Between France and the Beneficial Owner's Country of Residence

*Regarding the application of **tax treaties**, the **French Supreme Court** ruled that the absence of a clause explicitly limiting treaty benefits to the beneficial owner does not prevent tax authorities from **denying treaty benefits** to an entity that is merely an apparent beneficiary.*

*Thus, when the **recipient of a dividend from France is not the beneficial owner**, the tax treaty with the recipient's country cannot apply. However, the treaty provisions may still apply to the **actual beneficial owner** residing in a contracting state, even if the income was paid through an intermediary in a third country. This principle was also recognized for **royalties**.*

*In the present case, the French Supreme Court acknowledged that **Mr. A** were the **true beneficial owners**. However, the court **denied** them treaty benefits because they failed to prove their residence in a contracting state and did not provide a tax certificate confirming taxation in their country of residence, as required by the **Franco-Luxembourg tax treaty**.*

CumCum and the 2025 Finance Law: A Stricter Fiscal Framework

1. What is CumCum?

***CumCum** is a tax optimization strategy primarily used by foreign investors to avoid withholding tax on dividends paid by French companies.*

How Does It Work?

- *A foreign investor, who would typically be subject to **withholding tax** on dividends in France, **temporarily transfers their shares to a French entity** (e.g., a bank or investment company) **before the dividend is detached**.*
- *This French entity, which benefits from a **withholding tax exemption or reduction**, collects the dividend without any tax deduction.*
- *After the dividend payment, the shares are **returned** to the foreign investor, often accompanied by a **compensatory payment**, allowing the investor to recover the equivalent of the dividend while avoiding taxation in France.*

*While seemingly legal, this practice results in **significant tax revenue losses for the French state**, which is why it has been under scrutiny by the government for several years.*

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2. What Does the 2025 Finance Law Propose?

*In response to this **massive tax avoidance**, the **2025 Finance Law** introduces measures to **tighten the CumCum mechanism**, particularly by:*

Legalizing the concept of "beneficial owner"

- *The paying agent will now be required to **withhold tax** if the actual beneficiary of the dividends is a non-resident, even if the shares are temporarily held by a French resident.*
- *Objective: to prevent schemes that allow tax avoidance through **nominal ownership** of shares.*

Expanding the fight against domestic CumCum (CumCum internes)

- *The law applies not only to **temporary share transfers**, but also to **any transfer of value that has a similar effect to share ownership** (e.g., derivatives, financial contracts).*
- *The **45-day condition** that previously allowed circumvention of the system has been **completely removed**.*

Introducing measures against cross-border CumCum (CumCum externes)

- *A **preventive withholding tax** will be applied to dividends paid to a person established in—or residing in—a country with a **tax treaty with France**, even if the treaty provides for an exemption or reduced withholding tax.*
- *Objective: to prevent investors from using tax treaties as a loophole.*

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3. When Do These Measures Come into Effect?

- ***The rules on domestic CumCum** will apply **immediately**.*
- ***The measures on cross-border CumCum** will take effect **from January 1, 2026**.*

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4. Impact and Consequences

For foreign investors

- *End of optimization via **securities lending** and other financial arrangements.*
- *Increased risk of **taxation in France**, even under double taxation treaties.*

For banks and financial institutions

- *Loss of income from **CumCum operations**.*
- ***Legal uncertainty**: Certain legitimate transactions, such as **securities lending or repurchase agreements (repos)**, could be affected.*

For the tax authorities

*A **reinforced legal framework** to fight tax avoidance.*

*Potential **increase in tax revenue** from more effective taxation of outbound dividends.*

Conclusion

*With this new law, **France adopts one of the strictest regulations in Europe against CumCum schemes**. While it aims to limit tax avoidance, it may also **destabilize some financial players** and potentially **make France less attractive to foreign investors**.*

*The coming months will be crucial to see **how the administration applies these new rules** and whether adjustments are needed to **ensure legal certainty for taxpayers**.*

BEPS (Base Erosion and Profit Shifting)

*The **BEPS project** refers to tax planning strategies used by multinational enterprises to exploit loopholes and mismatches in tax rules to avoid taxation. The **OECD and G20 BEPS project** consists of **15 actions** designed to equip governments with domestic and international rules and tools to **combat tax avoidance** and ensure that **profits are taxed where economic activities take place and value is created**.*

The Impact of BEPS on Tax Fairness

*BEPS strategies allow multinational corporations to **shift profits** to low-tax or no-tax jurisdictions where they have **little or no economic activity** or **erode taxable bases** through deductible payments such as **interest or royalties**. This practice results in annual revenue losses of **$100 to $240 billion** globally, amounting to **4% to 10% of worldwide corporate tax revenues**.*

*While some BEPS schemes are **illegal**, most are **technically legal**. However, they undermine the fairness and integrity of tax systems, giving multinational businesses a **competitive advantage** over domestic firms. Additionally, public perception of **corporate tax avoidance** weakens overall **tax compliance**.*

Implementation and Monitoring of BEPS Measures

*The **OECD/G20 Inclusive Framework on BEPS** enables countries and jurisdictions to **collaborate** on setting **BEPS-related standards** and **monitoring** their implementation**.***
Key measures include:

- ***Peer reviews** of BEPS **minimum standards** to ensure uniform and timely application.*
- *Annual **progress reports** to the G20.*
- *Evaluations and recommendations for improvements.*

BEPS Key Actions

- ***Action 5**: Addresses **harmful tax practices**, requiring transparency and **peer reviews** of preferential tax regimes.*
- ***Action 6**: Focuses on preventing **treaty shopping**, ensuring that tax treaties are **not misused** to obtain **unintended tax benefits**.*
- ***Action 13**: Requires **multinational enterprises** to prepare **Country-by-Country (CbC) reports**, detailing income distribution, taxes paid, and economic activities across jurisdictions.*
- ***Action 14**: Establishes **minimum standards** for resolving **tax treaty disputes** efficiently through **mutual agreement procedures** and **peer monitoring**.*

ATAD 2 (Anti-Tax Avoidance Directive 2)

*The **deductibility of financial interest** is strictly regulated under **French tax law**, which continues to evolve in this area. The **latest regulations** target **“hybrid mismatches”**, which result in **tax treatment asymmetries** between at least two countries.*

Implementation of ATAD 2 in France

*Adopted through **the 2020 Finance Law**, ATAD 2 transposed **EU anti-avoidance measures** into French law. These rules **eliminated** the previous **interest deduction limitation mechanism** and replaced it with new restrictions effective **January 1, 2020**.*

Impact on Foreign Real Estate Investors

*For foreign investors financing **French real estate transactions**, **Articles 205 B and following** prevent:*

- ***Deduction of financial charges in France** without including the corresponding income in the creditor’s taxable base abroad.*
- ***Double deduction of financial charges** due to legislative mismatches between creditor and debtor jurisdictions.*

*These **asymmetries** lead to **non-deductibility** in France if caused by **differences in tax classification** of the financial instrument, payment, or **allocation of payments**. The rules **apply primarily to associated enterprises**, except for **structured arrangements**, which are subject to penalties even in transactions between unrelated parties.*
*Although these rules have been in effect for **five years**, practical experience with their enforcement remains **limited**, largely due to the **lack of case law** on the subject.*

ATAD 2 (Anti-Tax Avoidance Directive 2) and Its Implementation in France

1. General Context and Purpose of ATAD 2

*The European Union introduced the **Anti-Tax Avoidance Directive 2 (ATAD 2)** as part of its broader effort to combat aggressive tax planning and base erosion. This directive specifically targets **hybrid mismatches**, which arise when tax treatment inconsistencies between at least two jurisdictions lead to undue tax advantages.*
Hybrid mismatches occur when differences in tax classification of financial instruments, entities, or payments result in either:

- *A **double deduction**, where the same expense is deducted twice in different jurisdictions, or*
- *A **deduction without inclusion**, where a payment is deductible in one country but not considered taxable income in the recipient country.*

*ATAD 2 extends the initial measures of **ATAD 1**, which primarily addressed intra-EU mismatches, to also cover hybrid mismatches involving third countries. Its primary objective is to **align taxation across EU member states**, ensuring that tax loopholes are effectively closed and preventing multinational companies from exploiting legislative gaps to reduce their tax burdens.*

2. ATAD 2 Implementation in France

*ATAD 2 was transposed into **French law** through the 2020 Finance Law and became effective on **January 1, 2020**. These new rules replaced previous interest deduction limitations and introduced stricter restrictions, particularly concerning **cross-border financing structures**.*
Key provisions include:

- ***The** French Tax Code now disallow the deduction of financial charges when a hybrid mismatch is identified.*
- *The restrictions apply to both **related entities** (such as parent-subsidiary relationships) and **structured arrangements** (even if they involve independent parties), ensuring that tax benefits cannot be obtained through contractual agreements designed to exploit mismatches.*

3. Impact on Foreign Real Estate Investors and Other Sectors

*One of the most affected groups under ATAD 2 is **foreign investors in French real estate** who rely on cross-border debt financing. The new restrictions particularly impact:*

- ***Debt-financed acquisitions**, where interest payments are often used to reduce taxable income. Under ATAD 2, if the lender benefits from a tax exemption or non-inclusion in its jurisdiction, interest deductions in France may be disallowed.*
- ***Private equity and investment funds**, which often use hybrid entities or instruments to optimize tax efficiency. If these structures lead to hybrid mismatches, the tax benefits can no longer be realized.*
- ***Multinational corporations**, especially those using intercompany financing strategies that involve hybrid instruments (e.g., convertible debt, preferred equity arrangements) or hybrid entities (e.g., tax-transparent structures recognized differently across jurisdictions).*

*These changes force foreign investors and multinational companies to **restructure their financing models**. In some cases, investors have opted for alternative debt structures or have shifted their investments to jurisdictions with more favorable tax treatment.*

4. Practical Challenges, Legal Uncertainties, and Enforcement

*Although ATAD 2 has been in effect for over five years, **practical experience with its enforcement remains limited** due to a lack of **case law** and **administrative guidance** on certain aspects. Key challenges include:*

- ***Interpretation Issues**: The rules rely on complex definitions of hybrid mismatches, requiring detailed tax analyses to determine whether a financing arrangement falls within the scope of ATAD 2.*
- ***Compliance Burden**: Companies must conduct thorough documentation and reporting to demonstrate that no hybrid mismatches exist in their structures. This increases compliance costs, particularly for multinational groups.*
- ***Lack of Precedents**: As of now, **French tax authorities** have provided limited guidance, and there have been few legal disputes or court rulings clarifying the practical application of these rules. This creates **uncertainty for taxpayers**, who must often rely on **tax rulings or external expert opinions** to assess risks.*

5. Future Outlook and Potential Regulatory Developments

Given the evolving nature of international tax rules, it is expected that:

- ***More case law and administrative rulings** will emerge in the coming years, providing greater clarity on the enforcement of ATAD 2.*
- *The **OECD's Pillar Two framework (Global Minimum Tax)** and potential EU initiatives may further refine anti-avoidance measures, potentially impacting the scope of ATAD 2 in France.*
- *Some taxpayers may challenge the application of these rules before **French or EU courts**, particularly in cases where the lack of clear guidance leads to disproportionate tax burdens.*

*As a result, multinational companies and foreign investors must remain **proactive** in reviewing their financing arrangements, monitoring legal developments, and adapting their tax strategies accordingly.*

Conclusion

ATAD 2 represents a ***significant shift in international tax regulation****, particularly for cross-border financing. Its* ***strict limitations on interest deductibility and hybrid mismatches*** *have had a notable impact on foreign investors, private equity funds, and multinational corporations operating in France.*
Despite being in effect for over five years, its enforcement remains ***challenging due to limited case law and interpretation uncertainties****. Going forward, legal developments and regulatory clarifications will be crucial in determining how these rules shape the* ***French tax landscape*** *and* ***investment decisions in the country****.*

II. Role of internal controls in tax risk management

In english

Introduction

The management of tax risks is a major issue for businesses, especially in a context where tax transparency and compliance are increasingly being reinforced. In France, companies are increasingly encouraged to implement internal control systems to anticipate and limit these risks. These mechanisms not only ensure compliance with tax obligations but also reduce exposure to sanctions and improve the relationship with tax authorities.

Legal and Regulatory Obligations

Let's begin with the main legal and regulatory obligations governing the management of tax risks. The Sapin I Law, adopted in 1993, laid the foundations for preventing corruption and promoting transparency in economic life and public procedures.

Then, the Sapin II Law of 2016 strengthened these requirements, particularly for large companies. While it is primarily focused on combating fraud and corruption, it has also led to better structuring of internal controls, including the management of tax risks. This law marks the rise of compliance law, a field that is rapidly expanding in tax law. Compliance refers to the set of processes implemented within an organization to ensure adherence to applicable rules, standards, or ethical principles, while preventing the risks associated with non-compliance. While these preventive actions are sometimes voluntary initiatives, they can also stem from legal obligations imposed by the legislator.

The Sapin II Law applies to companies with over 5 hundred employees and a consolidated turnover exceeding 1 hundred million euros. It requires these companies to implement a code of conduct, a reporting system for suspicious practices, and most importantly, a tax risk map. This tool helps identify and prioritize tax risks related to the company's operations and structure. This approach not only helps anticipate potential tax adjustments but also allows for the adjustment of internal practices. It is important to note that non-compliance with these obligations can lead to financial sanctions of up to 1 million euros, as well as a negative impact on the company's reputation.

As an illustration I would like to talk about the La Post case that illustrates how courts are increasingly ensuring corporate compliance with vigilance and transparency obligations. The ruling confirmed that La Poste, as a parent company, could be held liable for failing to implement an effective vigilance plan, particularly regarding human rights and environmental risks within its supply chain.

This case underscores that companies may face both financial sanctions and judicial orders to comply with their legal obligations. It highlights the growing importance of substantive compliance, particularly under the Sapin II Law, which does not merely require formal commitments but also demands concrete preventive actions. French courts are now actively enforcing these obligations, ensuring that compliance is not just a regulatory checkbox but a fundamental part of corporate governance.

Beyond the Sapin II Law, there are specific documentation and transparency obligations, especially regarding transfer pricing. Transfer pricing refers to the prices applied to transactions between companies within the same group, which can influence the distribution of profits and therefore taxation. To prevent abuse, the OECD enforces the arm's length principle, which states that these transactions should occur under the same conditions as those between independent companies.

In France, companies with a turnover exceeding 4 hundred million euros are required to justify their transfer pricing policies through detailed documentation. Non-compliance with these rules can lead to tax adjustments and sanctions of up to 10% of reallocated profits, with the added risk of double taxation if there is disagreement between tax authorities.

Some companies also obtain advance pricing agreements (APAs) with tax authorities to secure their transfer pricing policies. Furthermore, international reforms, such as the OECD's BEPS project, impose a fairer tax system, including a global minimum tax rate of 15%.

In this context, managing transfer pricing rigorously and cooperating with tax authorities is crucial for minimizing risks and ensuring compliance.

Tools and Mechanisms for Managing Tax Risks

Now, let's look at the tools and mechanisms that companies implement to manage these risks. Internal control systems are essential. Companies systematically review their tax returns before submission to tax authorities, establish internal procedures to ensure compliance with tax obligations (VAT, corporate tax, etc.), and regularly train their accounting and finance teams to raise awareness of tax risks.

Many companies also conduct internal tax audits to identify potential errors and correct them before a tax audit. This also helps to verify the compliance of intra-group transactions and ensure the proper fulfilment of reporting obligations.

With the evolution of tax audits, more companies are investing in digital tools to better manage their tax compliance. Specialized software automates calculations and ensures accuracy, while data analysis and artificial intelligence help detect anomalies and identify tax risks.

Cooperation with Tax Authorities

Given the growing complexity of tax regulations, companies have every interest in adopting a proactive approach by collaborating with tax authorities. Such cooperation helps secure their tax situation and minimize the risk of adjustments.

The Trust-Based Relationship Program, introduced by the French Directorate General of Public Finance (DGFiP), offers companies enhanced and continuous dialogue with tax authorities. The goal is to guarantee greater legal certainty by validating, in advance, tax positions that may raise concerns. This program is based on three key principles: transparency, regular dialogue, and reducing tax risks.

For example, in 2021, the tax partnership dedicated to large companies, introduced in 2019, continued to gain traction. Since its inception, 49 corporate groups have joined the program, with 10 new groups integrating it in 2021.

Additionally, companies can use tax rulings to obtain a formal opinion from the tax authorities on specific tax matters. The main advantage of a tax ruling is that it binds the tax administration: once it validates a position, it cannot be challenged, unless new facts emerge or the law changes.

There are different types of tax rulings depending on the needs of companies.

Using these tools helps companies better anticipate their tax liabilities, secure their operations, and avoid costly disputes.

Conclusion

Tax compliance, although it can be seen as a "necessary evil," is essential for ensuring the effectiveness of state tax revenue collection. It represents a significant cost for businesses, particularly in the single market, where it can range from 1% to 2% of revenue, or an average of 15 thousands euros. Microenterprises bear an average cost of 14 thousand euros, while large companies pay an average of 34 thousand euros. However, these figures vary from country to country, depending on local regulations. Nevertheless, rigorous management of tax risks and cooperation with tax authorities allows companies to safeguard their reputation and protect themselves from potential penalties.

PART 3

Best Practices of French Tax Administrations and Multinational Companies

Introduction

Corporate tax governance is shaped by the interaction of two key players: on one hand, the tax administration, which controls and ensures a fair and transparent tax system, and on the other hand, large companies, which adapt their strategies to comply with regulations while optimizing their tax burden. Both actors operate under the influence of higher standards, those set by the OECD and the European Union, which aim to reduce tax evasion and harmonize tax practices. As a result, modern tax governance is characterized by digitilazed tax controls, increased corporate transparency (which is also becoming a societal expectation), and stronger international cooperation.

I) An Efficient French Tax Administration: Digital Modernization and the Fight Against Aggressive Tax Optimization

A- Digitalization and Modernization of Tax Controls

To avoid tax fraud, France use digital tools to enhance the efficiency of tax audits:

AI and Data Mining: Since 2013, the French tax administration (DGFiP) has expanded the use of artificial intelligence and data mining to modernize and optimize tax controls. A Big Data unit analyzes taxpayer behavior to model fraud patterns and create typical fraudster profiles. The administration also analyzes corporate financial data to detect problems. In 2021, nearly one in two tax audits was triggered following a data mining analysis. This approach improves the efficiency of tax audits by identifying anomalies in tax declarations.

Digitalization of Tax Procedures: The use of online tax declarations and the upcoming mandatory electronic invoicing (set for 2026 for all companies) simplify transaction tracking and improve financial transparency.

Modernized Data Collection: The tax administration is now authorized to collect and analyze data from social media and online platforms to detect tax fraud. While this measure mainly targets individuals, businesses are not exempt. Information shared by companies or their representatives on social media can be used to verify the accuracy of tax declarations.

Conclusion : The French tax administration relies on advanced digital tools, to improve the effectiveness of tax audits. These technologies allow for more precise fraud detection, both for individuals and businesses. However, their use must be carefully regulated to ensure compliance with fundamental rights and guarantee a fair application of tax laws.

B- Strengthening Cooperation and Transparency with Businesses

The **ESSOC Law** (*État au Service d'une Société de Confiance*), enacted in August 2018, aims to transform the relationship between the French tax administration and businesses by promoting trust and a more cooperative approach. It introduces three key principles:

- **The right to make mistakes** (*droit à l'erreur*), allowing businesses to correct unintentional tax errors without immediate penalties.
- **The right to a tax audit on request** (*droit au contrôle / rescrit*), giving companies the possibility to request a tax audit to ensure compliance.
- **Personalized support for small and medium-sized businesses**, helping them navigate tax obligations more effectively.

By fostering a more educational approach, the ESSOC Law helps companies comply with tax regulations, reduces the risk of penalties, and improves their relationship with the tax administration.

To this end, we can give the example of the audited taxpayer's charters of rights. It's a specific document the french tax administration must communicate during audit. The aim is to guarantee the rights of taxpayers being audited, by specifying the procedure, or the necessarily adversarial nature of the procedure.

The **Country-by-Country Reporting (CbCR)** mechanism is a transparency requirement for multinational companies, introduced as part of the OECD's BEPS (Base Erosion and Profit Shifting) action plan and adopted by the European Union. It mandates large multinational companies to provide detailed annual reports on their operations in each country where they operate. These reports must include key financial information such as: revenue, Taxes paid,Number of employees, and other relevant data.

By making this information public, CbCR increases pressure on multinational companies to adopt responsible tax practices that align with their real economic activities.

Conclusion: These two initiatives complete each other in strengthening trust and transparency between tax administrations and businesses. The ESSOC Law promotes a more educational and cooperative approach, while CbCR enforces stricter transparency on multinational corporations.

II) Tax Governance of Multinational Companies: A Balance Between Compliance and Social Pressure

A - Adopting Responsible Tax Governance

Today, large companies are under increasing supervision regarding their tax practices. Due to pressure from governments, international organizations, and public opinion, they are implementing internal mechanisms to ensure responsible tax governance.

First, some multinational companies **adopt internal codes of conduct,** often in the form of ethical charters. These documents define the tax principles the company commits to following. For example, some companies prohibit their subsidiaries from using aggressive tax optimization strategies. These commitments not only ensure compliance with regulations but also improve the company's image with investors and the public. This is the case for BNP, a French banking institution that has adopted a code of conduct for its tax operations.

At the same time, many multinationals **create internal tax compliance committees**. These committees, made up of lawyers, tax experts, and auditors, ensure that the company meets all tax obligations. By verifying that tax declarations comply with legal requirements, these committees help reduce the risk of tax audits and potential sanctions. They also encourage better cooperation with tax authorities, leading to more stable relationships with governments.

Finally, some companies go even further **by publishing tax transparency reports**. These reports detail the taxes paid by the company in each country where it operates. This practice is becoming a standard. By making this information public, companies aim to avoid accusations of tax secrecy and show that they contribute fairly to public finances. For example, Total Energie, despite being at the root of ethical scandals, has decided to publish some of its reports.

Conclusion: These measures show a shift in the tax governance of multinational companies. Instead of simply reacting to audits and criticism, they are proactively adopting more ethical and responsible practices, helping to build trust with governments and society.

B - Seeking Tax Optimization in a Legal and Ethical Framework

Beyond legal requirements, **Corporate Social Responsibility** (CSR = RSE) plays an important role in tax governance. In a world where transparency is key, some companies voluntarily abandoned the most aggressive tax optimization strategies. They choose a more responsible tax approach to protect their reputation and attract socially responsible investors. Many investment funds now consider tax governance and ethics when making investment decisions. For these companies, taxation becomes a communication tool, allowing them to stand out positively and prove that they contribute fairly to public services.

Finally, to ensure continuous tax compliance, **some multinational companies implement a "tax control framework". It's an** internal control system that allows them to constantly audit their tax practices. This framework relies on strict monitoring and risk assessment procedures. It helps quickly identify potential errors and correct them before they lead to sanctions.

Through international regulations, CSR pressure, and internal control systems, multinational companies are encouraged to adopt more transparent and ethical tax governance, contributing to a more balanced economic environment.

Conclusion Part III : Balancing Tax Attractiveness and Stronger Controls – The New Challenges of Governance in France and Europe

In conclusion, corporate tax governance is evolving under the influence of two complementary forces: stronger tax control and the desire to maintain economic attractiveness while meeting social expectations.

Finding a balance between transparency and competitiveness is a major challenge for the French economy. It determines the country's ability to attract businesses while ensuring a fair tax contribution from all. That may be a reason why the tax administration is evolving their relationship with companies. The future of tax governance will depend on adapting to international requirements while maintaining the country's economic appeal.

General conclusion :

The analysis of the French and Italian systems in terms of tax governance and compliance highlights a fundamental convergence: the need for tax administrations and businesses to collaborate in order to better manage tax risks, ensure transparency, and reduce litigation. However, the implementation methods in each country reflect distinct strategic choices.

In France, tax compliance is embedded in a broader framework of control and corporate accountability, notably illustrated by the rise of compliance law with the Sapin II law and transfer pricing documentation requirements. The focus is on internal controls, proactive risk management, and strict compliance with reporting obligations, with penalties imposed in case of non-compliance.

Italy, on the other hand, has adopted a more cooperative approach through the introduction of a "cooperative compliance" regime (Legislative Decree No. 128/2015). This system is based on enhanced dialogue between businesses and the tax administration, allowing for a prior assessment of risks and a reduction in penalties for companies engaged in this process. Italy thus fosters a relationship of trust, where tax transparency becomes a tool for legal security and economic attractiveness.

Ultimately, while both systems pursue the same objective—ensuring tax compliance while limiting costs related to audits and litigation—France favors an approach based on accountability and control, whereas Italy relies more on incentives and cooperation. This contrast illustrates the different strategies that states can adopt to ensure effective tax collection while supporting businesses in managing their tax obligations.