

Implementation of the tax compliance review: a real opportunity for companies!

Following the budget Minister's announcements on the 2018, decree no. 2021-25 dated January 13, 2021 (Official journal of January 14) has just created the tax compliance examination (TCE). Another decision, defining the practical details of this new system, was also published on the same date.

Thus, companies can ask an independent service provider to audit the tax compliance of the points defined by the decree. The company and the service provider then enter into a contract whose content is strictly regulated. This audit covers one fiscal year.

In order to benefit from the effect of an "express mention" exempting the company from late payment interest in the event of an additional tax assessment, the company has to mention the TCE in its tax return. Once this mention has been made, the independent provider will be able to start or end the audit.

The TCE only covers certain tax matters determined by the decree but all these delimited matters must be verified by the independent service provider. These include the compliance of the accounting entries file ("le fichier des écritures comptables", named "FEC") with the format defined in Article A 47 A-1 of the French tax procedures code (computerized accounting records), the accounting quality of the FEC with regard to accounting policies, compliance with the rules on the time limit and method of keeping documents, the rules for determining depreciation, provisions and accruals and their tax treatment, compliance with the rules on liability for VAT (collected and deductible).

Although the decree does not provide details on the professionals who can carry out this audit, it is certain that the legal and accounting professionals (accountants, auditors, lawyers, etc.) will carry out this mission.

At the end of the TCE, the service provider prepares a mission report containing its conclusions on the compliance of the information provided by the company. This mission report must also be sent by the company to the French tax authorities by October 31 of the year at the latest or within six months of the filing of the tax return.

The TCE allows errors to be corrected before any tax audit from the French tax authorities, for example by filing an amended tax return if errors are detected during the examination by the service provider.

Furthermore, this review should enable companies to see their tax adjustment risks reduced.

This new system will apply to fiscal years ending on or after December 31, 2020.

We advise you to carry out this review which will, on the one hand, reduce the risk of tax audits and, on the other hand, in the event of a subsequent reassessment concerning the tax matters determined by the decree, exempt you from late interest.

Our firm, which combines tax lawyers and chartered accountants, is at your disposal to carry out this tax compliance review if you wish.