France - Tax and Social Security Authorities Join Forces to Combat Non-Compliance

In an effort to combat fraud and evasion and improve the collection of tax and social security contributions, the French government recently created an organization to "lead the reform in tax and social security collection."1 The new institution called France Recouvrement (France “recovery” or “collection” literally translated) will be tasked with coordinating the collection of tax and social security contributions which today is split between, on the one hand, the tax administration, and on the other, various agencies in charge of the collection of social security contributions.

WHY THIS MATTERS

Faced with the complexity and the administrative burden of dealing with French rules, in the past some may have found it tempting to adopt a pragmatic “fly under the radar” approach to hiring and to seconding employees, taking into account the fact that the tax and social security authorities did not connect. It would be advisable to review this risk strategy.

Over the past year or two, there has been a concerted effort by the French authorities to step up investigations of employment practices, tax non-compliance, fraud, and illegal work.2 Employers can expect increased audits and face the prospect, if irregularities are discovered, of financial penalties.

Employers seconding employees to France may have to adjust their procedures and practices in light of these developments.

Further Details on France Recouvrement

Amongst the objectives assigned to France Recouvrement is "the mutualization of data between networks," meaning that it will be able to cross-reference information available to the French tax authorities to identify non-compliance in...
relation to social security and vice versa. It is also expected to learn from the French tax administration’s initiatives and increasing reliance on data mining to detect fraud and evasion.

FOOTNOTES:


2 For earlier reports on efforts by the French government to step up scrutiny of employers, tackle non-compliance, and combat fraud and illegal work, see the following issues of GMS Flash Alert: 2018-128 (September 28, 2018) and 2018-042 (February 28, 2018).

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Contact us

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