

# What is a tax audit on an individual?

Tax audit is the counterpart of the reporting system: the administration ensures that the items reported by individuals are sincere and complete.

Audit is conducted primarily from the office and, exceptionally, using a special procedure: the examination of the personal tax situation of the individual ("*examen contradictoire de l'ensemble de la situation fiscale – ESFP*").

## **The examination of the personal tax situation of the individual**

**The ESFP is a consistency check between, on the one hand, the reported income and, on the other hand, the financial situation and elements of the lifestyle of the taxpayer.**

**This audit is conducted in the premises of the administration in the presence of the taxpayer and / or his counsel by *départemental*, interregional or national audit teams, made up of inspectors specialized in public finance in these matters.**

## **How are the cases selected for audit?**

The audit from the office aka "document audit" is based on a policy of selectivity of cases to be examined.

For the most important income: these cases are said to be "high stakes" cases. They are the subject of an audit from the office every 3 years, including the review of correlation of income and wealth. For more than 4 000 of those cases, the audit is undertaken by the National Directorate of tax situations audits ("*Direction Nationale de Vérifications des Situations Fiscales – DNVSF*")

For the others, the cases are selected using risk-analysis tools from expert systems.

Since 2005, the amicable recovery procedure allows taxpayers in good faith to promptly correct their situation without penalties in cases of discrepancy of a limited amount between the reported items and those available to the administration.

The implementation of the pre-completed return, facilitating the reporting act, has largely decreased filling errors in tax returns.

## **How does the audit from the office take place?**

The personal tax specialist officers carry out a critical review and a consistency check of the tax returns from information held in the largely paperless tax records.

In principle, the audit does not extend beyond the last 3 years. This examination can require additional information or the provision of supporting documents (e.g. to check the validity of a tax reduction).

When such a request is sent to the taxpayer, he is informed of the outcome of his reply within a period specified in the administration's request. In the absence of reaction from the administration in this period, the taxpayer knows that the case is considered closed on the point raised.

**What can you find in a taxpayer's tax file?**

All information relating to income tax and wealth (that is not barred by the state of limitation);

Assets information relating to acquisitions of real estate, purchase of shares of companies, gifts, inheritances ...;

Various correspondence exchanged with the administration;

Documents relating to any audits and complaints in recent years.

**What happens if discrepancies or errors are found?**

In the general case, the administration uses the adversarial process and the taxpayer receives an adjustment notification that is explicit enough for the taxpayer to make his observations.

In all cases, the taxpayer has all the safeguards and guarantees provided by law.

**An income/ wealth approach for individuals with high stake cases**

To better understand the cases of individuals with fiscal issues and complex problems, including heritage, specialized poles on the correlated control income / wealth of individuals will be implemented. Their mission will be to ensure the audit of individual subject to wealth tax, of high stakes records and complex or sensitive audits from office.