

How is tax fraud sanctioned?

Tax returns filed by the taxpayers are presumed to be sincere and correct. In return, the administration has the power to control and correct, plus a power of sanction against those who deliberately violate the tax law. Tax fraud is indeed a significant breach of the principle of equality of citizens before public burdens and that of free competition. The tax administration has the task of fighting fraud by prevention, control but also prosecution.

The French system of repression of tax evasion

The tax evasion crackdown French system is characterized by a system of sanctions on two levels, proportionate to the extent of the fraud:

- Administrative sanctions to penalize financially the taxpayer beyond mere compensation for damages done to the Treasury. They are characterized by the application of penalties in addition to the evaded tax;
- Criminal sanctions with a punishment of up to imprisonment, in case of a serious attack on social order.

The tax administration does not decide one's commitment to correctional prosecution for tax evasion. It may only file a complaint after favorable opinion of the Tax Offences Board (independent commission made up of judges of the State Council and the Court of Auditors¹).

What penalties can be applied?

- Sentences of up to seven years of imprisonment,
- Fines that can amount to € 2 million,
- Sentence of forfeiture,
- Prohibition to exercise a professional, a commercial or an industrial business and manage or control a company,
- The suspension of the driving license,
- Deprivation of civic, civil and family rights.
- For the managers, solidarity with the company for the payment of the defrauded taxes and penalties.
- The display and broadcast of the judgment.

The criminal policy of the General Directorate of Public Finance

In 2013, 1182 correctional prosecution proposals were presented to the commission of tax offenses.

This institution authorized the filing of 1018 complaints for tax evasion. The most common frauds that are sanctioned are for failing to file a return, concealment of income, tax evasion and realization of fictitious transactions.

¹ From January 1st 2015, the composition of the Commission was extended to honorary judges at the Court of Cassation as well as qualified persons appointed by the presidents of the National Assembly and the Senate.

The joint circular of May 22nd 2014 between the Department of Justice and Ministries of Finances, Public Accounts and Budget

It is intended to better coordinate the action of the judiciary and the DGFIP services to fight more effectively against serious tax, economic and financial crimes.

It recommends the application of more severe penalties against fraudsters, in particular through the application of forfeiture sentences, particularly effective sanctions in economic and financial matters.

It exposes the diversification of prosecution policy of the DGFIP by filing complaints for tax evasion, money laundering, organized fraud or fraudulent design and marketing of software.

Finally, it calls for more sustained exchanges between the tax administration and the judiciary system.