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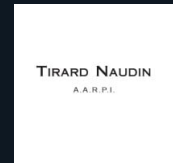
Country Comparative Guides 2025

France

Tax Disputes

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This country-specific Q&A provides an overview of tax disputes laws and regulations applicable in France.

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France: Tax Disputes

1. Is it necessary for a taxpayer to register with the tax authority? Are separate registrations required for corporate income tax and value added tax/sales tax?

In France, the principle of taxation is based on a declaratory system, applicable to both individuals (for income tax, wealth tax or gift/inheritance tax) and legal entities (for corporation tax).

On the one hand, individuals are naturally subject to income tax when (i) they are domiciled in France for tax purposes – in which case they are liable to French income tax on all their income, whether from French or foreign sources – or when (ii) they have their tax domicile outside France but have income from French source – in which case they are liable for tax on such income only.

As soon as a person becomes liable for French tax under the rules set out above, he/she must, in the year following that in which he or she becomes liable in France, declare his/her income by filing an income tax return to the tax service he/she depends on, namely the tax service of his/her place of residence in France, or the non-residents tax service he/she lives abroad). In addition, taxpayers liable for wealth tax (on real properties) must declare their taxable assets at the same time as their income.

Similarly, inheritance and gifts must be declared spontaneously by the taxpayer when the event occurs, and the corresponding tax must be paid at the same time.

On the other hand, only profits made from "businesses" carried out in France are subject to French corporate income tax ("CIT"), regardless of whether the company has its residence in France or abroad.

"Businesses" means the regular conduct of an activity that may:

- either be carried out in the context of an independent establishment;
- be carried out, in the absence of an establishment, through representatives who have no independent professional personality; or
- or result from the performance of transactions forming a complete commercial cycle.

Regardless of their legal form (sole proprietorship, micro-business, company) or field of activity (craft, commercial, liberal or agricultural), such businesses will need to register online with the business formalities office. This organism automatically transmits all the relevant information to the appropriate bodies, in particular social and tax organizations. This will enable the company to be assigned a registration number (SIREN) and, where applicable, an intra-Community VAT number.

2. In general terms, when a taxpayer files a tax return, does the tax authority check it and issue a tax assessment – or is there a system of self-assessment where the taxpayer makes their own assessment which stands unless checked?

Under French law, taxpayers (individuals or corporations) are required to file their own tax returns on a yearly basis. Tax returns must include details of taxable income, as well as other information likely to facilitate tax auditing. This is a purely declarative process.

In principle, tax returns filed within the legal deadline are presumed to be accurate. As a general rule, they are automatically processed by the tax administration and serve as the basis for tax assessment. However, the tax administration has the right to audit and rectify their content, under a framed procedure.

3. Can a taxpayer amend the taxpayer's return after it has been filed? Are there any time limits to do this?

As a general rule, all taxpayers can of course amend spontaneously their tax returns, whether it concerns personal income tax, wealth tax, corporation tax, VAT, etc. Such a modification, if it benefits to the taxpayer, is treated as a claim, and can only be made no later than December 31 of the second year following the year of assessment concerned.

In addition, the French tax administration ("FTA") implemented a specific online correction procedure for individual taxpayers, which applies exclusively to income tax returns filed online during the current year and is accessible under the same conditions as e-filing on the FTA's website. It is available until mid-December of year

N for the N-1 tax return.

4. Please summarise the main methods for a tax authority to challenge the amount of tax a taxpayer has paid by way of an initial assessment/self-assessment.

The FTA have broad investigative powers. Control operations themselves take a variety of forms:

- They can take the form of a document-based audit, in which the auditing officer examines the taxpayer's tax returns using the information and documents in the tax file.
- The FTA can also ask the taxpayer for clarifications and justifications regarding the income declared (or any other taxable basis for French taxes), and possibly seeking further information from third parties within the framework of the right of communication.
- Finally, it may be a case of in-depth control involving more extensive investigations, i.e. an audit. When it concerns tax bases determined on the basis of accounting records, this operation takes the form of either an accounting audit or an accounting examination. When it concerns the accuracy of the overall income used as a basis for income tax, it constitutes a contradictory examination of the personal tax situation.

When the FTA discover a deficiency, inaccuracy or omission in the information used to calculate taxes, and wish to make corrections to taxpayers' declarations, they follow the contradictory rectification procedure.

As an exception to this normal procedure, in certain cases the law gives the FTA the power to assess additional taxes "ex officio". The characteristic feature of the ex officio procedure is that it is not adversarial: it takes place without the taxpayer being invited to present his or her case.

The ex officio taxation procedure may be implemented in such cases as: failure or delay in filing certain returns, non-compliance with certain obligations incumbent on micro-businesses, failure to respond to requests for clarification or justification, opposition to a tax audit, failure by a non-resident to appoint a representative in France when required. This list is not exhaustive but illustrates common scenarios where the ex officio procedure might be applied.

5. What are the time limits that apply to such challenges (disregarding any override of these limits to comply with obligations to relief from double taxation under a tax treaty)?

The French Tax Administration can only rectify omissions, deficiencies or errors made in the assessment of taxes within a certain period of time.

In the case of income tax, corporate tax, or VAT, the FTA's recovery period expires, in principle, at the end of the third year following the year in respect of which the tax is due. Thus, the FTA may rectify income for 2024 (declared in 2025) up to December 31, 2027.

By way of exception, the right of reassessment may be exercised up to the end of the tenth year following the year in respect of which the tax is due, in particular in the case of concealed activity, or when reporting obligations concerning accounts or life insurance policies held or subscribed abroad, or trusts, have not been complied with.

6. How is tax fraud defined in your law?

When speaking of "Fraud", the terminology is important. Under French law, tax fraud is a criminal offense provided for in the French tax code (Art. 1741, paragraph 1), aiming at "anyone who has fraudulently evaded or attempted to evade the assessment or payment of all or part of the taxes referred to in the present code, either by deliberately failing to make his declaration within the prescribed time limit, or that he has willfully concealed part of the sums subject to tax, or that he has organized his insolvency or obstructed by other maneuvers the collection of tax, or by acting in any other fraudulent manner".

Simply put, tax fraud is the fraudulent evasion of the assessment or payment of tax, by failing to file a tax return on time, by concealing sums subject to tax, by organizing insolvency, by obstructing tax collection through other maneuvers or by resorting to any other fraudulent means. The scope of this text is very wide.

In parallel to this, French law also knows the concept of "Fraud to law" (*Fraude à la loi*). This general theory, which applies to all fields of law, refers to the manipulation of a legal situation with the aim to seek the benefit of a literal application of the law contrary to the objectives of the lawmaker.

This theory of "Fraud to law" was imported in French tax law under the doctrine of "Abuse of law" (*Abus de droit*),

which is a general anti avoidance provision (GAAR) now authorizing the FTA ignore, as not binding, acts which are either fictitious or tax driven by seeking the benefit of a literal application of the law or decisions contrary to the objectives of their author.

7. How is tax fraud treated? Does the tax authority conduct a criminal investigation with a view to seeking a prosecution and custodial sentence?

The FTA can take legal action against the perpetrator of the tax fraud and any accomplices (accountants, bankers, notaries, etc.). In some cases, it is obliged to report the taxpayer to the public prosecutor's office, or in others, to lodge a complaint directly. As a general rule, a complaint can be lodged up to the end of the sixth year following the year in which the fraud was committed.

In cases of tax fraud, the perpetrator and his accomplices are liable to up to 5 years' imprisonment and a fine of €500,000 (for individuals) or €2,500,000 (for legal entities).

Penalties are increased to 7 years' imprisonment and a €3,000,000 fine (for individuals) or €15,000,000 (for legal entities) when the fraud is committed under aggravating circumstances.

In addition, the offence of facilitating tax fraud was created in 2024. This offence is completely autonomous, and exists independently of any proceedings against the persons who actually committed the fraud and their accomplices. The offence is punishable by 3 years' imprisonment and a fine of €250,000.

8. In practice, how often is a taxpayer audited after a return is filed? Does a tax authority need to have any justification to commence an audit?

The FTA's control is based on a policy of selectivity in the files it examines. It uses algorithms to identify any inconsistencies between tax returns, bank accounts and declarations to the social organisms (so-called URSSAF). The FTA also have access to information published on social networks and private service platforms, and increasingly uses the data gathered from such source.

In the case of large companies and significant or sensitive personal tax payers (who usually depend on specialized tax services covering the whole national geographical scope and a wider tax scope), the FTA monitor them on a more regular basis.

9. Does the tax authority have to abide by any standards or a code of conduct when carrying out audits? Does the tax authority publish any details of how it in practice conducts audits?

The FTA have the power to audit taxpayers' returns. However, this right is of course strictly regulated, particularly in terms of time limits (statute of limitations).

In addition, taxpayers have a number of rights and guarantees provided directly by the tax procedure code and the FTA guidelines.

10. Does the tax authority have the power to compulsorily request information? Does this extend to emails? Is there a right of appeal against the use of such a power?

Individual taxpayers can be subject to a personal tax audit (*Examen de situation fiscale personnelle*) and businesses can be subject to an accounting audit (*Vérification de comptabilité*). These procedures are framed by the provisions of the French tax procedure code.

During an audit, the FTA will often ask the taxpayer to justify some of the information declared. In this case, the taxpayer must be able to produce certain documents that provide evidence to dispel the administration's doubts about their situation, their income, the assets they own, any specific operation, etc.

Failing to answer to such requests may authorize the FTA to proceed to tax assessments "ex officio", i.e. with no contradictory discussion (see Question 4).

During an audit procedure, the taxpayers can always try to request a discussion with the hierarchical superior of the tax agent in charge of the audit (e.g. the chief of service). Following an audit, if the taxpayer receives a reassessment notice, the taxpayer can lodge an administrative claim in order to challenge the proposed assessment. If such a claim is rejected (explicitly or implicitly in the absence of an answer after a six-month period), the tax payer can lodge a request before a judicial or an administrative court (depending on the matter).

11. Can the tax authority have the power to compulsorily request information from third parties? Is there a right of appeal against the use of such a power?

The FTA may request information or copies of documents held by third parties (private companies, government departments, various institutions and organizations, etc.) in order to check the returns filed by taxpayers. This is known as the administration's "right of communication".

The information gathered in this way may be used for the assessment, control and collection of all taxes and duties payable either by the natural or legal person to whom the right is exercised, or by third parties to that person.

The law defines the various categories of persons subject to the right of communication and, for each of them, the documents that may be requested. Although broad in scope, these provisions are restrictive in nature.

Refusal to provide the documents and information requested by the FTA in the exercise of their right of communication, or any other behavior that hinders disclosure, is subject to a fine of €10,000.

12. Is it possible to settle an audit by way of a binding agreement, i.e. without litigation?

It is possible to reach a settlement with the FTA. A settlement is an agreement between the FTA and the taxpayer to mitigate penalties, when these penalties – and, where applicable, the main charges – are not final (i.e., when they can still be contested under the contentious procedure).

Settlements reached by taxpayers and approved by the competent authority are final, in respect of both duties and penalties, and preclude any initiation or resumption of contentious proceedings.

13. If a taxpayer is concerned about how they are being treated, or the speed at which an audit is being conducted, do they have any remedies?

First of all, a personal tax audit (*Examen de situation fiscale personnelle*) or an accounting audit (*Vérification de comptabilité*) must be carried out by the FTA within a certain time frame, usually one year, with some possibilities of extension.

More generally, in the event of disagreement with the FTA during a tax audit, several amicable recourses are available:

- The hierarchical appeal: When the taxpayer encounters disagreements or difficulties with the tax inspector during a tax audit, he or she can appeal directly to the hierarchical superior

of the official in charge of the audit. This is the first-level hierarchical appeal. If there are still differences of opinion, it is possible to make a second-level appeal.

- The Mediator of the Economic and Financial Ministries: The taxpayer must first have made a hierarchical appeal before turning to the Mediator of the Economic and Financial Ministries.

In very rare cases, taxpayers may try to seek the State's liability for a failure in the operation of its services, through a judicial procedure.

14. If a taxpayer disagrees with a tax assessment, does the taxpayer have a right of appeal?

As a general rule, taxpayers can always contact the French FTA for any question they have in relation to the computation of the assessed taxes. This is particularly true for individual taxpayer and small businesses, being specified that when the stakes are moderate or the error seems obvious, an amicable or informal procedure with the local tax service is very often preferable.

More generally, however, when a taxpayer disagrees with a tax assessment and wishes to challenge the principle or the amount of a tax assessment, it should follow the standard procedures provided for by the French tax procedure code (see Question 15 below).

15. Is the right of appeal to an administrative body (independent or otherwise) or judicial in nature (i.e. to a tribunal or court)?

Tax disputes begin with an 'administrative' phase, which is often the most important. This takes place directly with the tax inspectors, who belong to the Ministry of the Economy.

The taxpayer receives a proposal for reassessment by registered post. This capital procedure document must clearly indicate the total amount of the adjustment itself with details of the financial consequences. If the taxpayer does not agree with this proposal, he or she may answer the tax inspector directly within 30 days (with a possible extension of 30 days).

The tax inspector is then obliged to inform the taxpayer of his final position in a 'response to the taxpayer's observations'.

In the event of persistent disagreement, the taxpayer may request arbitration from the tax inspector's line manager or refer the matter to a competent departmental committee.

If, despite these various exchanges, no amicable solution is found, the 'judicial' phase begins. The taxpayer must file a contentious claim with the FTA. The FTA then have 6 months to respond to the taxpayer's claim.

If the claim is rejected (either expressly or implicitly by failing to respond within the 6-month period), the taxpayer may take the matter to the appropriate court.

Jurisdiction varies according to the nature of the tax in dispute:

- disputes relating to direct taxes (income tax & corporate tax) or VAT fall within the jurisdiction of the administrative courts (*tribunal administratif, cour administrative d'appel and Conseil d'État*);
- those concerning registration and stamp duties, and property wealth tax, and gift tax and inheritance tax, fall within the jurisdiction of the judicial courts (*tribunal judiciaire, cour d'appel and Cour de cassation*).

16. Is the hearing in public? Is the decision published? What other information about the appeal can be accessed by a third party/the public?

Procedures before administrative and judicial courts are mostly in writing, but judgments are handed down in open court. The decision is then made available to the public in electronic form, while respecting the privacy of the parties and third parties.

17. Is the procedure mainly written or a combination of written and oral?

As mentioned in question 16, procedures before administrative and judicial courts are mostly in writing.

18. Is there a document discovery process?

French law does not provide for a document discovery process, as is the case in Common Law countries. In France, a party cannot be required to provide a document that works against him or her.

19. Are witnesses called to give evidence?

As a general rule, the written nature of the procedure does not allow the use of testimonial evidence or the appearance of witnesses before the judge ruling on tax matters.

This rule does not, however, preclude the hearing of witnesses during the examination of the claim before the judge, either as part of an expert appraisal or as part of an investigation ordered by the judge.

Similarly, it does not prevent the administration or taxpayers from invoking attestations or written certificates.

20. Is the burden on the taxpayer to disprove the assessment the subject of the appeal?

Outside rectification procedures, the burden of proof lies with the taxpayer before the contentious court, particularly in the following cases:

- If the contested tax assessment was based on the bases indicated by the taxpayer in his tax return or on the content of a document submitted by the taxpayer for registration;
- When the person concerned refers in his tax return to charges or de facto situations which in themselves result in a reduction in tax.

However, the burden of proof may also lie with the FTA:

- When the contentious claim relates to a tax that should normally be established on the initiative of the administration and without the intervention of a declaration by the taxpayer or a deed submitted for registration;
- To demonstrate bad faith or fraudulent maneuvers on the part of the taxpayer in the event of penalties applied to tax reminders;
- in the event of the procedure for abuse of tax law ("abus de droit fiscal").

In theory, in the event of a contradictory procedure, the burden of proof rests with the FTA.

In the event of an ex officio procedure, the burden of proof lies with the taxpayer who, in order to obtain a discharge or reduction of the tax assessed, must demonstrate the exaggerated nature of the tax.

To sum up these rules more simply, each party (the taxpayer or the administration) must be able to prove its case.

21. How long does an appeal usually take to conclude?

There is no standard time frame for an appeal procedure, generally speaking.

In most cases, as exposed in Question 15, when a taxpayer receives a proposal of assessment, the procedure starts with an administrative written exchange with the French FTA, which can take more than one year and sometimes lead to a request lodged before an administrative commission (not applicable in all situations), which can take another year (or two). Then an administrative claim can be lodged, being specified that in many cases, the FTA do not answer the claim which is therefore deemed rejected in the absence of an answer after 6 months.

Only then a taxpayer is allowed to submit the case to a first instance Tribunal, and then possibly to an appeal Court, and eventually to a Supreme Court. It should also be noted that in some cases, and as soon as the dispute is submitted before a Tribunal, taxpayers may also seek to seize the French Constitutional Court which, if accepted, freezes the judicial procedure.

A procedure up to a French Supreme Court may last 10 to 15 years.

22. Does the taxpayer have to pay the assessment pending the outcome of the appeal?

As a general rule, a taxpayer must pay the tax assessed upon receipt of the corresponding tax assessment notice.

However, when a taxpayer challenges a tax assessment by filing an administrative claim, it can request of a payment deferral. In such a case, the French tax procedures rules allow the FTA to claim for financial guarantees corresponding to the principal of the tax assessed (i.e. penalties and late payment interest excluded, if any). Consequently, in practice the taxpayer will be required either to present a bank guarantee (which is hard to obtain and is costly) or to pay directly the amount of tax in principal.

23. Are there any restrictions on who can conduct or appear in the appeal on behalf of the taxpayer?

During the administrative phase of the litigation, a taxpayer does not need to be represented. The same applies if the case is submitted by the taxpayer before an

administrative court, in first instance only.

In all other cases, namely before all judicial courts and before all administrative courts from the Appeal stage (second instance), the tax payers must be represented by a lawyer registered at a French bar.

24. Is there a system where the “loser pays” the winner’s legal/professional costs of an appeal?

At each stage of the procedure before the Courts (whether judicial courts or administrative courts), the judge usually orders the losing party to pay the winner’s legal costs (although the amounts are very symbolic and usually capped at around €3,000).

25. Is it possible to use alternative forms of dispute resolution – such as voluntary mediation or binding arbitration? Are there any restrictions on when this alternative form of dispute resolution can be pursued?

If no amicable or informal solution is found at the administrative stage of the procedure, the taxpayer may seek to obtain a formal transactional agreement with the tax service, which is binding on the parties. If no agreement is reached, the dispute may be referred to the competent courts.

26. Is there a right of onward appeal? If so, what are all the levels of onward appeal before the case reaches the highest appellate court.

As already explained, the contentious appeal procedure begins with the filing of a preliminary claim with the FTA. It continues, where appropriate, with a challenge to the FTA’s decision before the administrative or judicial courts, depending on the tax in question.

A tax dispute can lead to a first instance decision, an appeal before a Court of Appeal, and possibly an appeal before one of the French Supreme Courts (Conseil d’Etat or Cour de cassation). Depending on the appeals, such procedures may take between 2 to 15 years.

A tax dispute pending before a Court can also be raised in parallel (under strict conditions) before the French Constitutional Court, which is competent since 2010 to operate a constitutionality of the laws a posteriori.

Finally, also in the course of a pending dispute, the taxpayer may request from the tax court that the issue at

hand be referred for a preliminary ruling before the European Court of Justice.

27. What are the main penalties that can be applied when additional tax is charged? What are the minimum and maximum penalties?

In tax matters, certain “penalties” may be applied. These include surcharges, fines and late payment interest.

In principle, late payment interest is systematically applied when taxpayers fail to declare and pay tax on time. Penalties vary according to the nature of the breach, its seriousness, and whether the taxpayer has remedied the situation.

Tax collection offences are defined as failure to pay or late payment of sums due. Depending on the tax concerned, these offences are punished by a surcharge of 10% or 5%. If the FTA establish that the inaccuracies or omissions in a deed or declaration, or the improper restitution of a tax claim, are the result of deliberate misconduct on the part of the taxpayer, or that the taxpayer has been guilty of fraudulent maneuvers, the rate of the surcharge is:

- 40% in the case of willful misconduct;
- 80% in the case of fraudulent maneuvers.

A 80% penalty will also apply when the FTA have initiated an assessment under the abuse of law procedure. It is reduced to 40% where it is not established that the taxpayer was the main initiator or beneficiary of the act or acts constituting the abuse of law.

The above is not exhaustive, many other specific situations can trigger additional penalties.

28. If penalties can be mitigated, what factors are taken into account?

The main factor is the taxpayer's good faith. The taxpayer's situation may also be taken into account, if he or she is unable to pay.

29. Within your jurisdiction, are you finding that tax authorities are more inclined to bring challenges in particular areas? If so, what are these?

Litigation is generally quite varied. Every year, the FTA try to use artificial intelligence to increase the number of

audits, particularly of private individuals.

As a result of international mobility, disputes are becoming cross-border and increasingly complex, moving from simple bilateral disputes in specific countries to multidimensional, multinational disputes.

30. In your opinion, are there any areas which taxpayers are currently finding particularly difficult to deal with when faced with a challenge by the tax authorities?

From our experience, unsurprisingly, the situations where taxpayers seem to have the most difficulty in dealing with a tax assessment, and the correlative dispute with the FTA, are those where the ground for taxation includes an element of subjectivity – whether relating to the rationale of a transaction / the taxpayer's intention or relating to the computation of the tax basis – or an element of uncertainty regarding the application/interpretation of the rule of law in question.

In this respect, it is clear that all procedures initiated on the basis of the abuse of law, whereby the FTA seek to establish that an operation was carried out exclusively or mainly for a tax purpose, are often hard to apprehend for a taxpayer.

Another practical example may be that of how holding companies are treated by the FTA, in certain circumstances: all tax assessment established on the basis that a holding company only has a “passive” holding activity, where the taxpayers have always taken the view that such company also had a “group animation” function and as such could benefit from many favorable French tax regimes, are frequently met with incomprehension on the part of the taxpayer.

Regarding the computation of the tax basis, our experience shows that all procedures concerning taxes assessed on the market value of an asset (e.g., companies' 3% tax on real estate, individual's wealth tax on real estate, gift and inheritances taxes, etc) and leading to negotiations with the FTA on such market values – of which the determination always includes a margin of appreciation – also lead to some incomprehension on the taxpayer's side.

Finally, uncertainties regarding the interpretation of a domestic law often occur when said rule is deemed to be contrary to a higher norm – constitutional or European – or overruled by provisions of international tax treaties. Such uncertainties are seen logically as a potential tax risks by the taxpayers.

31. Which areas do you think will be most likely to be the subject of challenges and disputes in the next twelve months?

In our opinion the field of "international tax" generally speaking is the area where the FTA still have a significant margin to step up controls. On the one hand, we observe that the FTA are making increasing use of the financial data received through the automatic exchanges of information under the Common Reporting Standards, to identify consistencies with the information declared by taxpayers. Undoubtedly, the increasing use of artificial intelligence will reinforce this trend. On the other hand, disputes relating to the non-conformity of domestic provisions with European rules or conventional provisions will inevitably keep increasing.

We also observed in the recent years that the audits on market values have been a very frequent cause for reassessments by the FTA, because from a budgetary point of view, this allowed to perform mass controls on taxpayers' assets which were presumed to be systematically undervalued.

At the time of writing, the French Finance Bill for 2026 is in preparation and has not yet been submitted to parliament for discussion. Although new tax measures are expected to be inserted to combat France's budget deficit, according to our information, these measures are more likely to be rate or scope measures aimed at increasing tax revenues in the short term, unlikely to cause practical changes to tax litigation as such.

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