

## Covid-19: the French tax authorities clarify the implementation of tax measures



**In the context of the Covid-19 crisis, the French government announced exceptional tax measures. The French tax authorities have provided details of these arrangements.**

Following the previous government announcements regarding the deferral of tax payments, the tax authorities have just published information on the extension of the deadline for yearly income tax returns and on the deferral and deferment of the payment of direct taxes. The VAT initially excluded from the government measures is also being adjusted.

### ▪ Deferral of income tax returns

The tax authorities have just announced on their website that an extension is granted to companies that are unable to file their income tax returns for the financial years ending December 31, 2019 on time. As a reminder, for companies closing their fiscal years on December 31, 2019, the deadline for the filing of tax returns was initially set to May 20. It has now been extended to 31 May 2020.

This measure applies to the results subject to corporate tax income. It also applies to categorical income<sup>1</sup>, including the results of real estate companies outside the scope of corporate tax. This measure therefore targets the companies that file one of the following returns with their appendix: 2065, 2031, 2035, 2139 and 2072.

From a practical point of view, the measure targets the returns filed via the "EDI" process or the "EFI" process. The tax authorities also specified that this additional period applies to all tax credit returns.

### ▪ Deferral of payment of direct taxes

In line with government announcements, the tax authorities have also provided information on the terms and conditions for the implementation of tax deferral and the extension of payment deadlines.

A request for deferral or extension of the main deadlines for taxes (other than VAT and the withholding tax on wages) can be made to the relevant tax office. For large companies<sup>2</sup>, a specific office is competent the *Direction des Grandes Entreprises*.

The authorities have put online a specific form to be completed and transferred to the relevant tax office by e-mail. This form contains the amount of the deferrals or extensions requested. Deferrals are granted for a period of three months without any penalty and without any justification.

This form can also be used to apply for a direct tax rebate. The application must then be accompanied by a justification of the request. The following information must be provided: information on turnover, debts to be paid, cash flow situation.

<sup>1</sup> Are also concerned the income tax returns of entrepreneurs receiving income from professional activities taxed in their hands (farmers, lawyers,...)

<sup>2</sup> The companies concerned have a turnover or total gross assets of at least €400M or hold or are held by such an entity exceeding these thresholds or are a member of a tax consolidated group including an entity exceeding these thresholds

For taxpayers who have opted for a monthly contract for the payment of the Company Real Estate Contribution or Property Tax, payments can be suspended via the tax authorities website or via the Levy Centre. If this option is used, the remaining amount will be deducted from the balance, without penalty.

### ▪ VAT arrangements

After circulating them on 2 April in a letter to the *MEDEF* (a French corporation organization), the tax authorities published some information on the VAT arrangements on their website. Actually, VAT is outside the scope of taxes whose payment can be deferred.

In the event that companies are unable to gather all the documents needed to finalize their VAT returns in the current context of lockdown, a reporting system based on an assessment of the VAT due is implemented.

On one hand, companies in difficulty can benefit from the tax authorities guidelines ordinarily applicable during holiday periods. These guidelines enable the companies to realize a simple estimate of the amount of VAT due for a month and to pay an instalment the following month. The margin of error tolerated by the tax authorities is 20%.

On the other hand, companies that have experienced a drop of their turnover related to the Covid-19 crisis, may exceptionally and for the duration of the lockdown pay a VAT instalment calculated as follows:

- For the April return (March's VAT):
  - By default, the amount of the instalment must be equal to 80% of the amount declared for February<sup>3</sup>;
  - If the company has been discontinued since mid-March (total closure) or has fallen sharply (estimated at 50% or more), the instalment must be equal to 50% of the amount declared for February<sup>4</sup>.
- For the May return (April's VAT): the arrangements are the same as for the previous month if the lockdown period is extended and makes it impossible to declare a regularisation on that date.
- For the regularisation return: the regularisation of the VAT due will be made on the basis of the actual elements from the activity over all previous months paid in the form of advance payments, with the allocation of the advance payments made.

<sup>3</sup> If the company has already paid an advance the previous month, the instalment is valued at 80% of the amount declared for January

<sup>4</sup> If the company has already paid an advance the previous month, the instalment is valued at 50% of the amount declared for January



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