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by Sophie Borenstein

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French President Francois Hollande last week announced that a bill containing a series of antiavoidance measures to ''moralize'' public life and fight tax fraud will be submitted to the Council of Ministers on April 24.

Among the measures proposed is the creation of a high authority to control the estate assets of Cabinet ministers and the heads of major French administrations. To discourage the use of tax havens, new reporting obligations would also be introduced for large companies, banks, and wealthy individuals. French banks and companies would be required to submit annually a list of their foreign subsidiaries, including specific details about the nature of their business, their transactions, sales, employees, profits, taxes paid, and public aid received.

A national financial prosecutor would also be appointed to fight economic and financial crime.

Hollande said he is determined to eradicate tax havens in Europe. The proposed measures announced on April 10 fall under two main categories, detailed below.

Strengthening transparency requirements under a new independent administrative authority. The antiavoidance bill would require France's main political and administrative leaders to transmit to a new independent administrative authority (high authority) declarations of their estate assets, interest statements, and declarations attesting to the completeness and accuracy of the information provided.

Criminal penalties for failure to transmit the documents or for inaccurate reporting would be substantially strengthened.

The declarations of estate assets and the interest statements of members of the government and members of Parliament would be made public, and the declarations of estate assets would be checked at the beginning and end of each term.

There would also be a rule prohibiting lawmakers with parliamentary mandates from conducting any other professional or business activity (with some exceptions for professional activities that are compatible with the mandate).

Strengthening the fight against economic and financial crime and tax havens. The fight against tax fraud and international tax evasion has become a key issue for France's sovereignty and the recovery of public accounts. The bill would therefore bolster the resources of the courts, the police, and the tax administration to pursue and identify complex tax fraud and money-laundering networks.

A special prosecutor with national jurisdiction over cases of major corruption and substantial tax evasion would be created, and a central office to fight against fraud and corruption would be established within the Central Department of Judiciary Police. In the most complex cases of tax fraud and money laundering, the same special investigative techniques used to combat organized crime would be employed. The statute of limitations would be modified for the most serious offenses.

Criminal penalties for tax evasion would also be increased for the worst offenses. Further, elected officials convicted of tax fraud or corruption would be ineligible for public office for 10 years, or possibly permanently (with the possibility that the prohibition could be revoked).

The government's attack on fraud and international tax evasion extends both to individuals who conceal assets abroad and to companies transferring their profits to tax havens. French banks would therefore be required to publish annually a list of all their subsidiaries around the world, country by country, and would have to indicate the nature of the activities of each subsidiary and provide for each country the turnover, the number of employees, the results, the taxes paid, and the state aids received.

The government wants to strengthen mechanisms for fighting tax havens at the national, EU, and international levels by signing information exchange agreements with countries identified as tax havens and monitoring their implementation.

To end banking secrecy and the concealment of income and assets, France has joined four other EU member states in support of a pilot automatic information exchange program and is proposing at the EU level the elaboration of common rules governing third countries, including Switzerland.

France also supports initiatives to fight aggressive tax planning by allowing companies to reduce their tax liability to account for the erosion of tax bases and the transfer of profits, particularly in the area of the digital economy, and has joined other member states in calling for the revision of the EU anti-money-laundering directive and greater transparency of corporate and legal entities such as trusts. ◆

♦ *Sophie Borenstein, partner, Reed Smith, Paris*