

The FEC file, a new French legal requirement in case of a tax audit

A new tax law has set up new requirements in case of tax audit from 2014 onwards. Recent information from the French tax administration gives more details on this new required FEC file.

The extent of the requirements depends on the form of the French entity.

For a subsidiary

The article L.47A I of the Tax Procedure Code (French "LPF") defines that, for any tax audit notifications received after January, 1st 2014, a **FEC file** ("*Fichier des écritures comptables*" – which could be translated as "Computerized accounting entries file") has to be provided to the tax auditor at the start of any tax audit.

This file should be issued by the accounting software and mainly bring together all the data related to the bookkeeping and all the entries which are booked during a fiscal year.

The bookkeeping has to be compliant with the French accounting standards (i.e.: **the US GAAP and IFRS accounting standards are not allowed**) and available for consultation in French.



The FEC file must meet specific standards which are described in the article A. 47 A-1 of the LPF. For each accounting entry, 18 fields have to be filled in (please see below a few examples of these fields):

- The journal code of the entry;
- The journal description of the entry **in French**;
- The number of the entry (on a continuous sequence);
- The date of the entry accounting;
- **The account number for which the three first figures/characters have to be compliant with the French accounting standards**;
- **The account description which has to be compliant with the French chart of accounts ("Plan comptable")**;
- The auxiliary account number of its description, if any;
- The reference of the entry's supporting document;
- The date of the entry's supporting document;
- **The description of the entry in French**;
- The amount (debit or credit);
- The lettering/cross-reference letter coding ("*lettrage*") of the entry and its date;
- The approval date of the entry;
- The amount in the foreign currency, if any;
- The name/identity of the currency, if any.

Moreover, please note that **there is a particular file format (.txt)** which is precisely described in the article A47 A -1 and which is required by the French tax administration. Any other format should not be accepted.

If you need assistance,
please do not hesitate to contact us!

This information is only a rough summary. It does not cover all the situations nor resume the whole French Law- which is very intricate. Please contact us for accurate information adapted to your situation. We cannot be held responsible for any misinterpretation of this document. Edition Mar-15

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Penalties:

The failure to provide the tax auditor with a compliant FEC file is punishable by a **fine of €5,000 per audited year or, if higher, by a fine equal to 10% of the amount reassessed** by the French tax administration.

Rejection of the books:

Moreover, if the FEC file is not remitted or if it is not compliant, the tax auditor may also consider either that there is an opposition to the remittance of a FEC file or that the books are not properly maintained as per French standards. In both cases, he may decide to **reject the books** as well as all the corresponding taxes which were filed and paid during the audited fiscal years. In that situation, the French tax administration may assess itself the profit and turnover of the French company and it will be the taxpayer's responsibility to prove that these assessments are untrue. The French tax administration may then proceed to an **estimated assessment of the taxation basis and there will be a penalty of 100% on the reassessment.**



Please note that, even in the case of a compilation mission (for which the books are usually kept abroad with a supervision of the French public chartered accountants on a limited review basis), all the information mentioned above is still requested. There is no exception for these French legal requirements.

Zero-tolerance in 2015

In 2014, most of the tax auditors have accepted to be provided with the FEC file within the 8 days of the first meeting. From 2015 on, the FEC file must be remitted to the tax auditor during the first meeting.

Since 2015, the entries must be strictly booked with a description in French using the French chart of accounts.

Please note that the carry-forward entries must be included in the FEC file and cannot be provided in a separate file anymore.



For a branch

A branch, which is not a separate legal entity, will have to provide the tax auditor with a file with all the accounting entries in case of a tax audit. This file does not have to comply with the regulation related to a subsidiary's tax audit (please see above). Nevertheless, please note that if the bookkeeping is done in a foreign language, the file with all the accounting entries will have to be displayed in French for the tax audit.

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