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Mind the Gap 2026: Country fiche – France

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Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

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Country fiche: France

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Despite increasing in recent years, France's VAT compliance gap was lower than the EU average in 2023, at 6% of the VAT Total Tax Liability (VTTL).** The implementation of mandatory electronic invoicing and e-reporting, set to begin in September 2026, is expected to contribute to improved VAT compliance in the future.

- **France published its first estimate of the corporate income tax gap on 13 October 2026.** Building on the methodology previously developed for VAT, France estimates the annual corporate income tax shortfall at between EUR 5.5 billion and EUR 6.3 billion over the period 2015-2019, between 10 and 15% of CIT collected depending on the years.

- **France has developed a sophisticated, data-driven approach to tax compliance, combining data mining, artificial intelligence and advanced risk modelling to improve audit selection and tax enforcement.** The increasing effectiveness of AI-assisted audits is reflected in a substantial rise in the additional tax assessed through algorithm-based case selection, while close cooperation between data scientists, tax experts and the national statistical institute support the continuous refinement of compliance risk analysis. Also, France's approach to qualification and invalidation of VAT identification numbers represents a good antifraud administrative practice.

- **The French framework for tax expenditure reporting and evaluation is well established.** The tax expenditure report provides a comprehensive and transparent overview of tax expenditures. There is also an evaluation framework in place. Recent changes to the accounting framework for quantifying the costs of TEs seem however to have a tendency to underestimate revenues forgone.

Areas for Improvement

- **France has not yet established a regular framework for estimating and publishing compliance gaps for personal income taxes.** While the tax administration is exploring methodological approaches and relies extensively on operational audit results to monitor compliance, the absence of established PIT gap estimates limits comprehensive monitoring of non-compliance risks and evidence-based evaluation of compliance policies.

- Given **strong fiscal pressure, it would be beneficial to increase the evaluation of tax expenditures and more consequently follow-up on evaluations results.** There is scope to strengthen the evaluation process, notably to enforce statutory sunset clauses. Enhanced capacity for cost-benefit analysis would help deliver robust arguments for policymakers' follow-up on negative evaluations and reform related measures.

1. Introduction and policy context

1.1. Snapshot of the tax system

Despite having one of the highest tax-to-GDP ratios in the EU, France is in a difficult fiscal situation. Tax revenue (including social contributions) in France reached 43.5% of GDP in 2024, the second largest in the EU and 4.1 percentage points (pps) above the EU average ([1]). By economic base, labour taxes account for 51.5% of total tax revenue, in line with the EU average. Capital taxes represented 23.7% of total, 2.1 pps above the EU average, thanks to the weight of recurrent property taxes and production taxes. Finally, consumption taxes accounted for 24.7% of total tax revenue, slightly below the EU average. VAT revenues (7.1% of GDP in 2024) are in line with the EU average, while revenues from environmental taxes (1.9% of GDP) have been historically slightly below the EU average.

The tax and benefit system reduces income inequality in France significantly. The tax and benefit system reduced the Gini coefficient by 9.6 pps in 2024, almost 2 pps above the EU average of 7.8 pps ([2]). This is the result of a progressive structure of the personal income tax in which the tax wedge ([3]) is well above the EU average at almost all income levels, except for very-low-income earners. At 29.5 pps in 2025, the difference in the tax wedge between high-income (167% of average wage) and low-income earners (50% of average wage) was the second largest in the EU (average: 12.5 pps) ([4]). Nevertheless, income inequality, measured by the income quintile share ratio (S80/S20), is marginally above the EU average (4.74 vs 4.62 in income reference year 2024) ([5]). The at-risk-of-poverty and social exclusion (AROPE) rate ([6]) is also broadly in line with the EU average (20.9% vs 21.0%).

In 2026, France has received the following country-specific recommendations (CSRs) in the area of taxation ([7]):

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 44.2% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[3] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[4] While the tax wedge for an earner of 50% of the average wage is, at 22.1%, among the lowest in the EU (average, 32.6%), the tax wedge for middle (100% of the average wage: 44.7%) and high-income (167% of the average wage: 51.6%) individuals is among the highest (EU: 34.0% and 44.1%, respectively).

[5] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[6] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

[7] https://data.consilium.europa.eu/doc/document/ST-11122-2026-INIT/en/pdf

- *Rely on the outcome of spending reviews to reduce public spending in a lasting and significant manner and improve its efficiency. Shift taxes away from production factors to consumption and environmental taxes, while rationalising and reducing fiscal and social tax expenditures.*

France is under Excessive Deficit Procedure (EDP) since July 2024, with a Council recommendation to put an end to it by 2029 ([8]). France had a government deficit of 5.1% of GDP in 2025 (down from 5.8% in 2024) and a level of government debt of 115.7% (up from 112.6%), both values well above the reference values of 3% and 60%, respectively. The increase in primary net expenditure, which is the indicator for assessing European commitments, was +0.9% in 2025, in line with the trajectory recommended by the European Council (+0.8% in 2025).

France is among the Member States with an extended adjustment period in its Medium-Term Fiscal Sustainability Plan (MTFSP). The set of reforms and investments underpinning the extended adjustment period include the publication of an annual report on revenue increases derived from the reduction and permanent withdrawal of taxes and social expenditures ([9]).

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

France's tax system appears structurally complex, particularly from the perspective of the underlying tax code, but citizens generally perceive tax returns favourably. Expert survey-based evidence from the Tax Complexity Index (TCI) places France among the more complex systems in the EU, ranking 15th among Member States. The underlying components of the TCI suggest that complexity is driven primarily by the structure and density of tax rules rather than by administrative procedures alone ([10]). Citizen perceptions are nevertheless comparatively favourable: 70% of respondents report that completing their tax return is easy, substantially above the EU average of 49%, while only 1% rely on professional assistance ([11]). This likely reflects the widespread use of pre-filled returns and relatively advanced digital filing systems.

Legislative activity was somewhat elevated in 2025. France recorded 19 tax changes entering into force or announced in 2025, compared with an EU average of around 14 ([12]). Previous years saw 19 tax changes in 2023 and 16 in 2022, broadly in line with the corresponding EU averages. The reforms adopted in 2025 cover a broad range of taxes and include several business-related measures, such as a temporary contribution on the profits of large companies, a tax on share buybacks, the postponement of the planned abolition of the contribution on companies' added value (CVAE), and a special contribution on maritime freight. Additional measures concern VAT,

[8] https://data.consilium.europa.eu/doc/document/ST-5033-2025-REV-1/en/pdf

[9] See Council Recommendation of 21 January 2025, https://economy-finance.ec.europa.eu/document/download/f8be355b-dd72-4726-b81e-fea6e416fc1b_en?filename=MTFSP_2025_FR.pdf&prefLang=sl.

[10] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[11] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[12] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

environmental taxation and personal income taxation. While many of these reforms were introduced in the context of fiscal consolidation and pursue clear revenue or policy objectives, the breadth of the package requires businesses and taxpayers to adapt to numerous changes. This may increase compliance costs in the short-term, particularly for larger firms subject to several of the new or amended business taxes.

Demand-side indicators point to moderate reliance on tax and accounting services. The accounting, bookkeeping and tax consultancy sector accounts for around 0.6% of gross operating surplus, below the EU average of 0.9% ([13]). While this indicator is influenced by several factors, it does not point to a particularly important professional services sector or unusually strong demand for specialised tax and accounting expertise ([14]). Taken together, the evidence suggests that France combines a structurally complex tax system with comparatively user-friendly filing procedures for individuals. Although taxpayers benefit from highly digitalised and pre-filled tax returns, the underlying complexity of the tax code, relatively high legislative activity and a large number of targeted tax provisions may still create compliance challenges, particularly for businesses. However, the available indicators suggest that reliance on specialised tax and accounting services remains comparatively moderate.

1.2.2. National simplification efforts

France has continued to pursue a digital-by-default tax administration strategy aimed at simultaneously improving tax compliance and reducing administrative burdens. The flagship measure is the nationwide roll-out of mandatory electronic invoicing and transaction reporting, scheduled to enter into force progressively from September 2026. In 2025, the authorities further simplified the framework by removing a number of detailed reporting requirements and streamlining technical obligations, thereby reducing compliance costs for VAT reporting. After a launch in 2024, property owners in France have increased, in 2025 and 2026, their digital declaration of any changes in occupancy or tenant status via the secure *"Gérer mes biens immobiliers"* ("manage my properties") portal. This ongoing digital reporting of real estate leases and property data is designed to automate the calculation of local taxes and minimize manual filing errors.

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([15]). The shadow

[13] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[14] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[15] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States – available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 – for the definitions of the other components of

economy is an analogous but narrower concept— used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data from official sources ([16]) allow an estimate of the size of the non-observed economy (NOE) in France at 5.5% of GDP for 2019. The NOE comprises the underground economy (2.5%) and statistical deficiencies (1.9%), while illegal economy and informal economy represent 0.86% and 0.21% of GDP, respectively. France thus records a NOE below the EU average (7.4% of GDP) ([17]). The largest part of non-observed economy is concentrated in 'Manufacturing' (0.29% of total GVA) and 'Wholesale and retail trade' (0.41%). At industry level, the highest shares of NOE are presented by 'Activities of households as employer' (26.5% of its GVA), 'Other service activities' (17.3%) and 'Accommodation and food service activities' (7.4%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for France are higher than the non-observed economy estimate discussed above. In 2022, the shadow economy in France represented 14.2% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([18]). This ratio is 3.4 percentage points below the EU-27 average and has shown an increasing trend in recent years (9.9% of GDP in 2013). The report also indicates that indirect taxes and unemployment are the main drivers of the shadow economy in France. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([19]). However, using a currency demand approach (CDA), a recent study by EY ([20]) reports lower estimates for the French shadow economy at 6.7% of GDP in 2023 (EU average 7.9%), down from 9.6% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

France has developed its data mining techniques to decrease its tax gaps arising from frauds and has started estimating its CIT gap for the years 2015-2019, however it does not plan to produce a PIT gap. A specialized analytical unit was reinforced within the Directorate-General for Public Finances (*Direction générale des Finances publiques*, DGFiP), specifically housed under its economic studies, statistics, and risk-modelling departments. This small, highly specialized

NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

[16] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in European Commission (2026), Methods and data for analysing tax gaps and compliance enforcement capacity in EU Member States, Directorate-General for Taxation and Customs Union.

[17] The (unweighted) EU average does not include Luxembourg, which has not yet sent data to EUROSTAT.

[18] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[19] See Fernandes op. cit. (2025) for an overview of various studies.

[20] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf

team of data scientists, econometricians, and tax experts collaborates directly with national statistical institutes like INSEE.

Statistically separating deliberate tax evasion from non-deliberate errors remains a core priority, favouring a bottom-up methodology and actively exchanging with EU Member States. Following the legislative push for the taxpayer's "right to err" (*droit à l'erreur*), the DGFiP is refining econometric models to isolate complex tax-law compliance fatigue from structural fraud. For the domestic VAT gap, the DGFiP relies extensively on a risk-based audit program (*contrôles aléatoires*).

France participates in the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU Member States. France participated in the first cycle, which concluded in 2025 ([21]), and continues to participate in the current cycle, launched in 2026.

2.2 Compliance tax gaps in VAT

France is acting regarding recent challenges in VAT gap estimations. Those were subject to an assessment by the *Inspection Générale des Finances* (IGF) which identified key underlying reasons explaining the recent divergences between actual VAT revenues and projections, critically examining the forecasting model ([22]). The French tax administration estimates the VAT compliance gap using a bottom-up approach. The method is based on operational audit data results (risk-based data) that are extrapolated to the entire population of taxpayers. These results were first published in September 2024 and are expected to be updated on a regular basis.

For 2023, the VAT compliance gap ([23]) in France was estimated at around 6% of the VAT Total Tax Liability (VTTL) ([24]), or approximately EUR 12 billion. After falling from around 7.5% in 2020 to 4% in 2021, it increased again in 2023; however, it remained below the 2019 level ([25]). France's VAT compliance gap remained below the EU average of 9.5% in 2023. This rise was linked to a decrease in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages) and an increase in bankruptcy declarations.

A recent measure aimed at strengthening VAT compliance is the implementation of mandatory electronic invoicing and e-reporting, which has begun in September 2026. Under this reform, all VAT-registered businesses will be required to receive electronic invoices, while large and medium-sized enterprises will also be required to issue structured electronic invoices and transmit transaction data to the tax administration through accredited digital platforms. In parallel, e-reporting obligations will cover B2C and cross-border transactions, providing the tax authorities with near real-time access to VAT-relevant information. The reform is intended to reduce the VAT compliance gap, improve the detection of fraud and enhance the accuracy of VAT declarations

[21] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[22] Inspection Generale des Finances Dynamique des recettes de TVA et ecarts de prévision February 2026.
[23] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[24] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[25] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

through automated data matching and pre-filled returns. This policy direction has been further reinforced by the February 2026 report ([26]) of the Inspection Générale des Finances (IGF), which identified a significant increase in VAT fraud linked to low-value e-commerce imports, particularly small parcels originating from China, as a key contributor to the recent material underperformance of VAT receipts. The report estimates that the associated revenue loss may approach EUR 1 billion annually and highlights weaknesses in the control of import VAT schemes and cross-border data exchanges. In response, the French authorities are strengthening risk-based controls, expanding the use of data analytics, and leveraging the forthcoming e-invoicing framework to improve transaction traceability and fraud detection. France also introduced a temporary national tax on low-value packages in March 2026, more commonly known as the "small-package tax", to combat VAT fraud among other things. Set at two euros per item, it was suspended as of July 1, 2026, in favor of the flat-rate customs duty levied at the European level. Taken together, these measures constitute the core of France's current strategy to improve VAT compliance and reduce the VAT compliance gap.

2.3 Compliance tax gaps in corporate and personal income tax

France does not estimate compliance tax gaps in personal income tax and did similarly for corporate income tax until October 2026, but prefers publishing realised operational results. In its Annual Tax Audit Report (*Rapport Annuel du Contrôle Fiscal*), the DGFiP details its enforcement yield at EUR 17.1 billion in 2025 in notified adjustments and breakdowns of what corporate audits actually recovered, recording an increase of 3% compared to 2024, which was already a record-high year.

DGFiP's data-driven targeting strategy is bearing fruit in 2025. While data mining guided a similar total proportion of business audits between the two years (~56% in 2024 vs. 57% in 2025), the underlying economic efficiency of the algorithms matured significantly. The total AI-attributed-yield of the total notified adjustments reached EUR 2.8 billion in 2025 compared to EUR 2.5 billion in 2024. The median yield per case for audits programmed via AI also increased by 11%, from EUR 34 220 in 2024 to EUR 37 956 in 2025 ([27]). Most of this increase is attributable to the implementation of DAC7.

Moving through 2026, the administration's stated objective is to use the upcoming mandatory electronic invoicing (B2B e-invoicing) as the lever to structurally decrease CIT non-compliance. The transition to B2B e-invoicing starting in September 2026 is designed to create real-time visibility into the commercial transactions driving CIT liabilities.

France published its first estimate of the corporate income tax gap on 13 October 2026 ([28]). Building on the methodology previously developed for VAT, France estimates the annual corporate income tax shortfall at between EUR 5.5 billion and EUR 6.3 billion over the period 2015-2019, with a decrease in percentage for the gap from 15% in 2015 to 10% in 2019. The estimate is based on an extrapolation of tax audit findings, with statistical adjustments to account for selection bias arising from the risk-based targeting of audits.

[26] Inspection Générale des Finances Dynamique des recettes de TVA et ecarts de prévision February 2026.
[27] Les Finances Publiques: une administration qui compte, Rapport d'Activité 2025, ra_2025.pdf.
[28] The full study is available here https://www.impots.gouv.fr/dgfip-analyses-manque-gagner-en-matiere-dimpot-sur-les-societes-partir-des-donnees-de-controle.

European Commission estimates suggest a below-average CIT compliance gap in France. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of France is estimated at around 6.7% of collected CIT revenues based on 2019 data ([29]). Based on the same methodology, the (unweighted) average CIT compliance gap is 9.2% of collected CIT revenues across all Member States. Compared to an earlier estimate of around 6.7% in 2017, this indicates a broadly stable level over time and remaining below the EU average.

Concerning the PIT compliance gap, the use of DAC7 data is improving compliance on real estate income tax. In its ongoing commitment to enhancing tax transparency and tackling shadow economy activities within the internal market, DGFiP, through its Department of Tax Studies and Statistics (DESF), consolidated the operational deployment of Council Directive (EU) 2021/514 (DAC7) over the 2025 and 2026 fiscal cycles. During the 2025 campaign, analytical efforts focused on data curation and the deployment of pre-filled tax returns, which fostered substantial voluntary disclosure among platform operators and individual users. By 2026, the DESF fully operationalized DAC7 datasets within its predictive artificial intelligence and machine-learning models, executing systematic cross-border data-matching against local property registries.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

France does not estimate the compliance tax gap for excise duties, except for tobacco ([30]). The country demonstrates an interest in strengthening EU cooperation on excise matters through its participation in the FISCALIS project group on Excise gap and Risk. Although the French Administration does not estimate the excise gap on a recurring basis, it has recently commissioned a study to quantify it**.** The study estimated that in 2023, 17.7% of tobacco consumed in France escaped French taxation, corresponding to an estimated EUR 4.3 billion in forgone tax revenue. More broadly, the report estimated untaxed or non-domestic tobacco consumption at between 12.3% and 22.4% of total consumption, implying fiscal losses of roughly EUR 2.8 to 5.8 billion. Cross-border purchases are identified as the main driver of tax avoidance.

There is currently no public information or evidence that France estimates other compliance tax gaps. There are no official programmes or published figures for compliance gaps related to other tax measures**.**

[29] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) .

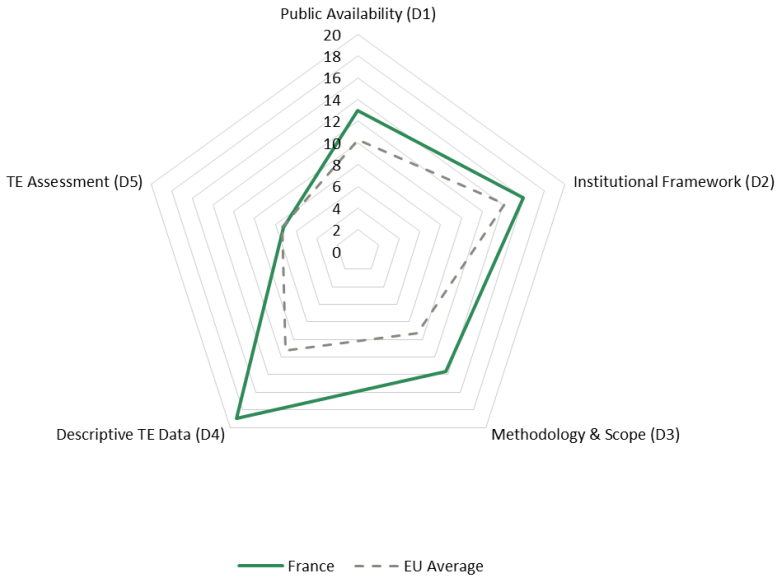
[30] Portail de la direction générale des douanes et droits indirects - Étude TAFE 2025 : 17,7 % du tabac échappe à la fiscalité nationale.

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

France provides comprehensive tax expenditure (TE) reporting with estimates of forgone tax revenues. The French tax expenditure report for 2027 is presented as a comprehensive, self-standing document integrated into the annual draft budget (*Projet de loi de finances*) as Volume II of the *Évaluation des voies et moyens* (Assessment of Ways and Means) ([31]). Up to date and explicitly tracking 459 separate tax expenditures for the 2027 fiscal year, the document includes comprehensive assessments of total revenue forgone, projected at EUR 91.9 billion for 2027 (around 3% of GDP), and breaks down the targeted groups of beneficiating taxpayers across corporate and household sectors. Furthermore, the report details structural provisions and explains why certain low-rate regimes (such as discounted VAT on essential medicines) are excluded from traditional tax expenditure classifications ([32]).

Figure 1: France vs. EU average — GTETI v2.1 dimension scores (max. 20 per dimension)



Source: GTETI v2.1.

According to the Global Tax Expenditure Transparency Index (GTETI), tax expenditure reporting in France is well developed (overall ranked 3rd). According to the GTETI analysis, transparency in TE reporting in France is above the EU average overall. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages ([33]). The maximum value for each dimension is 20. France performs above the EU average on Public Availability, Institutional Framework, Methodology and Scope, and Descriptive Tax Expenditure Data. France is on par with

[31] Available at https://www.budget.gouv.fr/documentation/file-download/34342.

[32] Reductions for essential medicines serve societal policy, therefore, they are classified as structural features, not tax expenditures.

[33] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

the EU average on Tax Expenditure Assessment (7.20 vs 7.34). The strong performance on Methodology and Scope reflects broad coverage of tax types, benchmark specification, treatment of structural provisions, data source disclosure. The strong performance on Descriptive Tax Expenditure Data reflects comprehensive policy objective information, beneficiary information, information on legal duration and sunset clauses, legal references for most TEs.

Changes in the accounting convention have downplayed the magnitude of the increase in TEs from 2024 onwards. The *Notes d'Exécution Budgétaire* (NEB) 2024, published by the French Court of Auditors in April 2025, which examine tax expenditures, found that related costs reached EUR 89.4 billion in 2024, an increase of EUR 6.5 billion compared to 2023. However, using the full VAT related tax expenditures (i.e. before deducting the share transferred to local authorities and social security), as it was the case before 2024, total TE costs exceeded EUR 101 billion for the first time. The Court specifically criticised the government's 2024 change in VAT tax expenditure accounting conventions as 'contestable,' calling it a de facto understatement of tax expenditure costs ([34]). This new presentation presents the tax expenditures that result in a cost to the general State budget, even if the cost of certain measures may entail a loss of revenue for other public administrations. In its Report on the National Budget for the year 2026, the Court also highlights a severe execution gap, noting that while the initial forecast for 2025 stood at EUR 85.1 billion, the government's subsequent *PLF 2026* data revised the 2025 cost upward to EUR 91.8 billion (at 3.1% of GDP) ([35]), due notably to the methodological change of the Dutreil Pact estimate.

France has a formal procedure in place, requiring regular evaluation of TEs. Those mechanisms notwithstanding, France has been repeatedly criticized for the insufficient quality of the evaluation process. Under Article 22 of the Public Finance Programming Law (*Loi de programmation des finances publiques*, LPFP), tax expenditures are integrated into institutionalized spending reviews (*revues de dépenses*), with a legal time-limit that restricts new provisions to a maximum duration of four years to ensure continuous reassessment. However, the French Court of Auditors has criticized the structural management of tax expenditures for the 2025 fiscal year, denouncing a "recurring and growing under-evaluation" ([36]). Furthermore, the Court criticises the state's evaluation process itself for failing to enforce statutory sunset clauses and failing to deliver rigorous cost-benefit analysis. In line with the European Semester country-specific recommendation (see section 1.1), the IMF has recently recommended that France rationalize costly, distortive, or inefficient TEs ([37]). The IMF also considers that addressing the complexity of its tax incentive regime is a prerequisite for France's structural transformation ([38]).

3.2 Policy tax gaps in VAT

VAT is an important source of revenue for France. The standard rate for VAT in France is 20%. VAT revenues of about EUR 175.1 billion contribute 16.3% of all tax revenues in 2024, below the EU average of 18.1%.

[34] The State Budget in 2023 - Audit Results and Financial Performance, Chap2, section III, page 112, the French Court of Auditors.
[35] These figures differ from the estimates of the VAT rate gap and national policy-driven VAT exemption gap produced under DG TAXUD's VAT gap in Europe study and presented in section 3.2. This is due to differences in the methodology applied.
[36] Cour des Comptes, Rapport sur le budget de l'État (Résultats et gestion), published in spring 2026.
[37] France: Staff Concluding Statement of the 2026 Article IV Mission
[38] Spending Efficiency and Reforms: France (2023).

Since 2025, targeted changes to VAT rates have been introduced. These include changes to the VAT applied to contracts of energy supply that are increased from a reduced rate to the standard rate, the application of the standard VAT rate for gas boilers, reduced VAT rates of 5.5% for solar installations. Still, the 2025 Budgetary Law foresaw to introduce a significant reduction in the VAT exemption threshold for small businesses ("*franchise en base de TVA*") to a uniform annual turnover threshold of EUR 25 000, aiming to broaden the VAT base and increase revenue collection. However, following consultations and opposition from affected sectors, the measure was suspended and ultimately abandoned, leaving the existing thresholds unchanged in 2026.

Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached over EUR 100 billion in 2023 ([39]). The national policy-driven VAT exemption gap ([40]) was estimated at around EUR 50 billion in 2023, or 10% of the notional ideal revenue ([41]), while the EU average was 11%. The VAT rate gap ([42]) was estimated at over EUR 50 billion in 2023, or 12% of the notional ideal revenue, similar to the EU average.

Tax-simulations indicate that France's reduced VAT rates in 2025 are concentrated in a small number of categories, led by 'food and beverages' ([43]). 'Food and beverages' accounts for the largest share of forgone revenues at 51.9%, well above the EU mean share of 39.8%. 'Restaurants and accommodation' comes second at 21.5%, close to the EU mean share of 20.4%. 'Health' ranks third at 10.0%, close to the EU mean share of 10.4%. These three categories account for 83.4% of France's total forgone revenue.

France's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.32 pps, below the EU average reduction of 0.50 pps. 'Food and beverages' contributes 0.24 pps (72.6% of the total), below the EU mean contribution of 0.32 pps.

3.3 Policy tax gaps in corporate income tax

France's corporate income policy tax gap is concentrated among a few instruments designed to stimulate corporate competitiveness, innovation, and small business growth. The Research Tax Credit (*Crédit d'impôt recherche*, CIR), stands as the first business incentive costing the state EUR 8.1 billion in 2025 and budgeted at EUR 7.8 billion in 2027 (restitution effects included) through its 30% credit on eligible R&D expenses, followed by the reduced 15% CIT rate

[39] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[40] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.
[41] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.
[42] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.
[43] The VAT rate gap is analysed here using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

for small and medium-sized enterprises, at EUR 3.6 billion which exempts the first EUR 42 500 of eligible SME profits from the standard 25% corporate rate. The third largest forgone revenue is the Corporate Charitable Giving and Patronage Credit (*Mécénat d'entreprise*), which allows entities to deduct up to 60% of their philanthropic donations directly from their tax liability, amounting to roughly EUR 1.1 billion and budgeted at EUR 1.9 billion in 2027, followed by the Innovation Tax Credit (*Crédit d'impôt innovation*, CII) and associated Young Innovative Enterprises (*JEI*) framework at EUR 300 million and budgeted at EUR 427 million in 2027. The evaluation conducted by the National Commission for the Evaluation of Innovation Policies in 2021 indicated that the Research Tax Credit had no significant effects on larger firms, despite half of the support being transferred to them ([44]). This finding was confirmed in a recent study, which highlights windfall effects, particularly for larger firms, without increasing large companies' R&D ([45]).

3.4 Policy tax gaps in personal income tax

France's personal income policy tax gap concentrates forgone revenue in the fields of household and youth employment and family wealth preservation. The largest PIT specific relief is the Tax Credit for Employing a Home Service Worker, at EUR 6.0 billion, followed by the Income Tax Exemption for Apprenticeship and Student Salaries, a targeted labour market policy at EUR 2.6 billion, and the Exemption of Registration and Inheritance Successions on Life Insurance Policies, which acts as a major wealth-transmission relief at EUR 2.4 billion. Ranking fourth is the Abatement on Capital Gains for Primary Residence Sales, at EUR 2.2 billion, followed by the Income Tax Credit for Charitable Donations, Patronage, and Political Contributions, at EUR 2.1 billion.

In 2025, for the first time, the Dutreil Pact has appeared as a particularly costly tax expenditure. The Dutreil Pact is a structural business exemption granting up to a 75% relief on inheritance and registration duties during the transmission of family-owned companies. It stands as one of France's most fiscally significant tax expenditures. While the government's official 2025 budgetary annex (*Évaluation des voies et moyens*) significantly understated its cost at an official estimate of EUR 800 million, an audit by the French Court of Auditors and the Institute for Public Policy (IPP) revealed that its annual cost is between EUR 5.5 and 6.0 billion for 2025. In this regard, the final cost of the Dutreil Pact for 2025 is estimated at EUR 3.8 billion, by the French tax Administration.

Tax-simulations suggest that PIT-related tax expenditures in France in 2025 are associated with a slight increase in income inequality, all other things being equal ([46]). PIT-related tax expenditures imply revenue forgone equivalent to 18.2% of actual PIT revenues, slightly below the EU average of 19.1% ([47]). PIT-related tax expenditures increase the Gini coefficient by 0.27 pps, whereas the EU average is a reduction of 0.46 pps. Despite the relatively

[44] Haut-Commissariat à la stratégie et au plan, "Évaluation du crédit d'impôt recherche. Avis de la CNEPI 2021, 01/06/2021.
[45] Bunel, S. and Sicsic, M., 2024, "Les incitations fiscales à la recherche et développement et à l'innovation : état des lieux, effets et alternatives », Sciences Po LIEPP Working Paper n°163, 2024-04-17.
[46] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[47] According to the European Commission's taxation trends data, PIT revenues in France amounted to approximately EUR 274.2 billion in 2024. This would imply revenue forgone of approximately EUR 49.9 billion due to PIT tax expenditures according to the microsimulation (18.2% of EUR 274.2 billion).

low revenue forgone, PIT tax expenditures are associated with an increase in income inequality. The regressive effect likely arises from the fact that a large share of households in France (about the lower half of the income distribution) have a zero PIT bill and thus do not benefit from PIT related tax expenditures ([48]).

Tax expenditures in several policy areas have negative distributional implications. Health-related tax expenditures have the largest progressive effect, reducing the Gini coefficient by 0.12 pps (0.7% of PIT revenue). Work-related tax expenditures, the largest field by revenue forgone (6.9% of PIT revenue), increase the Gin coefficient i by 0.36 pps. Pensions-related tax expenditures (4.6% of PIT revenue) increase the Gini coefficient by 0.12 pps. Negative distributional implications of tax expenditures do not mean that they do not meet their policy objectives, which might be other than redistribution ([49]).

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

France applies a partially integrated tax identification framework, largely unified for businesses but segmented between individuals and companies ([50]). Individuals receive a permanent "numéro fiscal" (SPI) for personal income tax, while businesses use the SIREN (company identifier) and SIRET (establishment-level number) for corporate and VAT obligations. A separate VAT number is assigned, but these identifiers are administratively linked, though no single taxpayer number spans the entire tax and social security system.

France's VAT registration process is fully digitalised and integrated into a mandatory one-stop business portal, combining streamlined processes with targeted risk controls. The centralised *Impôts* portal ([51]) serves as a single interface for registration, filing, and account management, supported by internal audits and external oversight (Court of Auditors). Businesses must complete VAT registration via the one-stop-shop portal during company setup, with automated linkages to commercial court and social security registries for verification. The system allows online modifications to registration details, while risk-based checks primarily target VAT credit refunds, using automated filters to flag high-risk cases for manual review. E-invoicing, mandatory from September 2026, will further enhance data cross-checking. Identity verification (e.g. proof of business address) is required at registration to prevent fraudulent entities, but continuous compliance monitoring is limited to audits ([52]).

France lacks a dedicated e-commerce registration framework, relying instead on fragmented data sources for oversight. France tracks distance sellers via activity codes in tax databases and One Stop Shop (OSS) registrations, excluding SMEs or businesses below the EUR 10 000 threshold. E-commerce operators must register through the same one-stop-shop portal as other businesses, but no additional e-commerce-specific validation is applied. While DAC 7

[48] The share of households paying positive PIT has recently increased but remains below 50% (DGFIP, French fiscal statistics).
[49] TEs are employed with a broad range of policy objectives. The fact that a given TE might have a regressive distributive effect does not imply that it does not successfully implement its stated objective.
[50] https://www.oecd.org/content/dam/oecd/en/topics/policy-issue-focus/aeoi/france-tin.pdf.
[51] https://www.impots.gouv.fr/.
[52] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

data ([53]) and CESOP ([54]) data are used in audits, they are not systematically integrated into the registration process, leaving gaps in identifying high-risk online traders at the onset ([55]).

France's VAT registration process incorporates preliminary checks and refund-risk screening but lacks systematic real-time risk assessment. At registration, multi-agency verification (commercial courts, tax administration) confirms business legitimacy, while post-registration controls focus on VAT credit refunds using automated risk filters to divert suspicious claims for manual review. No fully integrated risk system exists for initial VAT registration, though rejected or high-risk applicants may face additional scrutiny. Third-party data (e.g., invoices, platform transactions) and EU administrative cooperation support compliance checks, but real-time cross-checking of registration data (e.g., against CESOP or customs) is not standard practice. The Risk and Audit Unit oversees internal controls, but proactive registration-risk analysis remains limited to high-risk cases ([56]).

France's qualification of VAT identification numbers generally follows a quick process, whilst invalidation takes longer. Also, more recently, the tax authorities may use – including when based on Eurofisc signals and evidence of fraud – a fast-track invalidation procedure without prior notification. Traders are, however, given the right to contest the invalidation within a set timeframe, and the VAT number is reinstated without delay when the operator has rectified its application properly or the invalidation proved not justified.

4.2 Tax filing and assessment

France's tax system is highly digitalised, with high e-filing, pre-filled income tax, and mandatory e-invoicing via Chorus Pro that automates data exchange, checks, and VAT/business tax processes.

France's pre-filling system excels for PIT but remains uneven across tax types ([57]). In 2024, 86.8% of PIT returns were pre-filled, drawing on data already held by the administration or provided by trusted third parties such as employers and pension bodies, in line with a "tell us once" approach ([58]). VAT pre-filling, introduced in 2024, marks a newer development, but public information on its uptake remains limited ([59]).

E-filing rates are high for direct taxes, with particularly strong performance for CIT, while comparable information for VAT is not available ([60]). In 2024, the e-filing rate for CIT was 96.3%, above the EU average, while PIT stood at 86.8%, slightly below the EU average of

[53] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms

[54] CESOP is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[55] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection)

[56] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection)

[57] https://www.franceconnect.gouv.fr/

[58] Findings based on Member States' annual reporting (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[59] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[60] Idem

88.4%. No 2024 data is provided for VAT e-filing, although businesses generally use digital channels for VAT returns.

France offers taxpayer support through both digital and traditional channels, including secure messaging, call centres, phone and in-person help, reminders, portal notices, and VAT feedback online. VAT consultations and amendments have been available via secure professional accounts since 2019, with online updates possible through the one-stop business portal since 1 January 2023 ([61]).

France makes thorough use of data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([62]), i.e. DAC1 ([63]), DAC2 ([64]), and DAC7 ([65]), for the purposes of personal and corporate income taxation, inheritance or wealth tax, social security and professional contributions, and VAT where relevant. The identification of taxpayers concerned in France is very efficient: in 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([66]) is 90% for main categories of DAC1 ([67]), 93% for DAC2 (over the EU-average: 84% and 92% respectively). While the matching rate for DAC7 (73%) is lower than the EU average (86%), the reasons are linked to the influx of data of questionable quality from certain platform operators that have been identified by France and reported to the concerned Member States through the feedback process ([68]). This systematic approach ensures that data is used to its full potential. In this respect, the TIN validation tool envisaged in the DAC recast proposal will support the matching process to approach a 100% automatic matching rate, ultimately supporting France's fully automated approach.

Once the taxpayers have been identified, French tax authorities use the available data for a large range of activities: awareness raising campaigns, voluntary compliance programs, prepopulated tax returns, tax risk assessment ([69]) to detect possible undeclared income, notification to generate disclosure and, if relevant, tax assessments or general audits. In France, this use is not only relevant for personal income tax, but also for detecting undeclared professional activities, by using the most recent exchange of information on income from digital platforms (DAC7). This leads to substantial increase in tax base and tax assessed, the most important in value within the EU. Moreover, the *Direction générale des Finances publiques* (DGFIP) publishes details regarding the use

[61] Findings based on Member States' annual reporting (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[62] Sources: Yearly Assessment 2026.
[63] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.
[64] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.
[65] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.
[66] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.
[67] Income from employment, pensions, director's fees, immovable properties.
[68] Source: Journée d'étude des échanges automatiques internationaux, Juin 2026, Paris.
[69] Tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify situations where specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions.

of data obtained through automatic exchange of information in its annual tax audit report to the Parliament ([70]) and shares the information with the Commission every year.

France has been relatively less active in VAT administrative cooperation ([71]). In 2024, France sent 2 682 requests for information and received 1 711 requests ([72]). Based on a standardised measure, taking into account the relative size of the French economy, France is below the EU weighted average on the number of requests sent and significantly below on the number of requests received ([73]).

France records limited results in automatic exchange of VAT information. In 2024, France reported 4 401 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it has not forwarded any cases. Based on a standardised measure, considering the relative size of the French economy, France is below the EU weighted average on VAT identification numbers allocated to taxable persons not established in France ([74]).

4.3 Compliance risk management

France's compliance approach relies on data-driven risk management rather than a formal compliance risk management (CRM) strategy. While France has not published a standalone CRM strategy, the DGFiP applies a risk-based compliance model that applies data analytics and AI to identify and prioritise risks. The system relies on voluntary error correction, and measures to encourage compliance, such as pre-filled returns and targeted reminders. Risk analysis draws on a broad range of data sources, including tax returns, EU and international information exchanges, cross-border payment data, and, where legally permitted, publicly available online data ([75]).

France's AI-driven CRM focuses on predictive risk analysis and internal efficiency. France deploys AI primarily to anticipate fiscal risks and streamline operations, rather than for direct enforcement or taxpayer support. Predictive modelling helps detect municipalities and businesses in financial distress ("weak signals"), enabling early intervention before compliance issues escalate. AI-assisted data mining, linked to EUR 2.8 billion in recoveries in 2025 (up from EUR 2.5 billion in 2024), identifies risk patterns, though final decisions remain with human analysts. Additionally,

[70] Document de politique transversale (DPT): Lutte contre l'évasion fiscale et la fraude en matière d'impositions de toutes natures et de cotisations sociales/

[71] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.

[72] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).

[73] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, France sent 0.91 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 0.58 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

[74] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, France reported 1.50 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP.

[75] https://www.economie.gouv.fr/files/files/directions_services/dgfip/Rapport/2025/ra_2025.pdf

internal AI tools (piloted by 6 000 staff, with full rollout by 2026) enhance data retrieval and risk assessment within the DGFiP's systems ([76]).

France also uses reports exchanged automatically under the DAC, i.e. DAC3 ([77]), DAC4 ([78]) and DAC6 ([79]) for risk-analysis purposes in the field of corporate income taxation. The DGFIP identified successfully 100% of the taxpayers concerned by DAC3 reports, and 80% of the taxpayers concerned by DAC4 (the EU average being 92%). However, France was not able to provide the percentage of DAC6 reports identified successfully for 2025. In practice, DAC3, DAC4 and DAC6 reports are used for identifying tax risks, including on transfer pricing, base erosion and profit shifting, harmful tax practices, and risk of non-compliance by certain entities, followed up by tax audits where relevant. A dedicated data analysis unit examines these data and uses them to program tax audits ([80]). This comprehensive use of the relevant data suggests that the French tax authorities have successfully integrated it into an efficient process. This comprehensive approach could be improved even further with a more systematic and better use of DAC6 reports.

France limits CESOP data to tax audits due to quality concerns, rather than integrating it into VAT administration. While the data is used to cross-check VAT returns and identify underreported amounts, its reliability is deemed insufficient for broader administrative purposes. Comparisons between CESOP records and taxpayer declarations remain a key audit tool - but only as part of targeted verification processes ([81]).

4.4 Audits

France's audit system combines comprehensive coverage with strategic priorities – but misses early-stage engagement. France conducts a wide variety of audits. However, no interventions occur between tax filing and formal audit ([82]). Current priorities focus on international tax fraud, digital economy VAT risks, and AI-driven audit selection, reflecting a mix of broad capability and targeted enforcement ([83]).

AI plays a key role in France's audit selection, though final decisions remain with tax officials. In 2025, artificial intelligence intervened in the targeting of 57% of tax audits of professionals, compared with 56% in 2024, while its use for audits of individuals increased to more than 54% ([84]). The French tax administration uses AI and advanced mathematical techniques to

[76] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[77] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.
[78] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.
[79] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.
[80] Source: Journée d'étude des échanges automatiques internationaux, Juin 2026, Paris.
[81] Findings based on Member States' annual reporting (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[82] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – France, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/2080503.
[83] https://www.economie.gouv.fr/files/files/directions_services/dgfip/Rapport/2025/ra_2025.pdf
[84] https://www.impots.gouv.fr/actualite/publication-du-rapport-dactivite-2025-de-la-dgfip

support tax audits by analysing data from individuals' and companies' tax returns and developing predictive models that identify declarations presenting a higher risk of irregularities. Tax officials nevertheless remain responsible for reviewing the results and taking the final decision on whether to initiate or pursue an audit.

France's targeted approach to large taxpayers and e-commerce yields strong results with limited resources. The Large Taxpayer Office (Direction des Grandes Entreprises) – overseeing major businesses, multinationals, and high-net-worth individuals – accounts for 48% of total tax revenue despite using only 2.2% of staff, all dedicated to audits. Meanwhile, France's e-commerce oversight combines mandatory VAT reporting for non-EU sellers, stricter platform accountability under anti-fraud laws, and planned digital reporting reforms.

France makes regular use of advanced instruments of administrative cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border VAT issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reducing the tax gap. Between 2023 and 2025 France has initiated 8 MLC and 7 PAOE, and has participated in 15 MLC and 12 PAOE, representing respectively 7.4%, 10.8%, 5.1% and 9.3% of the total of these operations ([85]).

4.5 Payment and collection

France shows a strong overall level of digital tax compliance, especially for PIT and VAT, but the picture is less complete for CIT ([86]). In 2024, 98.1% of tax payments are electronic, above the EU average of 94.9%. It also performs well above the EU average on on-time payment, with 92.6% for both PIT and VAT, versus the EU averages at 79% and 83.7% respectively. By contrast, no comparable data are available for CIT both on on-time payment and on e-payment ([87]). Cash payments for taxes are allowed but only up to EUR 300 per debt or amount due and only when payment is made at an authorised cash desk or partner outlet.

France only refunds VAT to properly VAT-registered businesses. Registration includes identity checks to reduce fraud. Riskier claims are screened more closely, using factors such as the nature of the business, when activity began, and whether the business address appears valid ([88]).

4.6 Tax debt recovery

In France on-time payment rates are high but the year-end tax arrears, expressed as a percentage of total revenue, have increased slightly in recent years (data available until 2024). In 2024 it amounted to 8.7%, below the EU average of 30.7%. The closing stock of

[85] EU AIAC Statistics -2023-2025.

[86] Code général des impôts, Livre des procédures fiscales, Article L112 A (cash payment ceiling of EUR 300 for tax-related payments): https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000006311332 Service-Public.fr – payment of taxes to the public treasury / approved local retailers ("buralistes") and payment methods: https://www.service-public.gouv.fr/particuliers/vosdroits/R3120 (DGFiP) – official tax payment methods and practical rules: https://www.impots.gouv.fr/paiement-de-proximite.

[87] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

[88] Findings based on Member States' annual reporting (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

collectable arrears as % of the closing stock arrears increased in recent years, to 66.0% in 2024 ([89]).

France has specific legislation on cooperation between the administrator of insolvency proceedings and tax (recovery) authorities, but information that French tax authorities obtain from other Member States cannot be shared with the administrators of insolvency proceedings ([90]).

As regards the write-off of tax debts, France applies strict rules ensuring that debts are only written off when recovery is no longer possible.

There is no disaggregated information on how long it takes to solve tax disputes (at administrative level or before a court) which usually prevent or suspend the recovery of contested tax claims, nor on (administrative or judicial) appeal stages ([91]). The French law does, however, allow the tax administration to take precautionary measures before there is an assessment/title, although a court order needs to be obtained first.

Regarding cross-border recovery assistance within the EU, France submits compliant requests to other Member States but could be more responsive to incoming requests. France failed to execute recovery requests relating to particular categories of smaller taxes.

French recovery requests to other Member States generally comply with requirements ([92]), focusing on well-established claims. Only 114 recovery requests were suspended in 2025 because of contestation of the debt, while 4 472 requests for recovery were sent to other Member States in the same year ([93]).

France does not use the information from DAC for recovery purposes. France acknowledges that this is a best practice and is considering this option ([94]) for the coming years, as well as a wider use of DAC data for other taxes, such as local taxes.

[89] ISORA Data - closing stock and collectable arrears.
[90] France's replies to questions 34-36 of the 2025 survey on tax recovery.
[91] France's replies to questions 12- 13 of the 2025 survey on tax recovery.
[92] Statistics on rejections of requests, reported by France as applicant State, relating to recovery assistance in 2025.
[93] Statistics on the suspension of recovery requests, sent by France as applicant State, following contestation of the claim, for 2025.
[94] Journée d'étude des échanges automatiques internationaux, Juin 2026, Paris.