New Requirement for Taxpayers Using Accounting Software or Cash Register Systems

Starting 1 January 2018, the use of secured, certified software or cash systems will become mandatory.

To combat VAT fraud, the French Finance Act for 2016 has introduced an obligation for VAT taxpayers who record their customers’ payments via accounting, management or cash software, to use secured and certified software. Otherwise, in the event of an audit, the taxpayer will be subject to a €7,500 fine per software and required to correct its situation. In conjunction with this obligation, the Act provides for a specific inspection right for the administration.

Key Points

A very broad scope – The new requirement applies to all VAT taxpayers who, themselves, record their customers’ payments for transactions carried out with the customer. In addition, it covers all types of software referred to by BOI-CF-COM-10-80 §180: “any equipment that serves to automate calculations and record cash transactions: accounting software, management software and cash systems.” Lastly, it covers any data that directly or indirectly contributes to the execution of a transaction or that serves to track transactions.

Software and cash systems must satisfy 4 conditions:

- Inalterability: this condition is met if the software/cash system allows the administration to access all the original data initially recorded as well as the dated details of the transactions and any corrections made.

- Security: this condition can be met by any reliable technical process capable of guaranteeing that payment collection data can be restored to their state of original recording. This can consist of a record-chaining or electronic data signature technique.

- Retention: this condition requires that the data be managed at a frequency allowing for at least one annual or monthly closing per accounting period.

- Archiving: this condition aims to ensure that the data is frozen in time, is given date certain and can be easily accessed by the administration.
How to prove compliance with these conditions

The measure, which enters into force on 1 January 2018, provides for an obligation either to produce an attestation stating that the accounting software or cash register system used is secure or to prove that the mechanism has been certified by an accredited body.

The attestation may be issued “under the conditions provided for by Article L. 115-28 of the Consumer Code or by an individual attestation from the publisher,” for accounting and cash register systems that “satisfy the conditions of data inalterability, security, retention and archiving in view of an audit by the tax administration.”

Any failure to meet this requirement or refusal by the taxpayer to submit to the administration’s audit will be subject to a penalty of €7,500 per software or system concerned (Article 1770 duodecies of the FTC).

The taxpayer will then have 60 days to bring itself into compliance with the provisions of the law, failing which it will be subject to another €7,500 penalty.

The Finance Act for 2016 also provides for the possibility of spot checks by tax inspectors. In practice, the tax administration’s agents will be able to conduct unannounced audits “between 8 a.m. and 8 p.m. during the taxpayer’s workhours” (Article L. 80 O. of the Tax Procedure Code).

The purpose of these checks will be to verify that the taxpayers has the required attestation or certificate for each version of the accounting software or cash system used by the taxpayer (e.g. by reference to a license number).

Our Recommendations

We recommend that our clients contact their accounting software publishers or cash system distributors now in order to ensure that their products comply with the statutory requirements or to discuss the possibility of updating their systems.

In addition, due to the recent changes in anti-fraud measures, it could be advisable for businesses to set up internal audits aimed at detecting any irregularities in the processing of their accounting entries as well as, more generally, of their VAT treatments.

Corrective action may then be needed in order to reduce the risk of reassessment by the tax authorities. Such actions should be taken as part of a full-fledged process aimed at identifying the sources of potential risk (for the past) and securing day-to-day practices (for the future).

An internal audit of this scale should be conducted in conjunction with (i) a mock tax audit of the information system and (ii) the preparation of a documentation evidencing the existence of a reliable audit trail.

Our Assistance

Fidal’s experts are available to answer your questions about this new requirement and to assist you in auditing your accounting systems and preparing a documentation of your reliable audit trail.

For more information, contact a tax professional with Fidal* in France or with KPMG in the United States:

Laurent Chetcuti | +33 (0) 1 55 68 14 47 | laurent.chetcuti@fidal.com

Armelle Courtois-Finaz | +33 (0) 1 55 68 16 19 | armelle.courtois-finaz@fidal.com

Patrick Seroin | +1 (212) 954 2523 | patrickseroin@kpmg.com