

COVID-19 Crisis - New French VAT measures

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The French tax authorities (“FTA”) have formalized the implementation of several VAT measures to help companies deal with the COVID-19 pandemic.

Adjustment of Invoice Transmission Rules

For the duration of the state of health emergency, the FTA will accept scanned and emailed versions of paper invoices. Hard copies do not need to be sent by post afterwards.

Companies should ensure that scanned/digitized versions are identical to the paper versions and should also continue to maintain a reliable audit trail (“*piste d’audit fiable*”) for those issuing and receiving invoices.

Both the supplier and client can file the scanned invoices either electronically or in hard copy. In principle, if the invoice is kept electronically, Article A. 102 B-2 of the French tax procedure code (“**FTPC**”) requires the invoice to be kept in a PDF format, with a server certificate, digital impression, electronic signature or any equivalent secure device. However, during the state of health emergency, the FTA will allow clients to keep scanned copies of invoices in purely PDF format. After the state of health emergency ends, the client must then re-print or scan the invoices in compliance with the provisions of Article A. 102 B-2 of the FTPC.

Measures for the Preparation of VAT Returns for March and April 2020

Although payment deferrals or tax rebates do not apply to VAT at this stage, the FTA have relaxed several rules in order to assist companies in difficulty during this period.

Assisting Companies Facing Difficulties Collecting the Information Required to Prepare VAT Returns

Due to the containment, companies are likely to encounter material difficulties in collecting the information required to complete their VAT returns within the requisite deadlines.

During this time, companies may estimate their VAT due for the month and pay a deposit on this amount the following month. The margin of error tolerated by the FTA is 20%. This measure is directly inspired by the tolerance levels granted for paid leave (BOI-TVA-DECLA-20-20-10-10-20150506, n° 260).

Decrease in Company Turnover

In order to assist companies facing a decrease in turnover due to the pandemic, the FTA will exceptionally allow them to pay a flat-rate VAT amount for the months of March 2020 and April 2020:

For March VAT due in April

Two potential scenarios:

- (i) By default: the flat-rate due will be equal to 80% of the amount declared for the month of February or, if the company has already used an advance payment in the previous month, a flat-rate equal to 80% of the amount declared for the month of January; or
- (ii) If the company's business has been closed since mid-March (total closure) or has declined significantly (estimated to be at least 50%), the flat-rate will be equal to 50% of the amount declared for the month of February or, if the company has already used an advance payment in the previous month, the flat-rate will be equal to 50% of the amount declared for the month of January.

When the corresponding deposit is paid, the following entries must be made on Form n° 3310-CA3:

- The amount of the deposit mentioned in line 5B "Sums to be added, including paid leave" of box B "VAT payable - Gross VAT".
- The declaration completed by an express mention with the keywords "COVID-19 deposit" and the flat-rate used (e.g. "Flat-rate 80% of month M").

For April VAT due in March

Identical to the previous month if the containment period is extended making it impossible to make a regularized declaration.

Regularized Declaration

The company will need to regularize its VAT due on the basis of actual activity over the previous months paid in the form of deposit, with the deposit amounts deducted.

When completing this declaration, the company must combine the information relating to the past month with those of the previous months for which deposits have been paid. The sum of the deposits paid in respect of the previous months must be deducted and indicated in line 2C "Amounts to be deducted, including paid leave deposits" in box B "VAT payable - Deductible VAT".

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