Luxury group Kering probed for tax fraud: French prosecutor

16 December 2020

Luxury group Kering, which owns Yves Saint Laurent among other top brands, has been under investigation since February 2019 for tax fraud, the French financial prosecutor's office said Wednesday.
It confirmed a report by the Mediapart news agency, which said Kering had set up a system which enabled it to declare in Switzerland activities in third countries, primarily Italy, allowing it to avoid paying 2.5 billion euros ($3.0 billion) in taxes between 2010 and 2017.

A Kering statement said the group firmly contested the "unfounded allegations" of tax fraud contained in the Mediapart story.

Kering, which is headed by French businessman Francois-Henri Pinault, said it was prepared to fully cooperate with the financial authorities.

In 2019, Kering, which also owns Balenciaga and Gucci, was hit with a record tax bill in Italy of 1.25 billion euros in connection with Gucci's earnings, following an investigation by the Milan prosecutor that began in late 2017.

The Italian probe determined that Kering has used a logistics centre in Lugano, Switzerland run by Kering's Luxury Goods International (LGI) division to bill for activities that in fact took place in Italy, thus reducing its tax bill there.

Mediapart, which first revealed the operation in March 2018, said Kering then extended the system "to its other luxury brands, with the exception of jewellery, including the French companies Balenciaga and Yves Saint Laurent."

"Thanks to a secret tax agreement with the (Swiss) canton of Tessin, Kering paid tax of just 8.0 percent on LGI's profits, instead of 33 percent in France," Mediapart said.

It calculated that Kering avoided paying 180 million euros on sales by Yves Saint Laurent alone.