

GOVERNMENT

Kering swept up in tax probe by French financial prosecutor's office

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Gucci parent company Kering is accused of tax evasion in France. Image credit: Gucci

By LUXURY DAILY NEWS SERVICE

Luxury conglomerate **Kering**, owner of Gucci, Balenciaga and Yves Saint Laurent, has confirmed it has been the subject of a tax fraud investigation by the French financial public prosecutor's office since February 2019.

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Kering said it was initially unaware of the probe but is fully cooperating with the inquiry, which focuses on activities involving LGI, the group's Swiss subsidiary. At the core of the probe is an alleged scheme that allegedly allowed the Paris-based group to skirt \$3 billion dollars or 2.45 billion euros at current exchange in taxes from 2010 to 2017 by stating business had been conducted in Switzerland when it was carried out in Italy, where the tax code is less favorable, according to reports.

"The group intends to fully cooperate with the inquiry, in complete transparency and serenity," Kering said in a statement. "Kering will continue to communicate diligently and openly about tax litigation."

A bit of history

In its statement, Kering indicated that the tax fraud proceedings relate to a similar case against the Italian brand Gucci, which resulted in a settlement with Italian tax authorities in 2019.

According to reports, a prosecutor in Milan opened its first tax fraud investigation against Kering in 2017 after Gucci also allegedly avoided taxes by claiming its business was in Switzerland, not Italy.



The Gucci tax case involving Swiss claims of business was settled in May 2019. Image credit: Gucci

In May of 2019, Kering agreed to pay 1.25 billion euros, or \$1.53 billion at current exchange, to reach a settlement with the Italian tax department over the Gucci case.

Prior to Gucci, the Italian government has cracked down on a number of companies for tax evasion.

In 2014, an investigation into Prada's decade-long tax avoidance totaling 470 million euros or \$576 million at current exchange was settled by Miuccia Prada and her husband Patrizio Bertelli for 420 million euros or \$515 million dollars at current exchange. Giorgio Armani similarly paid 270 million euros or \$331 million at current exchange in 2014.

Domenico Dolce and Stefano Gabbana were convicted of tax fraud, but the charges were overturned, allowing them to avoid potential jail time ([see story](#)).

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