

## **“Is There Need for Totally Disconnected Tax and Financial System? A Post IFRS Evaluation of Evolution of French Tax and Financial Reporting Relationship”**

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### **Introduction**

Tax and financial reporting needs differ. The differences themselves vary from country to country. Although two predominant models exist, the so-called Anglo-Saxon model and the Continental model, within these the UK differs from the US and France differs from Germany (Lamb et al., 1998). Therefore, it can be said that there is a continuum from relatively disconnected Anglo-Saxon models to relatively connected continental models (Nobes and Schwencke, 2006). Moreover, the different systems of accounting-tax interrelationships are not fixed for all time but are evolving in each country (Lamb et al, 1998). Nobes and Schwencke (2006) propose a model of evolution of tax and financial reporting links and show that Norway evolved from a continental model to a model which has gone beyond the Anglo-Saxon models of USA and UK by 2005.

The first part of this paper looks some interesting theoretical developments in this field of evolution of relationships of tax and financial reporting (essentially Lamb et al., 1998 and Nobes and Schwencke, 2006) and looks specifically at one model (Nobes and Schenke, 2006, hereafter, the N&S model) which suggests that tax and financial reporting systems would move towards greater disconnection. The second part tests if this model of evolution is validated in France with recent developments of IFRSs and proposes to extend the model studied in part I. A third part of the paper questions the need for future evolution towards two disconnected accounting systems and develops the Barbe-Dandon and Didelot (2008) suggestion for future evolution of accounting systems in a different direction satisfying both reporting requirements, with an illustrative example. In the conclusion, we generalise this solution for all countries.