Luxury giant Kering reportedly made offshore payments to managers

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According to a report from French newspaper Le Monde, Luxury giant Kering, the owner of Gucci, Balenciaga and Saint Laurent, used subsidiaries in Luxembourg to make offshore payments to certain managers over a period of several years.

Following the OpenLux investigation of the Grand Duchy's fiscal system undertaken by a number of European newspapers, including Le Monde, the French daily claims that Kering implemented an "offshore payment system," through which it "paid tens of millions of euros in salaries to its managers through the intermediary of a Luxembourg-based company called Castera."

In 2018, news site Mediapart already reported that Kering had paid "part of the salary of Gucci CEO Marco Bizzarri" via this company, which was founded in 2000, thereby "saving on most of the social contributions that they would have paid in Italy."

Kering "confirmed to Le Monde that several other managers working at the prestigious brands owned by the group have been paid and compensated by this Luxembourg-based company, where they have never set foot," said the article.

Castera "paid 78 million euros in salaries to these mysterious recipients, in 2018," paying "less than 1% in social contributions (...) rather than the 10% they would have paid, had they made the payment from France." Kering told the newspaper "that neither CEO François-Henri Pinault, nor his right-hand man, Jean-François Palus, are involved."

When approached by AFP, Kering said that "having subsidiaries in Luxembourg is normal" for an "international company with operations in more than 60 countries," adding, "the operations of the companies, which are very limited in number and exist for historical reasons, are perfectly legitimate and legal."

According to Le Monde, this "offshore payment system" was abandoned by Kering "in March 2019," when the company transferred "most of its Luxembourg-based assets to the Netherlands – another, slightly more opaque tax haven, where the company is not obliged to publish its accounts."

Having been sentenced to pay a record fine of 1.25 billion euros for tax evasion in Italy in 2019, Kering has been subject to an investigation concerning "the laundering of aggravated tax evasion," led by public prosecutors in France, since February of the same year. According to Le Monde, the French tax office "is demanding 150 million euros in tax adjustment for the company's French subsidiary, Yves Saint Laurent."

French tax authorities told AFP that fiscal confidentiality prevents them from confirming or denying these figures.

Translated by Robin Driver