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Jail Upheld For Dolce & Gabbana. Why They'll Never Wear Stripes

After their tax evasion trial, Domenico Dolce and Stefano Gabbana each received suspended jail sentences of 20 months. That may sound harsh, but they were convicted of hiding hundreds of millions of euros from Italian tax authorities. Italy's appeals court has now upheld the verdict, merely reducing the jail terms from 20 months to 18 months each.

Another appeal is possible, and lawyers say the duo will pursue it. Besides, the sentences are still suspended, which could make much of this fight more about image than anything else. Indeed, prosecutors had originally wanted the pair locked up for hefty [three-year prison terms](#). Yet even 18 months now seems unlikely. The dispute is hardly saving them money either.



Photo credit: Wikipedia

Despite repeated protestations of their innocence, they are paying bespoke prices. They were found [guilty of tax evasion](#) on top of fines and restitution of 343.3 million euros. Given that the next appeal is to Italy's highest court, the case still isn't over. Even more clearly, it won't be the last legal battle of this kind.

The sale of the [Dolce & Gabbana](#) label to Luxembourg-based Gado may primarily have been a tax shelter. In any case, not only were the two founders pursued, but a number of their colleagues were too. However, some tax charges were dismissed, including those relating to the valuation of the company.

The complex deal had advisers and lawyers and in some respects was not too different from many company sales or restructurings. And everyone takes taxes into account, or even is driven by them. In that sense, the case and its background is a cautionary tale that could be useful learning to many high profile businesses and individuals around the world.

Taxes seem to be everyone's business, and information travels seamlessly. The days of a slap on the wrist or a fine may be over, even in countries where such activities historically seemed all but encouraged. Italy could be regarded in such a category.

And yet recently, Italy has had its share of expensive tax bills in what might be described as a fashion world clean up. Giorgio Armani recently paid 270 million euros to tax authorities. The amount settled a dispute over payments from the group's foreign subsidiaries. Prada Holding paid an even larger amount, between 400-420 million euros, to settle a tax dispute after completing a process of voluntary disclosure to Italian authorities.

The D&G brand is worth in excess of \$5 billion. But other criminal charges against major brand leaders have sometimes lead to strange results, not only for the figurehead but for the brand too. D&G might well be encouraged by the example of Martha Stewart. In 2004, Ms. Stewart was convicted of charges connected to ImClone stock trading.

Yet after 5 months in jail for obstruction of justice, she seemed to emerge more popular than ever. Ms. Stewart is famously difficult and prickly. Ms. Stewart was photographed stoically donning an orange jump suit. Ironically, that helped rather than hurt her image. And while some feared that her company stock would take a big hit, she and the company survived just fine back at its helm.

Thus, take heart, D&G, Italy loves you, and so does the world. Besides, even if your appeal fails, just imagine the previously untapped market. The pair could likely do amazing things with orange jumpsuits or striped outfits. Martha Stewart did.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.