

HM Revenue & Customs

Introduction

We operate an **Intelligence Coordination Centre** for Organised Labour Fraud (OLF) and Repayment Fraud (RF).

There are very often multiple cross-tax frauds identified in the intelligence we receive - with the most common links being between OLF and RF.

Intelligence is gathered from a variety of sources and reviewed to evaluate the bigger picture and identify areas for interventions.



We aim to:

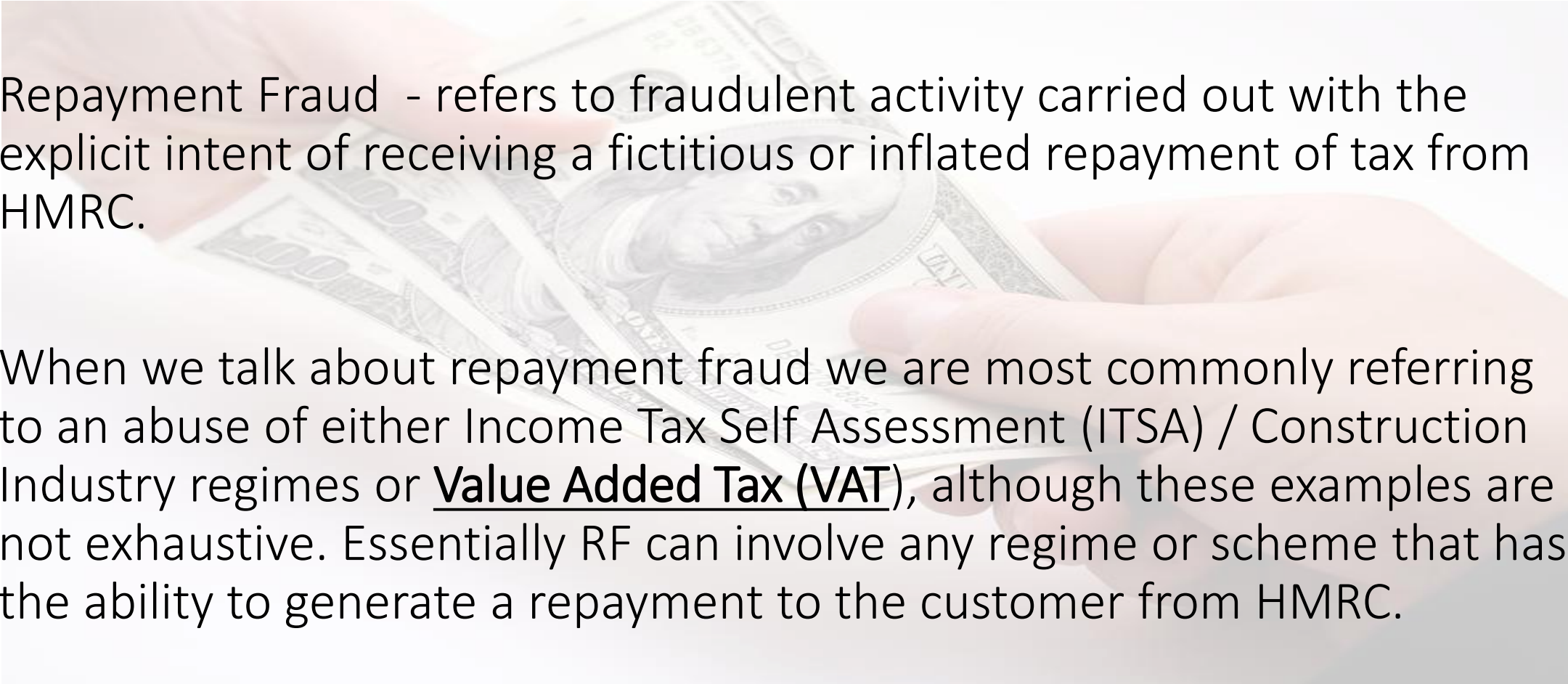
Identify high level, quality ***intelligence*** to tackle HMRC's biggest frauds.

Create and develop a ***national picture*** for these thematic areas, feeding into preventative measures across HMRC.

Enhance HMRC's ability to ***identify and intercept*** these frauds.

Identify cases for ***development and intervention*** by utilising civil and criminal opportunities.

Repayment Fraud Overview

A background image showing a pair of hands holding several US dollar bills, including a \$100 bill, which is slightly out of focus. The hands are positioned as if they are about to hand over the money.

Repayment Fraud - refers to fraudulent activity carried out with the explicit intent of receiving a fictitious or inflated repayment of tax from HMRC.

When we talk about repayment fraud we are most commonly referring to an abuse of either Income Tax Self Assessment (ITSA) / Construction Industry regimes or Value Added Tax (VAT), although these examples are not exhaustive. Essentially RF can involve any regime or scheme that has the ability to generate a repayment to the customer from HMRC.

Repayment Fraud Overview



VALUE ADDED TAX



VAT fraud is the making of false claims and sometimes the falsification of documents or the concealment of information – in order to illegally claim back more VAT from HMRC than is actually owed.

Organised Labour Fraud (OLF) Overview

OLF is the broader term used to encompass the following four iterations of labour fraud.

1. Labour Fraud in Construction (LFiC)

2. Mini Umbrella Companies (MUC)

3. Outsourced Labour Provider Fraud (OLPF)

4. Emerging Organised Labour Fraud (EOLF)

As a team we identified and initiated the introduction of the fourth OLF strand in Emerging OLF (EOLF). This has resulted from the information we have gathered regarding continually emerging models that fall outside of the traditional 3.

Organised Labour Fraud (OLF) LFiC Overview

Labour Fraud in
Construction (LFiC)

"supply chain fraud"
abusing the
Construction Industry
Scheme (CIS).

Patsy directors and
shell companies

VAT Domestic Reverse
Charge (DRC)

Money laundering
and modern slavery

The Domestic Reverse Charge – the basics

The Domestic Reverse Charge (DRC) was introduced in response to criminal attacks on the VAT system.

Aim is to remove VAT from the supply chain, so there is no VAT to evade

Since the 1 March 2021 the domestic reverse charge must be used for most supplies of building and construction services

Where there is a reverse charge sale, the supplier doesn't charge VAT but states on their invoice that the customer has to account for the output tax to HMRC

Organised Labour Fraud (OLF) MUC Overview



Mini Umbrella Companies (MUC)



Complex, convoluted and contrived business models consisting of multiple small limited companies.

VAT Flat Rate Schemes, Employment Allowance and the non-payment of PAYE, NICs & VAT to HMRC.



Recruitment / Employment agency ("Agency"), End Users, facilitator/promoter ("Promoter") business.

Hundreds or thousands of small limited companies known as MUCs. These MUCs are then controlled by the Promoter business rather than them being independent, commercial entities.



MUC fraud is often seen in conjunction with OLPF and has also been continually mutating and adapting as HMRC responds.

Organised Labour Fraud (OLF) OLPF Overview



Outsourced Labour Provider Fraud (OLPF), Previously referred to as Payroll Company Fraud



Employed staff, along with payroll responsibilities, are outsourced to fraudulent entities (payroll companies) who supply the staff back to the companies but fail to remit that PAYE, NIC and VAT to HMRC.



For example, the "payroll company" may offer the business a payroll package too good to be true. The "payroll company" steals the tax due to HMRC, pocketing the fraudulently gained profits.



This is continually adapting and becoming increasingly complex. OLPF now involves the use complicated models utilising recruitment companies, agencies and umbrella companies.

Legislation



The Economic Crime and Corporate Transparency Act



Greater powers for Companies House to query information, stronger checks on company names, new rules for registered office addresses, and new lawful purpose statements.



Investigation, enforcement and data sharing - More effective investigation and enforcement powers for Companies House, and new powers to share data with law enforcement agencies and other government departments.

International Collaboration

- We can assist host countries with their objectives and work towards a successful UK response.
- We are keen to continue building these relationships across various countries where there is a risk to OLF or RF.

HMRC Response



- **Strengthening our Defences** to counter attempted fraud
- **Improved engagement**, education and advice to other partners and other agencies regarding emerging methodologies
- **Review and collation of HMRC training**
- **Proposed legislative/Policy proposals**



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Any Questions?

Thank You