



GLAA and HMRC Fraud Alert: Licenced sector supply chains

July 2023

The GLAA works in partnership with HM Revenue and Customs to ensure tax compliance in the GLAA regulated sectors.

What is happening?

HMRC and the GLAA remain alert to the risk that, within the GLAA licenced sector, non-compliant businesses and possibly organised criminal gangs may be profiting from the use of complex labour supply chains that can operate to enable tax theft. These schemes often adversely exploit the workers' employment protections and safety legislation.

HMRC and the GLAA are also aware that some GLAA licenced businesses are accumulating substantial long term tax debts.

What does this mean for me?

Businesses at the end of a supply chain may unwittingly be involved with non-compliant businesses within the supply chain who are committing fraud or laundering the proceeds of crime. This can bring legal, financial, and reputational risks both to your business and to the directors.

We suggest you consider the following points to protect your business from harm:

- Your due diligence processes should be sufficiently robust to identify any supply contracts within your supply chains which are being offered at too low a rate to meet the true costs of supplying workers, including the cost of all legal requirements.
- Your due diligence processes should be capable of identifying GLAA licenced businesses that are failing to comply with their tax obligations or that are carrying long-term debts owed to HMRC.
- HMRC can deny your VAT input tax if you could, or should, have been aware that VAT non-compliance was/is occurring anywhere along your supply chain.
- Any media reports of worker abuse or tax frauds that in any way link to your business can cause reputational damage to your business, with possible loss of trade.

What do I need to do?

Share this fraud alert with others in your business sector.

Make checks to protect your business by testing the credibility, legitimacy, and tax compliance of all GLAA licenced businesses that supply their services to you, directly or indirectly

The extent of your due diligence checks must be sufficient to effectively counter the risk of fraud in your business's supply chain. Our experience is that the more businesses operating within a chain of supply, the greater the risk of there being tax fraud occurring at one or more points within that supply chain.

Further information on Supply Chain Due Diligence can be found at:

<https://www.gov.uk/government/publications/use-of-labour-providers>

How can I report concerns?

You can report any concerns that you may have online at [Report tax fraud or avoidance to HMRC - GOV.UK \(www.gov.uk\)](#)

Further information

If you any further queries, please contact the GLAA helpline on 0345 602 5020 or email licensing@gla.gov.uk.

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