



GLAA Brief

Issue 89 – December 2025

HMRC policy brief on organised labour fraud

This Brief explains how HMRC is raising awareness of new fraudulent models which are being marketed to employers and recruitment agencies offering ‘cheaper’ payroll services.

Introduction

The GLAA and HMRC are aware that licence holders are being approached by organisations offering models which falsely claim to be able to reduce employment costs through ‘tax credits’ offset from third party businesses they have acquired.

How are such models marketed?

This is when organisations falsely claim they can acquire businesses that have tax credits on file with HMRC, which may include businesses in pre-administration. They claim to use tax credits to offset employment taxes, such as PAYE and National Insurance due to HMRC by operating the payroll, and, as a result, can reduce the amount you need to pay.

Often these arrangements result in none of the taxes due to HMRC being paid, as they simply don’t pay the taxes over to HMRC or create false documents to give the impression that appropriate returns are made to HMRC and taxes are being paid over.

HMRC recently published a [Tax fraud warning for employment agencies and employers: tax credits reducing liabilities for employers - GOV.UK](#). This confirms HMRC considers these arrangements as tax evasion.

What do I need to do?

Please review your labour outsourcing arrangements. If you think your supply chains may involve the use of this model, you need to act to remove the risk.

A good starting point is to conduct regular and robust due diligence checks. Please see guidance on [Help with labour supply chain assurance](#).

If you find issues in your supply chain, you can [Report tax fraud or avoidance to HMRC - GOV.UK](#) or to the GLAA using contact@gla.gov.uk. Please quote GLAA Brief 89.

What if I don't take action?

By deciding to engage with such models, a business could breach the GLAA Licensing Standards as the business could be failing to operate its PAYE/NI and VAT affairs correctly.

This can also result in a business contravening the requirements and standards of HMRC, causing a potential breach of GLAA Licensing Standards which could ultimately result in your GLAA licence being revoked.

Where appropriate, the GLAA will refer instances of non-compliance to our partners, including HMRC, who may decide to take their own action independently of any measures by the GLAA.

Further information

1. If you have any queries, please contact the GLAA helpline on 0345 602 5020 or email contact@gla.gov.uk.
2. For the latest news and updates from the GLAA follow us on Facebook:



www.facebook.com/theGLAA/