



GLAA Brief

Issue 86 – January 2025
Mini Umbrella Companies

This Brief publishes the latest guidance on the use of Mini Umbrella Companies (MUCs). It replaces Brief 67 – The risks of using Mini Umbrella Companies.

Introduction

The GLAA and HMRC are aware of GLAA licensed companies that are engaging workers via mini umbrella companies (MUCs). These companies can be used to carry out fraud, stealing money from our vital public services and creating an uneven playing field for honest businesses who play by the rules.

What is MUCs Fraud

Mini Umbrella Company Fraud is the disaggregation of a large temporary workforce into multiple, small, limited companies (MUCs). These seemingly independent MUCs are created and controlled by Organised Crime Groups (OCG) for the purpose of stealing taxes completely and/or fraudulently exploiting government incentives aimed at small businesses (such as the Employment Allowance (EA) & VAT Flat Rate Scheme (FRS)).

In March 2024, a First Tier Tax Tribunal determined that the specific MUC's model used was fraudulent and the MUCs involved were not entitled to these reliefs. To find out more about the tribunal's decisions read the [Decision summary information](#) on judiciary.uk.

The GLAA recognises that in most cases MUCs are used outside of the GLAA regulated sectors. However, when deciding if a business is fit and proper and compliant with the licensing standards, the GLAA takes into account the conduct of the full business both inside and outside of the GLAA regulated sectors. This includes whether a business has contravened any of the requirements and standards of other regulatory authorities, including HMRC.

HMRC have recently updated their published guidance on MUC Fraud - [Mini umbrella company fraud - GOV.UK \(www.gov.uk\)](#).

What do I need to do?

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

A good starting point is to conduct regular due diligence checks. For help with this read the HMRC guidance on [Assuring your labour supply chain](#).

MUCs operate low down in the supply chain. You must be vigilant if you outsource your temporary labour.

If you do find issues in your supply chain, you can [Report tax fraud or avoidance to HMRC - GOV.UK](#) or to GLAA using contact@gla.gov.uk quoting GLAA Licence Brief 86.

If you don't take action?

By deciding to engage MUCs a business could also be in breach of GLAA licensing standards as business could be failing to operate its PAYE/NI and VAT affairs correctly. This includes paying the correct amounts due to HMRC in a timely manner. This is because the use of MUCs can contribute to non-payment of taxes and/or abuse of VAT Flat Scheme and Employment Allowance, meaning the correct amount of PAYE/NI and VAT is not declared and/or paid to HMRC.

Use of MUCs could also result in a business contravening the requirements and standards of HMRC, resulting in a potential breach of the GLAA licensing standards which could ultimately result in your GLAA licence being revoked.

MUC fraud is a threat to the public purse, creating an uneven playing field for those labour providers and End Users who follow the rules.

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 further 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/
3. HMRC have developed an online tool to help umbrella company employees and employment businesses understand pay and tax. The tool is available on GOV.UK: [Work out pay from an umbrella company - GOV.UK](#)