

## Carbon Credits and VAT Carousel Fraud August 2009

### HMRC on the Offensive

HMRC officers investigating suspected VAT fraud in the carbon credit trading arena swooped in early morning raids yesterday, arresting seven.

In our previous [Alert!](#) earlier this month, we advised that HMRC had taken the decisive step of zero-rating carbon credits for VAT. We predicted that HMRC would also employ a strategy to recoup the losses already suffered and that innocent traders may be caught up in this process. These predictions are starting to come true.

HMRC released formal notification yesterday afternoon confirming that it had redeployed a team of 600 extra officers to verify repayment claims from businesses trading in suspect supply chains. As a result of initial investigations, seven people were arrested in the Gravesend and Greater London areas and twenty seven properties, both business and residential, were searched.

HMRC has confirmed that, despite the zero-rating of the credits, it still intends to pursue 'relentlessly' those that may have used carbon credit trading to cheat the public purse. It has also confirmed that further arrests are likely in the near future.

Les Beaumont, Deputy Director of Criminal Investigation for HM Revenue & Customs (HMRC) said:

*"HMRC investigates all criminal attacks on the tax system, halting theft of revenue, gathering evidence and supporting prosecutors in bringing offenders before the courts. We always aim to recover the*

*proceeds of crime, restoring that money to the public purse where it belongs. That is our intention in this and all similar cases. "*

HMRC has indicated that it will be combating this fraud with 'a tougher approach to litigation with increased specialist resource targeted at criminal investigation'.

It is likely that VAT assessments will now be issued. HMRC may seek to recover missing VAT from parties unwittingly caught up in the fraud and innocent parties should be careful to stand their ground against any such assessments.

Your usual contact at Dundas & Wilson will be able to advise you on this further.

This Alert! is correct to the best of our knowledge and belief at the time of going to press. It is however written as a general guide, so it is recommended that specific professional advice is sought before any action is taken. We are required by law to protect personal data.

© August 2009, Dundas & Wilson CS LLP and Dundas & Wilson LLP. All rights reserved.

If you would like any further information on this Alert!, or any other Corporate issues, please call the person at D&W with whom you normally liaise, or one of the following specialists:

Sarah Donald	<a href="mailto:sarah.donald@dundas-wilson.com">sarah.donald@dundas-wilson.com</a>	020 7759 5780
Ewan Robertson	<a href="mailto:ewan.robertson@dundas-wilson.com">ewan.robertson@dundas-wilson.com</a>	020 7759 3688
Mark Brumwell	<a href="mailto:mark.brumwell@dundas-wilson.com">mark.brumwell@dundas-wilson.com</a>	020 7759 3517
Jim Hillan	<a href="mailto:jim.hillan@dundas-wilson.com">jim.hillan@dundas-wilson.com</a>	020 7759 3509

[www.dundas-wilson.com](http://www.dundas-wilson.com)