



# Enablers and Facilitators of Tax Evasion

HMRC Research Report 600

**June 2019**



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# 1 Executive Summary

## Introduction

- 1.1 HMRC commissioned IFF Research to conduct research to deepen its understanding of wealth managers, UK goods importers and freight forwarders who might be at risk of facilitating or enabling tax evasion or related criminality, such as money laundering. Specifically, the aims were to:
- Measure businesses' understanding of what activities count as facilitating or enabling; and their awareness of what their specific responsibilities are to prevent this;
  - Measure awareness of sanctions and other tools that can be brought to bear on facilitators and enablers; and perceptions of how likely HMRC are to detect evasion and apply these powers;
  - Measure business engagement in suspected, or known facilitating or enabling activities;
  - Explore motivations for engaging in facilitating or enabling activities; and what might deter businesses from engaging in this in the future.
- 1.2 This was a multi-methodology study comprising of 300 quantitative interviews and 10 face-to-face qualitative follow-up interviews with each of the three target audiences (totalling 900 quantitative and 30 qualitative interviews respectively). The quantitative survey was conducted between November and December 2018, while qualitative follow-up interviews took place between December 2018 and February 2019.

## Business engagement in facilitating or enabling activities

### Freight forwarders and importers

- 1.3 Around half of freight forwarders (47%) and one in seven importers (14%) had concerns about importing activities; the most common concerns were incorrect classification (mentioned by 31% of freight forwarders and 7% of UK importers) or description of goods (mentioned by 29% of freight forwarders and 6% of UK importers).
- 1.4 A small minority of businesses said they had reported any of the prompted importing activities to HMRC, although this was far more common in response to incorrect valuation of goods (26%) or 'broader' suspicious activity (52%), which qualitatively included suspected fraudulent or other criminal activity.<sup>1</sup>

<sup>1</sup> The prompted importing activities were: incorrect valuation of goods; goods being incorrectly described; goods being incorrectly classified; concerns that the given country of origin was incorrect; suspicions that an incorrect relief was used; and suspicions about any other activity.

- 1.5 The most common response to these activities among freight forwarders was to inform their clients of what they had come across (between 40% and 60% of freight forwarders that had encountered each specific activity responded this way) or to inform the organisation where the goods were imported from (ranging from 28% to 36% responded this way to each specific activity). UK importers were most likely to inform the organisation where goods were imported from.
- 1.6 When asked specifically which of a list of prompted statements came closest to their views about businesses evading tax by making inaccurate declarations to HMRC, the majority (85% of freight forwarders and 71% of UK importers) said they felt this was wrong and would inform HMRC. Given the comparatively low incidence of reporting specific activities, it suggests these audiences did not necessarily consider these activities to be examples of deliberate tax evasion. This was corroborated in qualitative interviews, in which these activities were often assumed to be 'clerical errors' or respondents felt they could not be sure whether the activities were deliberate attempts to evade tax. Freight forwarders were reassured that activities such as misclassification and incorrect description of goods were honest mistakes if clients were willing to correct the error immediately.

### **Wealth managers**

- 1.7 A minority of wealth managers (13%) reported having suspicions or concerns when conducting 'know your customer' anti-money laundering and other due diligence checks, although most reported this was 'very rare' (12%). Typically, in these cases, the most common action taken was to report the matter to HMRC or any other relevant authority (qualitative interviews suggested most perceived their main authority to be the Financial Conduct Authority), or to escalate the issue internally by reporting it to a more senior member of staff or a compliance manager.
- 1.8 12% had been asked to provide advice that may be perceived by HMRC to go against the intentions of tax law, but only 3% reported having provided such advice. Survey results indicate that around half who were asked to provide this advice reported they would refuse to accept business, while it was also fairly common to inform clients that they may be committing an offence. None of these wealth managers reported this activity to HMRC or another relevant authority.
- 1.9 Qualitative interviews corroborated that wealth managers generally tend not to report this behaviour to HMRC and if the advice is requested by an existing client, they may continue to do business with that client. A few mentioned that they had been open to providing such advice in the past but their views had changed because of previous negative experiences of marketed schemes, increased regulation, and because landmark cases had made it clear that particular schemes were no longer acceptable (reinforced by the negative media coverage and scrutiny surrounding these cases with potential for reputational damage).

### **Awareness and attitudes towards the facilitation of tax evasion**

- 1.10 In qualitative interviews, most wealth managers, freight forwarders and UK importers felt that knowingly aiding another person or company's tax evasion whilst acting as a private individual or on behalf of their organisation were examples of facilitation, because this knowledge suggested those involved were complicit. In the survey, almost all wealth managers felt this constituted facilitation whether acting as a private individual (95%) or acting on behalf of an organisation (98%).

- 1.11 While most considered suspecting tax evasion but not reporting it to HMRC to be an example of facilitation, some freight forwarders and UK importers felt this was less clear cut than cases where those involved knew about the tax evasion. Some freight forwarders felt it was harsh to report these cases to HMRC if the client had been informed and was willing to correct the issue, while both freight forwarders and UK importers felt there needed to be a suitable degree of evidence-based suspicion to be able to report this activity. Wealth managers, in contrast, were more likely to consider this as facilitating tax evasion (94% reported this in the survey).
- 1.12 Views on whether unknowingly aiding tax evasion constitutes tax evasion were more divided among all groups (and only 43% of wealth managers said so in the survey). Some felt it was unfair to be held accountable for something they did not know, while others added that the key measure should be whether it was *reasonable* to know, which came down to whether suitable prevention procedures were in place. Others felt that ignorance was never a defence.

### Prevention procedures

- 1.13 Almost all wealth managers and freight forwarders surveyed perceived themselves to demonstrate good practice in preventing facilitation of tax evasion; between 89% and 99% in each group agreed that top-level management were delivering a clear message that facilitation was unacceptable, that they had conducted appropriate due diligence checks on their clients and that staff were aware of the organisation's procedures to prevent tax evasion. Almost all wealth managers (96%) also agreed that their organisation's current tax evasion prevention procedures were proportionate to the risks they face.
- 1.14 UK importers were seemingly less rigorous on the same measures, although the vast majority still appeared to demonstrate good practice – around nine in ten UK importers agreed that top-level management were delivering a clear message on facilitation being unacceptable (93%); that they had conducted appropriate due diligence on organisations they worked with (90%); and that staff were aware of the organisation's procedures to prevent facilitation of tax evasion (89%).
- 1.15 Qualitatively, wealth managers tended to have more formalised and stringent prevention procedures in place including staff training, working with external consultants, documented risk assessments, whistleblowing policies and senior staff meetings to ensure a consistent company-wide approach to prevention.
- 1.16 In the survey, two-thirds of wealth managers (63%) conducted risk assessments, although almost all of those who had not still felt their organisation's prevention procedures were proportionate to the risks they face and that they were delivering a clear message that facilitation was unacceptable (95% and 99% respectively). This might be explained by the fact that many wealth managers felt anti-money laundering and new customer checks were considered sufficient prevention procedures.
- 1.17 Freight forwarders and UK importers perceived themselves to have rigorous procedures in place but these rarely went beyond checking paperwork such as import documents and conducting internal audits, although some also mentioned fostering a culture of openness that enabled staff to come forward with any concerns.

## Awareness and attitudes towards actions and sanctions

1.18 All three audiences were prompted with the following list of enforcement actions and sanctions that might be taken by HMRC and other authorities in response to facilitation of tax evasion, and asked about their awareness and the perceived effectiveness of each of these:

- Fines / financial penalties;
- Reclaiming tax owed / reclaiming tax owed with interest;
- Seizing / confiscation of goods or money;
- Removal of authorisation or registrations by HMRC;
- Imprisonment of individuals in the organisation complicit in the tax evasion;
- The company could be subject to the Corporate Criminal Offence (CCO) for failure to prevent facilitation of tax evasion;
- Disclosing to the media/press which organisations have been involved in facilitating or enabling Duty or VAT evasion;
- Reporting organisations involved in evasion to their professional bodies (*wealth managers only*);
- Public 'naming and shaming' on government websites (*wealth managers only*); and
- Issuing warnings to specific companies e.g. within the export Memorandum of Understanding (*freight forwarders and UK importers only*).

1.19 At least nine in ten wealth managers were aware of each enforcement action, except companies being subject to the Corporate Criminal Offence (CCO) (87%) and disclosure to the media (71%). At least 87% of freight forwarders were also aware of each action apart from disclosure to the media (56%). Awareness among UK importers was generally lower across all actions, although a large majority were still aware of each, with the exception of removal of authorisations (69%) and, again, disclosure to the media (55%).

1.20 Imprisonment of individuals complicit in evasion was felt to be the most effective sanction across all audiences, each audience giving an average rating of 4.7/5, while being subject to the CCO, removal of authorisations or registrations and seizure of goods were also rated relatively highly in terms of effectiveness.

1.21 Qualitatively, we explored further with respondents the effectiveness of these actions but also how likely they were to be enforced:

- Many felt financial penalties and reclaiming tax owed with interest were the most likely actions they would face, but some felt that these were ineffective deterrents as they perceived that most engaging in this type of activity had already weighed up the risk against the reward and undertaken the activity anyway. In the case of financial penalties, effectiveness was also perceived to entirely depend on the size of the fines;

- Removal of authorisations could be an effective deterrent if it prevented companies from operating or individuals working in a particular sector, but freight forwarders felt it was easy in their industry to start another business under a different guise;
- Imprisonment, while perceived to be the most effective sanction, was considered unlikely to be enforced across all audiences;
- Where participants were aware of it, the CCO was considered effective in that it incorporated a variety of the other sanctions;
- There were mixed views on the effectiveness of disclosing facilitation of tax evasion to the media. Some firms mentioned fearing negative publicity and the threat of reputational damage, however others felt that this would not affect businesses as they perceived the public to have short memories about this type of coverage.

1.22 The majority amongst all audiences agreed that HMRC is likely to use enforcement action against businesses engaging in the facilitation of tax evasion (86% of freight forwarders; 85% of UK importers and 81% of wealth managers), but all audiences were less likely to agree that HMRC could identify businesses facilitating or enabling tax evasion (67%, 65% and 51% respectively). The majority of freight forwarders (86%) and UK importers (70%) felt that HMRC was likely to use enforcement action on businesses who turn a blind eye to businesses they work with engaging in tax evasion.

1.23 Other recommendations in terms of enforcement action included:

- Actions to stop evasion at source by HMRC targeting particular tax schemes (mentioned by wealth managers) and stronger enforcement of current available actions including seizure of property and company closure;
- Increased regulation and more licensing requirements: freight forwarders and wealth managers mentioned that increased vetting was required of those working in these industries;
- More assistance from HMRC, including educating individuals about reasons not to evade tax in the first place; guidance on what constitutes facilitation of tax evasion and within the importing industry, helping businesses to understand the protocols they need to follow to be compliant;
- More publicity from HMRC about cases where individuals or companies have been prosecuted for facilitation of tax evasion.



## 2 Introduction

### Background and objectives

- 2.1 In the Autumn Budget 2017, the government announced measures to tackle tax evasion, avoidance, non-compliance and aggressive tax arrangements – bringing the total number of measures announced since 2010 to over 100, with the goal of raising an additional £4.8 billion in tax revenues in the period to 2022-23. HMRC was allocated an additional £155 million in the Budget to tackle a range of issues, including enablers and facilitators of tax fraud.
- 2.2 HMRC has identified roles which may be played by facilitators and enablers of tax evasion as including, but not being limited to, the following:
- Is a designer of arrangements, or proposer of arrangements implemented by others, or someone who gives key advice (in the knowledge that the arrangements are likely to be used to evade tax);
  - Is a manager of arrangements;
  - Is involved in marketing the arrangements;
  - Is an enabling participant in the arrangements, that is, being involved in the arrangements or transactions that allow the arrangements to happen (in the knowledge that they are likely to be used to evade tax);
  - Is a financial enabler in relation to the arrangements, that is, they directly or indirectly provided access to a financial product (in the knowledge that it was likely to be used to evade tax).
- 2.3 Evidence suggests enablers and facilitators sit right across a behavioural spectrum. Some will be unaware of how their expertise is being exploited, whilst others are likely to be deliberately enabling or encouraging evasion.
- 2.4 HMRC has introduced new powers, increased penalties, and announced additional measures to tackle offshore and onshore tax evasion. These include civil and criminal offences introduced in 2016 and 2017 for tax evaders and those professionals who assist them.
- 2.5 Part 3 of the Criminal Finances Act 2017 created a new offence of corporate failure to prevent the criminal facilitation of tax evasion, which came into force on 30 September 2017. It makes relevant bodies criminally liable where they fail to prevent those who act for, or on their behalf (associated persons) from criminally facilitating tax evasion. These offences can apply whether the tax is owed in the UK or a foreign country.
- 2.6 It is a defence to this offence for the relevant body to have reasonable prevention procedures in place (or it was unreasonable to expect such procedures to be in place). Guidance has been published on this legislation, which includes six guiding principles to help relevant bodies put in place processes and procedures to prevent associated persons from criminally facilitating tax evasion, including:

- **Risk assessment:** this involves organisations assessing the nature and extent of their exposure to the risk of associated persons criminally facilitating tax evasion offences. The risk assessment should be documented and kept under review.
- **Proportionality of risk-based prevention procedures:** this involves organisations adopting reasonable procedures to prevent associated persons from criminally facilitating tax evasion. These procedures should be proportionate to the risk the organisation faces.
- **Top level commitment:** this involves top-level management within organisations being committed to preventing associated persons from engaging in criminal facilitation of tax evasion. This should involve fostering a culture within the organisation where the facilitation of tax evasion is unacceptable.
- **Due diligence:** this involves organisations applying due diligence procedures, in respect of associated persons, in order to mitigate identified risks.
- **Communication (including training):** this involves organisations ensuring that their prevention policies and procedures are communicated, embedded and understood throughout the organisation.
- **Monitoring and review:** this involves organisations monitoring and reviewing their preventative procedures and making improvements where necessary.<sup>2</sup>

2.7 Alongside these policy and legislative developments, HMRC has identified three audiences, wealth managers, UK goods importers and freight forwarding companies, that may be high risk groups for enabling and facilitating activities.

2.8 In this context HMRC commissioned research to deepen its understanding of wealth managers, UK goods importers and freight forwarders who might be at risk of facilitating or enabling tax evasion or related criminality, such as money laundering. Specifically, the aims were to:

- Measure businesses' understanding of what activities count as facilitating or enabling; and their awareness of what their specific responsibilities are to prevent this;
- Measure awareness of sanctions and other tools that can be brought to bear on facilitators and enablers; and perceptions of how likely HMRC are to detect evasion and apply these powers;
- Measure business engagement in suspected, or known facilitating or enabling activities;
- Explore motivations for engaging in facilitating or enabling activities; and what might deter businesses from engaging in this in the future.

<sup>2</sup><https://www.gov.uk/government/publications/corporate-offences-for-failing-to-prevent-criminal-facilitation-of-tax-evasion> [accessed 15<sup>th</sup> May 2019]

## Methodology

- 2.9 This was a multi-methodology study comprising of 300 quantitative interviews and 10 face-to-face qualitative follow-up interviews with each audience (totalling 900 quantitative and 30 qualitative interviews respectively). The quantitative surveys aimed to provide a robust base for examining understanding, awareness and incidence of the facilitation of tax evasion within each audience.<sup>3</sup> In contrast, the qualitative follow-up interviews allowed more in-depth exploration of these areas as well as businesses' motivations and views on potential deterrents. Due to the small number of qualitative interviews, the findings are not intended to be representative of the wider population, unlike the results from the quantitative surveys, but provide deeper insight into the range of experiences among the three audiences.
- 2.10 The sample for this study came from various sources. The freight forwarder and UK importer sample was provided by HMRC through their Customs Handling of Import and Export Freight (CHIEF) system, although freight forwarders were also supplemented with organisations sourced through the British International Freight Association online members' directory. The wealth manager sample was sourced via the Financial Conduct Authority's (FCA) Financial Services Register.
- 2.11 The quantitative phase of the research was conducted between November and December 2018 using computer-assisted telephone interviewing (CATI), with interviews lasting an average of 15 minutes. Given that the subject matter for wealth managers was distinct from that which was relevant to freight forwarders and UK importers, they were administered a separate survey. Initially, a pilot phase was undertaken in mid-November 2018 to test: the length of each survey; respondent understanding of the questions; and whether the questionnaire flowed smoothly and logically from the perspective of respondents (and refinements made prior to launching the mainstage survey). Respondents were sent a letter prior to fieldwork to introduce the research and to offer the opportunity to opt out of the research.
- 2.12 As well as providing robust statistical data, the quantitative survey was also used for sampling the qualitative follow-up interviews. Using interim survey data, IFF Research and HMRC agreed a set of sampling criteria to ensure those who had come across particular activities or experiences that indicated a risk of facilitation were selected as potential respondents for the qualitative phase.
- 2.13 Qualitative interviews took place between December 2018 and February 2019, with each interview lasting around an hour.
- 2.14 Throughout the report, survey data may not always sum to 100%. This is due to 'don't know' responses not always being included or due to rounding (meaning that some totals may add to slightly higher or lower than 100%).

<sup>3</sup> In some cases, survey findings are reported qualitatively in the report due to low base sizes.

## 3 Profile of respondents

3.1 The three core audiences for this research were freight forwarders, UK importers and wealth managers:

- **Freight forwarders:** persons or organisations that act as intermediaries between clients and the parties that they are importing from or exporting to. Freight forwarders oversee the process and logistics in transporting freight or cargo from the point of origin to the destination and therefore typically are involved in preparing and processing customs documentation;
- **UK importers:** for the purposes of this research we targeted UK businesses that recently imported goods that originated from outside of the EU;
- **Wealth managers:** a wealth manager is a type of financial advisor that primarily serves high-net-worth individuals, which may encompass various disciplines including financial and investment advice, accounting and tax services, retirement planning and legal or estate planning. Wealth managers were screened before participating in the research to ensure that they provided financial planning and / or tax advice or other financial planning services to the wealthy (for purposes of this research, the wealthy were defined as people who earn £150,000 a year or more).

### Profile of freight forwarders and UK importers

#### Survey respondents

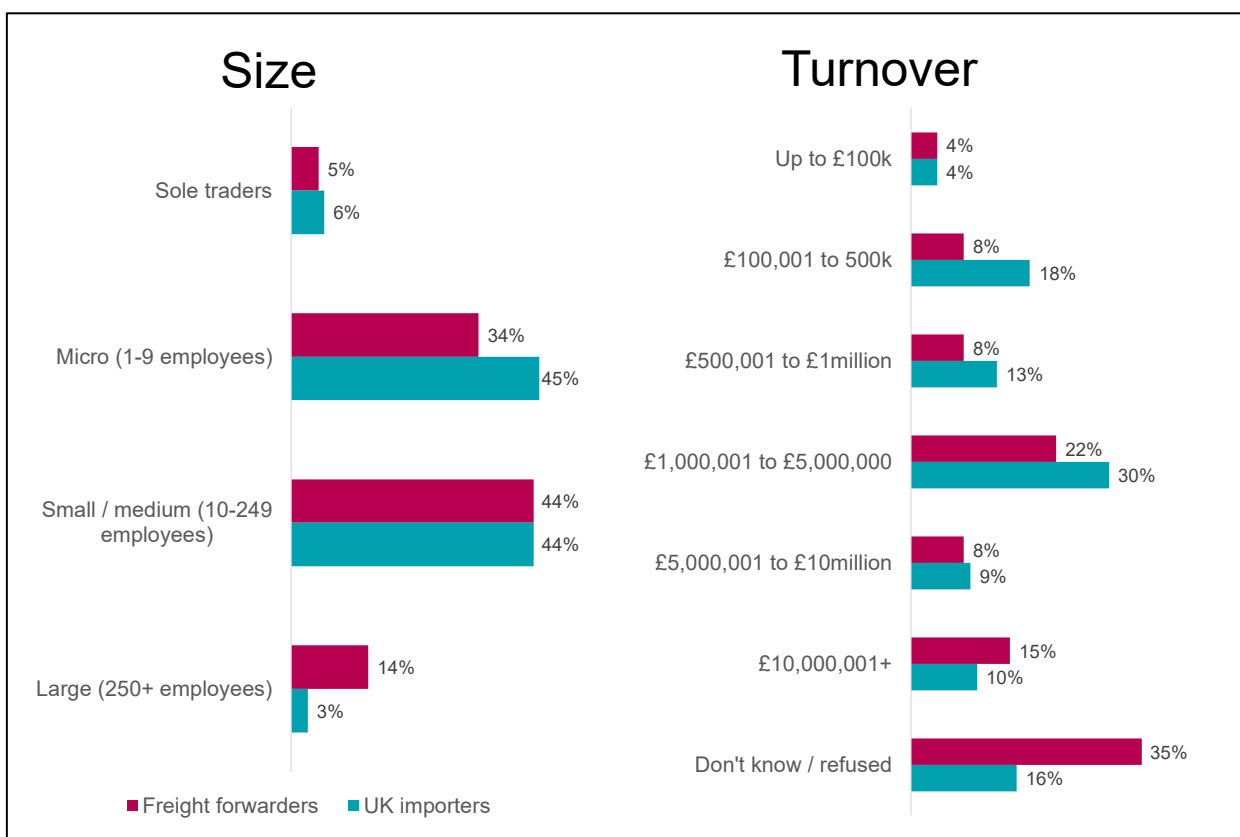
3.2 As Figure 3.1 shows, the majority of freight forwarders and UK importers interviewed were micro businesses and small and medium size enterprises (SMEs). Among freight forwarders a greater proportion of interviews were achieved with large firms with 250 or more employees (14%, compared with 3% of UK importers).<sup>4</sup>

3.3 Survey respondents were also asked to provide their annual turnover for the previous financial year. Where respondents were able to provide this information (freight forwarders were more likely not to know this information or refuse), the most common turnover range for both audiences was £1,000,001 to £5million.

3.4 UK importers operated within two main sectors: the wholesale and retail sectors (57%) and the manufacturing sector (29%).

<sup>4</sup> Due to the lack of available population information for these two audiences, no quotas were set on key demographics in the quantitative surveys and interviews were allowed to 'fall out'.

**Figure 3.1 Size and annual turnover of freight forwarders and UK importers**



*Question E1: How many employees does your business currently employ across all sites, excluding owners and partners?*

*Question E2: What, approximately, was the turnover of your business in your last financial year?*

*Base: All freight forwarders (300); All UK importers (300)*

### Profile of wealth managers

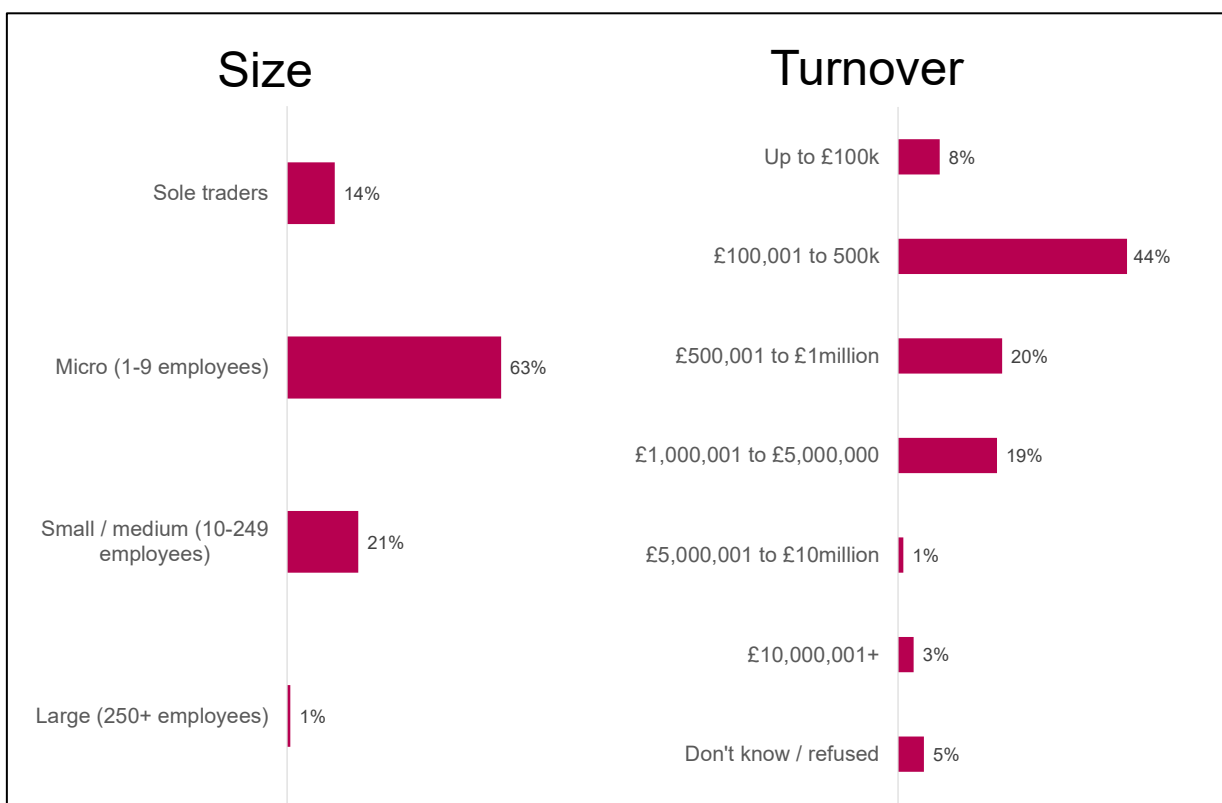
#### Survey respondents

3.5 As Figure 3.2 shows, wealth managers commonly worked for micro-businesses (1-9 employees) (63%), while a fifth of the sample (21%) were SMEs and one in seven (14%) were sole traders. Just 1% of the wealth managers interviewed in the survey were from large businesses with more than 250 employees. The majority reported an annual turnover of £1 million or less (72%).<sup>5</sup>

3.6 All of the wealth managers surveyed were registered with regulatory bodies and by far the most common mentioned (95%) was the Financial Conduct Authority (FCA). Between 2 and 5 percent of wealth managers mentioned the Chartered Insurance Institute, the Institute of Chartered Accountants (ICAEW), the Personal Finance Society, the Information Commissioner’s Office and the Chartered Institute of Taxation.

<sup>5</sup> Again, due to the lack of available population information for these two audiences, no quotas were set on key demographics in the quantitative surveys and interviews were allowed to ‘fall out’.

**Figure 3.2 Size and annual turnover of wealth managers**



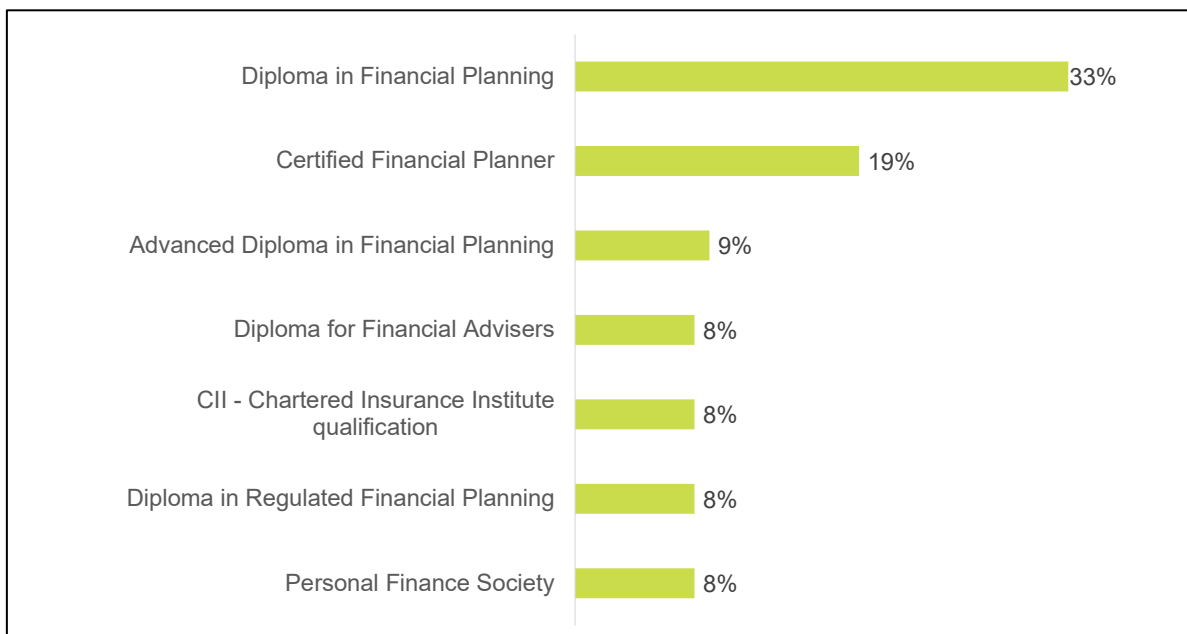
*Question E1: How many employees does your business currently employ across all sites, excluding owners and partners?*

*Question E2: What, approximately, was the turnover of your business in your last financial year?*

*Base: All wealth managers (300)*

- 3.7 In terms of the professional qualifications of those interviewed, the stand out qualification held by wealth managers was a Diploma in Financial Planning (33%), as shown in Figure 3.3.
- 3.8 Wealth managers were also asked how new clients typically found out about their services. The most common response was them being recommended by other clients (90%), while a relatively high proportion mentioned referrals from other professionals (18%) and clients finding out about their services online (14%). Other routes included clients finding out about their services via word of mouth (7%); advertising (6%); marketing (4%) and family or friends (3%), while a small proportion did so via the company’s website or directory / review websites (each mentioned by 1%).

**Figure 3.3 Professional qualifications held by wealth managers**



*Question E3: What professional qualifications do you hold?*

*Base: All wealth managers (300). Chart only shows responses mentioned by >5% of respondents.*

## 4 Experiences of UK importer and freight forwarders activities

- Freight forwarders were more likely to have come across any of the prompted importing activities relating to potential tax evasion (47%, compared with 14% of importers).
- Freight forwarders suggested that lack of importer knowledge about customs processes could lead to genuine errors (e.g. misclassification of goods).
- UK importers were less likely to have needed to report suspicious activities to HMRC (due to lower exposure) and were therefore less knowledgeable about which channels to use to report to HMRC.
- However, there is evidence that UK importers would be less likely to report tax evasion to HMRC anyway. 85% of freight forwarders said businesses making inaccurate declarations to HMRC to avoid Duty and VAT was wrong and would inform HMRC of this, compared with only seven in ten (71%) UK importers, who were more likely to think it was wrong but take no action (21%, compared with 9% of freight forwarders).

### Types of importing undertaken

#### UK importers

- 4.1 In the quantitative survey, importers were asked a series of questions about the nature of the importing that they had undertaken. As part of the screening process, only importers who had imported goods from outside of the EU were eligible to take part in the survey. Among the survey participants, the majority (71%) said they had imported from countries inside and outside of the EU, while the remaining 29% only imported from outside of the EU.
- 4.2 Qualitative findings suggested that UK importers import a mix of consumer goods and materials used for manufacturing. Examples of consumer goods mentioned included sportswear, tools, toys, consumer electronics, books and IT hardware, while manufacturing goods included steel tubing, fibreglass, carbon fibre, food flavourings and industrial magnets.
- 4.3 In qualitative interviews, importers were asked about who manages the importing process. Most UK importers said that they used freight forwarders to do this on their behalf, primarily because it relieved them of the burden and responsibility for customers clearance haulage. Specific benefits mentioned included having to do less paperwork (although whether this was fully taken on by the freight forwarder varied), not having to arrange transportation, or it being more cost-effective to use a freight forwarder. One smaller importer, however, said that they had no other choice but to use freight forwarders to import as shipping companies would refuse to deal with a business of their size directly.

*“It would not be cost effective for us to do that [use a freight forwarder] because our time is best spent giving the consultancy in the office; that’s where the money is made.”*

**UK importer, 1-9 employees**



*“He’s specialist in field of moving freight from A to B, and we then don’t have to worry about it because they look after it end-to-end... They do all the customs clearance of course, which means you don’t have to drive down to Gatwick or Heathrow, which is even better.”*

**UK importer, 1-9 employees**

### **Freight forwarders**

- 4.4 Qualitatively, UK importers and freight forwarders were both asked which types of goods they had imported. Like UK importers, freight forwarders broadly mentioned importing a variety of consumer goods and materials used for manufacturing. Types of goods mentioned included clothing; beauty products; chemicals; e-liquids and vaping concentrates; foodstuffs; machinery; consumer electronics; cars and automotive parts; and furniture.
- 4.5 While most of the freight forwarders in the qualitative sample dealt with a variety of business and private clients, a few were more specialised. For instance, one freight forwarder mentioned importing fine art for galleries and private clients, while another specialised in importing vintage cars for wealthy individuals.

### **Routes that imported goods take**

- 4.6 In the quantitative survey, UK importers were asked a set of questions about the routes their goods took from the country of origin to arriving in the UK. The majority (85%) said that their imported goods always came directly to the UK, 8% said their goods sometimes landed in another EU member state before arriving in the UK, while 5% said goods had reached them via another EU member state without being landed. The most common EU member states that goods travelled through (regardless of whether they landed or not) were the Netherlands, Germany, Belgium and France. Qualitative responses indicate that UK importers using freight forwarders sometimes lacked awareness and information about the exact routes used to import their goods and did not feel they needed to know, or did not have a say in this.

*“I am 99% certain they do not come off the vessel. I have limited information on where the ship goes. It might dock occasionally somewhere like Rotterdam, but my container wouldn’t leave the ship. It may possibly come off the vessel to reach another container. As the ships sails underneath Europe there’s a chance it may stop in Italy or Spain. I could get the information if I asked for it, but I don’t.”*

**UK importer, sole trader**

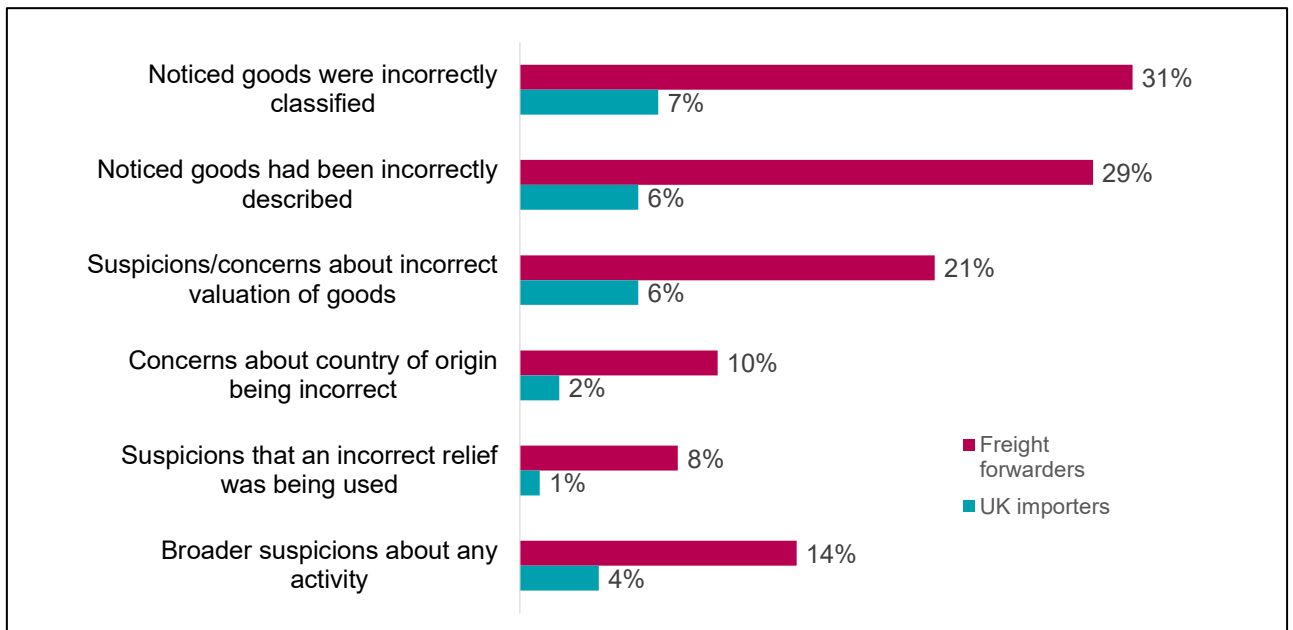
- 4.7 Both audiences reported that the country or origin and types of goods being imported could dictate the method of transportation and routes taken; for example, one UK importer mentioned importing heavy goods from China, and said these were more likely to be transported as sea freight because this was cheaper than transporting by air.
- 4.8 While the country of origin was not explored in the survey, in the qualitative interviews, UK importers mentioned importing goods from the Far East (mainly China), USA and some European countries including Switzerland, Spain and Germany. Freight forwarders, perhaps due to the larger scale of their importing, mentioned a wider geography including the Far East, Asia and Turkey (particularly for clothing), the USA, Australia and the United Arab Emirates.

- 4.9 In both strands of the research, freight forwarders were also asked how long they kept imported goods on their property, as doing this for an extended period could point towards potential suspicious behaviour linked to facilitation of tax evasion. Overall this was rare: just 8% of freight forwarders who said they had kept goods on their property said these goods normally remained on their property for more than 4 weeks.
- 4.10 Only one freight forwarder who reported keeping goods on their property for more than 4 weeks participated in the qualitative follow-up interviews. They operated in fine arts logistics and storage and said that the length of time goods remained on their property was dictated by their clients.

### Incidence of importing activities

- 4.11 In the survey, UK importers and freight forwarders were prompted with a list of importing activities and asked whether they had ever had any suspicions or concerns about these whilst working for their current organisation. The prompted activities and the proportion of freight forwarders and UK importers that had come across these activities is shown in Figure 4.1.
- 4.12 Overall, around half of freight forwarders (47%) and one in seven (14%) UK importers reported having experienced any of these activities, with this being more common among larger freight forwarders (53% among those with 10+ employees, compared with 36% of those fewer than 10 employees).

**Figure 4.1 Incidence of importing activities among freight forwarders and UK importers**



*Question A1: To the best of your knowledge, since working for your current employer, have you or any other members of your company ever...?*

*Base: All freight forwarders (300); All UK importers (300)*

4.13 As shown in Figure 4.1, the most common activities both audiences encountered were noticing that goods had been incorrectly classified, that goods had been incorrectly described and suspicions or concerns about incorrect valuation of goods. The same pattern was consistent throughout that freight forwarders were more likely to have come across each activity than UK importers.

### Actions taken in response to these activities

4.14 As a follow-up, those who had mentioned these activities were asked how they responded to each activity the last time they came across it. Table 4.1 shows the responses reported by freight forwarders to these activities.

4.15 For most activities (with the exception of broader suspicions), by far the most common response was to inform clients of what they had come across; between 40% and 60% of freight forwarders that had encountered each activity responded this way. It was also relatively common for freight forwarders to inform organisations that goods were imported from about these activities; again, the proportion responding in this way was fairly consistent across the specific activities, ranging from 28% to 36%.

4.16 It was however relatively uncommon to report these activities to HMRC or to inform Border Force, although both actions were more common in response to incorrect valuation of goods and broader suspicions. Qualitative interviews indicated that respondents were likely to include obvious cases of criminality (e.g. smuggling of cigarettes) under the umbrella of 'broader suspicions', hence why more serious action had been taken in these cases.

**Table 4.1 Freight forwarder responses to importing activities**


|   | Goods incorrectly classified | Goods incorrectly described | Incorrect valuation of goods | Country of origin being incorrect | Incorrect relief being used | Broader suspicions |
|---|------------------------------|-----------------------------|------------------------------|-----------------------------------|-----------------------------|--------------------|
| <i>Base (n)</i>                                 | 92                           | 86                          | 62                           | 31                                | 25                          | 42                 |
| Informed the client                             | 55%                          | 60%                         | 47%                          | 48%                               | 40%                         | 14%                |
| Informed organisations goods were imported from | 32%                          | 28%                         | 31%                          | 35%                               | 36%                         | 5%                 |
| Rectified / corrected the issue                 | 13%                          | 6%                          | 2%                           | 10%                               | 4%                          | 0%                 |
| Reported it to HMRC                             | 10%                          | 9%                          | 26%                          | 6%                                | 16%                         | 52%                |
| Refused to accept the business                  | 2%                           | 3%                          | 8%                           | 6%                                | 4%                          | 5%                 |
| Informed border enforcement                     | 2%                           | 3%                          | 6%                           | 0%                                | 0%                          | 7%                 |


*Table only includes responses mentioned by >5% of freight forwarders (for at least one activity)*


*Question A2: The last time [these activities occurred], what actions, if any, did you or other members of your company take?*

4.17 Due to UK importer’s low exposure to these activities (no activity was encountered by more than 20 UK importers), only headline level findings can be drawn from the survey data. Results suggest the most common response to importing activities among UK importers was to inform the organisation that goods were imported from.



4.18 To understand more about why these actions were taken, these experiences were explored in more depth in the qualitative interviews – responses to each of the prompted activities are shown below.


| <b>Goods being incorrectly described / classified</b>   |   |
|---|---|
|  <p><b>Experiences and perceptions</b></p> | <ul style="list-style-type: none"> <li>• Most occurrences were not perceived as genuine attempts to evade VAT / Duty but were instead likely to be a genuine clerical error (e.g. old templates being used and not checked properly). Freight forwarders sometimes applied judgement as to whether misclassification was deliberate based on whether those involved stood to benefit financially. These activities were not always possible for freight forwarders to spot, as they relied on documentation (and would need to open the container to be sure descriptions were correct).</li> <li>• One freight forwarder mentioned encountering issues with vague descriptions in cases where no Duty was due – for example, if preference agreements were in place. In these examples it could be more difficult to detect errors without supportive documentation (e.g. some goods only receive invoice and Bill of Lading documents to do a customer entry, when it would be beneficial to see things like Preference documents).</li> <li>• One freight forwarder mentioned incorrect descriptions being more common among newer importers who tend to rely on using brand names rather than more detailed descriptions. The same freight forwarder mentioned end use of products was sometimes described incorrectly.</li> <li>• A few freight forwarders said misclassification was more likely to occur with goods from China, although one freight forwarder felt this was less the case now due to rule changes in China, which stipulated that the exporter had to declare the importers VAT number in tariff headings.</li> <li>• One freight forwarder mentioned misclassification happening frequently with clothing (e.g. confusing cotton and polyester commodity codes) and said these issues could be genuine because of discrepancies between commodity codes in the EU and China. Others (including a UK importer) also said problems could arise where countries did not use specific commodity codes (e.g. USA).</li> <li>• A couple of freight forwarders said goods could be misclassified due to a genuine lack of awareness among businesses about tariffs, or businesses not thinking classification is important because no Duty is owed anyway.</li> </ul> |


|  |   |
|--|---|
|  | <p><i>“They don’t understand that each line, if it’s different, it has to be classified under a different tariff. It can’t be bulked together.”</i></p> <p style="text-align: right;"><b>Freight forwarder, 10-49 employees</b></p> <ul style="list-style-type: none"> <li>• A UK importer mentioned having to change classification of heart monitors as medical devices because HMRC disagreed with the classification, and thus had to pay extra Duty.</li> <li>• Another UK importer mentioned misclassification occurring with their products because an individual at the shipping company they used who was less familiar with their products used the wrong code (but this was spotted prior to the shipment).</li> <li>• One importer also mentioned overpaying Duty because their manufacturer had used their own commodity codes which did not match the UK description and the freight forwarders misclassified their goods as a result.</li> </ul> |
|  <p><b>Actions / responses</b></p> | <ul style="list-style-type: none"> <li>• Where the errors were considered to be genuine (e.g. clerical errors), freight forwarders tended to report this to the client, and if necessary provide the correct tariff information. They did not usually report errors to HMRC.</li> <li>• In a few rare cases, freight forwarders and UK importers reported this activity to the authorities where it was clear that activities may have been linked to criminality or deliberate tax evasion.</li> </ul>   |



| Incorrect valuation of goods  |   |
|---|---|
|  <p><b>Experiences and perceptions</b></p> | <ul style="list-style-type: none"> <li>• This type of activity was more likely to be considered a deliberate attempt to evade tax among freight forwarders.</li> <li>• One freight forwarder mentioned this being more likely to occur with goods that are returned and then imported again because those involved were trying to avoid paying full Duty twice (this specifically occurred with machinery from Africa and Pakistan),</li> <li>• This activity could be difficult for freight forwarders to identify as it required having specific knowledge on the value of products, which vary greatly depending on what the goods are.</li> </ul> <p><i>“It’s very very difficult to confirm the values because everyone sells goods at different values.”</i></p> <p style="text-align: right;"><b>Freight forwarder, 1-9 employees</b></p> <ul style="list-style-type: none"> <li>• A couple of freight forwarders felt this was more likely to occur among small businesses who are trying to ‘nick a pound here and there’</li> </ul> |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>• One freight forwarder believed incorrect valuation of goods used to be commonplace (particularly with clothing from China), but perceived Customs to have recently tightened up on checks and enforcement.</li> <li>• Due to low incidence, there was limited information on this among UK importers. One said this happened with a Chinese supplier selecting a lower value on goods – suspected the supplier was trying to secure their custom by doing this.</li> </ul>   |
| <div data-bbox="300 629 470 786" data-label="Image"> </div> <p data-bbox="320 808 458 869"><b>Actions / responses</b></p> | <ul style="list-style-type: none"> <li>• Some freight forwarders mentioned escalating this to compliance or senior managers and this activity eventually being reported to HMRC or other relevant authorities (although one said they never received a response). A few mentioned refusing to accept custom as a result, but felt other freight forwarders would clear the same imports.</li> </ul> <p data-bbox="608 741 1538 882"><i>“So, we argue the facts and most of the time the argument or the actual reply would be, ‘Okay, well, if you don’t want to do it, some have done it, some tend more to do it,’ and we then don’t do the business. That client doesn’t come back to us and we’ve actually lost a client.”</i></p> <p data-bbox="1118 889 1544 920"><b>Freight forwarder, 1-9 employees</b></p> <ul style="list-style-type: none"> <li>• Some freight forwarders mentioned going back to importers to alert them to incorrect valuations (if perceived to have been an error by suppliers) and allowed them the opportunity to correct the errors. In most cases, clients were willing to immediately correct the error which led them to believe their error was genuine. Some felt it was difficult to escalate further because of the difficulty in proving that errors were deliberate.</li> <li>• One freight forwarder said that they would inform their client if a valuation looked suspicious and was likely to be stopped by Customs, but if the client confirmed the value as correct they would proceed as they felt they had done what they needed to (and the client would face the consequences if HMRC found any issues). This freight forwarder said HMRC had informed them to proceed in this way in the past.</li> <li>• The importer who said a Chinese supplier had applied incorrect valuations without their consent informed their freight forwarder, more senior members of staff and had a conversation with the supplier to ensure they used the correct valuations (although they continued doing business with the supplier).</li> </ul> |

| Country of origin incorrect   |  |
|---|--|
| <br><b>Experiences and perceptions</b> | <ul style="list-style-type: none"> <li>• No UK importers had come across this, typically because they always import from the same country.</li> <li>• A couple of freight forwarders said they sometimes queried imports where the country of origin and country shipped from differed and they were most concerned if the country stated fell under a preference agreement where less Duty is paid.</li> <li>• One freight forwarder said this tends to be correct because they usually get a Generalised System of Preference (GSP) certificate which tells them the country of origin.</li> </ul> |
| <br><b>Actions / responses</b>         | <ul style="list-style-type: none"> <li>• One of the freight forwarders that had come across differences between the country of origin and where goods were shipped from said they usually challenged the client on this and would try to get this in writing to prove to HMRC that they had taken action.</li> <li>• Another freight forwarder said they also informed the client in these cases, and saw no need to report to HMRC as they believed these to be genuine errors. Once they received clarification they cleared the goods.</li> </ul>   |

| Incorrect reliefs being used  |  |
|---|--|
| <br><b>Experiences and perceptions</b> | <ul style="list-style-type: none"> <li>• Only one UK importer had come across this type of activity in their first year of trading. A supplier had treated their goods as ‘gifts’ or ‘samples’ to reduce Duty without their consent as they thought this would encourage the importer to purchase more goods from them. They only realised that reliefs had been applied when the goods arrived. They felt this was less likely to occur now because they had more experience of importing.</li> <li>• Some freight forwarders also mentioned issues with samples; for example, one mentioned that clients had explicitly asked them to import goods as samples to reduce Duty and VAT, while others had suspicions that clothing had been distributed as samples despite being fit for wear. One mentioned that judging whether samples were genuine could be difficult as HMRC was likely to take a different stance on what could be classified as a sample depending on the type of business involved.</li> </ul> <p><i>“If you are a, say Nike for instance, and you’re importing ten pairs of gloves. Well quite frankly you’re not going to make any money on that. If you’re Fred working out of a garage and you’ve got an eBay account, and you’ve just imported ten pairs of gloves as a sample, they might view that slightly differently.”</i></p> <p style="text-align: right;"><b>Freight forwarder, 250+ employees</b></p> |

|   |  |
|---|--|
|  <p><b>Actions / responses</b></p> | <ul style="list-style-type: none"> <li>For the single UK importer who said their supplier had done this to encourage further business, they did not report this to HMRC because they did not consider the tax saving big enough, but they changed supplier.</li> </ul> <p><i>“I never treat samples as samples unless they can prove to me positively that they are.”</i></p> <p style="text-align: right;"><b>Freight forwarder, sole trader</b></p> <ul style="list-style-type: none"> <li>The freight forwarder who received a specific request to import goods as samples to reduce Duty and VAT said they did not report this to HMRC and instead provided the correct customs tariff, but said if they noticed a regular pattern of behaviour with any customer they would escalate internally (and meet with the client to discuss the issue) before reporting to HMRC.</li> <li>Another freight forwarder said they would try to prevent this activity occurring by always asking the customer to provide evidence and support in writing for reliefs such as Onward Supplier Relief.</li> </ul> |
|---|--|

| Broader concerns and experiences  |  |
|---|--|
|  <p><b>Experiences and perceptions</b></p> | <ul style="list-style-type: none"> <li>These tended to be one-off cases of suspicious or criminal activity.</li> <li>One freight forwarder mentioned overseas companies who are not VAT registered selling goods through Amazon – they claimed some clearance agents were clearing this because they did not know the rules.</li> <li>Another freight forwarder mentioned an isolated example where there were discrepancies in where goods were supposed to go and where they were actually flew to.</li> <li>Another freight forwarder mentioned somebody importing under their name without authorisation.</li> </ul> |
|  <p><b>Actions / responses</b></p>         | <ul style="list-style-type: none"> <li>The freight forwarder who said goods were flown to the wrong destination said they reported this to HMRC and were then informed that an arrest had been made.</li> <li>The freight forwarder whose company name was used without authorisation was concerned about reporting this because of potential personal repercussions (suspected gang involvement). The freight forwarder spoke to a relative in the police who advised that HMRC would not investigate without a name attached. After eventually reporting to HMRC, a large seizure of cigarettes was made.</li> </ul>   |



4.19 Qualitatively, we also explored how easy it was for these audiences to tell a genuine importing error from something more suspicious. This tended to be dependent on:

- **The type of error:** for example, a few freight forwarders mentioned that incorrect valuation of goods could be difficult to identify because of diverse valuations of similar goods (e.g. clothing), whereas obtaining information on the country of origin was easy to do;
- **Scale of the error and how frequently it occurs:** some felt that if the same errors were recurring amongst particular clients then this would raise more suspicion;
- **Customers' willingness to correct the error:** freight forwarders said that if the customer showed willingness to correct the error immediately then the error is more likely to be perceived as genuine, whereas if they were insistent that it was correct the suspicions would remain;
- **Audience:** Some importers appeared less likely to spot errors due to their lack of knowledge about fees, tariffs, commodity codes, etc. Freight forwarders mentioned having to educate importers about importing rules, when they felt HMRC should be responsible for doing this;
- **Interactions with clients:** Freight forwarders felt that one-off clients (and smaller importers) were higher risk in terms of engaging in suspicious activities than long-standing clients;
- **Experience:** Some freight forwarders mentioned that their experience enabled them to distinguish between genuine errors and deliberate attempts to evade tax.

*"We know that if we go back to the supplier and they didn't change it straight away or continued to do it that would raise concerns internally and we would have to take steps. If it is changed straight away then you can classify that was honestly done out of error or not really understanding."*

**UK importer, 250+ employees**

## Reporting activities to HMRC

4.20 In qualitative interviews, most freight forwarders felt that reporting activities to HMRC was easy. One freight forwarder mentioned having regular contact with the National Clearance Hub because of the scale of their importing operations and felt this provided an effective means of contacting HMRC, although they acknowledged importers may not know which routes to contact HMRC through.

*"We make contact with the National Clearance Hub on a regular basis because we do entries all the time, so we have the contact details already so not too much of a challenge which is fantastic but for someone who didn't have that information it would probably be hard to find the contact details."*

**Freight forwarder, 250+ employees**

4.21 However, another freight forwarder, while having no issues contacting HMRC in the past, suspected this would become more difficult because the presence of on-site Customs staff had reduced. This was echoed by another freight forwarder who had experienced this shortage first-hand.

*“Ringing the Customs helpline – you might as well stick your head out of the window ... there’s nobody to talk to, it’s either online bots or a call centre which covers various HMRC issues.”*

#### **Freight forwarder, 10-49 employees**

- 4.22 Another freight forwarder felt the process of reporting had become more difficult because of communications not being joined up between local Customs officers and the Central Hub in Manchester.
- 4.23 One freight forwarder mentioned being more likely to contact Border Force rather than HMRC directly in relation to suspicious activities, but would escalate to HMRC directly if there was something ‘significant enough’ to report.
- 4.24 While most UK importers in the qualitative sample had not reported to HMRC in the past, a few were aware that they could report violations online, however one importer said they would not know what channels to use to contact HMRC (and indicated that this could deter them from reporting suspicious activity).

*“I don’t even know who I would report that to [at HMRC]. If it was a one-off probably not. If they kept doing it then I would probably look into finding out who I contact at HMRC but I can see that being difficult.”*

#### **UK importer, 10-49 employees**

- 4.25 Another UK importer who had not reported a Customs issue before, assumed that they would encounter similar issues they had faced when phoning up HMRC in the past about other tax issues, mentioning that “every conversation seems to get lost in translation”. One importer was also sceptical about whether HMRC followed up cases where violations were reported.

*“It might be one of those classic “fill a form in” and it goes into a black hole and you won’t know if anything is going to happen or not.”*

#### **UK importer, sole trader**

- 4.26 A few freight forwarders and UK importers who had reported activities to HMRC mentioned disappointment with their response. A few mentioned no action being taken, while one UK importer said that this resulted in them being investigated themselves (in relation to reporting incorrect use of a tax relief). However, in other cases activities were reported to HMRC and those reporting received confirmation that action had been taken (including arrests or seizure of goods).

### **Awareness of what goods are in loads and who the owner is**

- 4.27 The survey asked both freight forwarders and UK importers how aware they were of what goods were in the loads when entries were made. The vast majority of UK importers (97%) said they always knew what goods were in loads, while 2% said they sometimes knew and fewer than 1% said they never knew.
- 4.28 Awareness of what goods are in loads among freight forwarders was slightly lower; still approaching nine in ten (86%) said they always knew what goods were in loads, 11% said they sometimes knew and 2% said they never know.

- 4.29 Qualitatively, UK importers were confident that they always knew what goods were in loads as they eventually unpacked the goods and would establish whether anything was wrong. Some mentioned being more confident about what goods were in loads if they knew they had their own container during shipping.
- 4.30 Qualitative findings corroborated the fact that freight forwarders were slightly less confident in their knowledge of what goods were in loads. There was less certainty for them because goods did not travel via their premises or they never unloaded them. It is worth noting that there were mixed interpretations about what was meant by 'knowing' what goods are in loads; some interpreted this as knowing what the paperwork said, while others interpreted this as having physically seen the goods. While some were uneasy about the idea of not knowing without physical inspection, others felt they could not be concerned about something they could not possibly know.

*“As a forwarder, who really ever knows what is in a shipment? You don’t.”*

#### **Freight forwarder, 250+ employees**

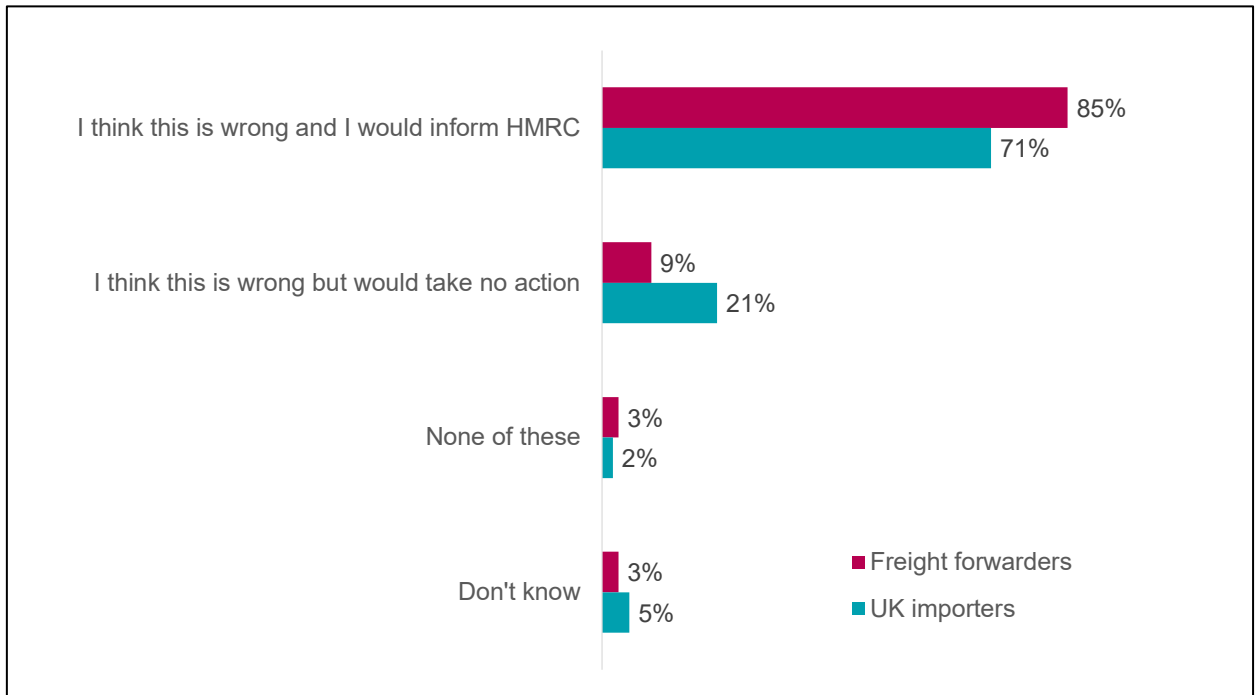
- 4.31 In the survey, freight forwarders were also asked the extent to which they were aware of the owners of the goods they import. Three-quarters (75%) said they always knew, 18% sometimes knew and 2% said they never knew.
- 4.32 In qualitative interviews, freight forwarders mentioned referring to paperwork and importing forms for this information (e.g. one said it was whoever presented them with the bills of lading). There were however a few exceptions:
- A few freight forwarders reported occasionally not knowing who the owners were when goods were sent under Delivery Duty Paid (DDP) terms as there were misconceptions in these cases that there was no need for an importer record.
  - The freight forwarder importing fine art for wealthy individuals and galleries said the owner in these cases did not want to be known and goods were therefore imported through a holding company.
- 4.33 Survey results indicate that freight forwarders who never or only sometimes knew what goods were in loads were more likely to have come across the prompted importing activities, although this was based on only 38 respondents. Similarly, experience of these activities was less common amongst those who said they always knew who the owners of goods were.

#### **Attitudes towards Duty or VAT evasion**

- 4.34 In the survey, both audiences were asked to choose from a list of statements which came closest to their views about businesses trying to reduce the amount of Duty and VAT they pay by not making accurate declarations to HMRC.
- 4.35 As shown in Figure 4.2, the majority of businesses across both audiences thought this was wrong; 85% of freight forwarders said they felt this was wrong and would inform HMRC, compared with only seven in ten (71%) UK importers, who were more likely to think it was wrong but take no action (21%, compared with 9% of freight forwarders). Just 3% of freight forwarders and 2% of UK importers said neither of these options reflected their views, while 3% and 5% respectively were unsure.

4.36 In terms of differences by subgroup, smaller freight forwarders were less likely to report this activity to HMRC despite thinking it was wrong (77% of micro-businesses), while UK importers with a lower turnover were also more likely to think this way (63% of businesses with a turnover of up to £1 million).

**Figure 4.2 Attitudes towards businesses trying to reduce the amount of Duty and VAT they pay by not making accurate declarations to HMRC**



*Question B2: Which of these statements comes closest to your views about businesses similar to yours doing this?*

*Base: All freight forwarders (300); All UK importers (300)*

4.37 It is evident that whilst most businesses say they would inform HMRC about deliberate tax evasion, they did not necessarily associate the prompted importing activities covered earlier in this section to be examples of deliberate tax evasion because, as discussed, some were considered genuine errors. This does however raise the question about whether businesses are applying the correct level of scrutiny and following the correct procedures to ensure they are not inadvertently facilitating tax evasion.

### **Chapter summary**

Freight forwarders and UK importers most commonly imported consumer goods or goods used for manufacturing. These goods were imported from various countries around the world, often from China and the Far East, and typically travelled directly to the UK from their point of origin.

While freight forwarders were more likely than UK importers to have come across suspicious importing activities (47% compared to 14%), they both identified the incorrect classification, incorrect description and incorrect valuation of goods as most common. While recognising that these activities were often deliberate attempts to avoid paying VAT and duty on imports, both audiences felt that the incorrect valuation of goods was more likely to be an example of this, while the incorrect classification or description of goods was often perceived to be a genuine clerical error.

The most common course of action when suspicious activities had been observed was to inform the client (freight forwarders) or the organisation that goods are imported from (UK importers), whether the activity was thought to be a deliberate attempt to avoid paying VAT or duty or an honest error. Some reported incidents to HMRC or Border Force, although this was less common.

For freight forwarders and UK importers, the majority felt that evading paying VAT or duty by making inaccurate declarations to HMRC was wrong. Freight forwarders were more likely to report incidents of this nature to HMRC than UK importers (85% compared to 71%), who were more likely to take no action (21% compared to 9%). While it is evident that businesses do not always associate suspicious activities with deliberate attempts to evade paying VAT or duty, findings suggest that some businesses may be inadvertently facilitating VAT or duty evasion by not following sufficiently thorough prevention procedures.

## 5 Experiences of wealth managers

### Overview of services provided

5.1 Wealth managers tended to provide a range of services, rather than specialising in a single service, although most services could be categorised within the financial planning or tax advice disciplines. The main services wealth managers provided according to qualitative findings were:

- Financial planning:
  - Trusts;
  - Pensions;
  - Life insurance;
- Tax advice / planning:
  - Inheritance tax;
  - Tax reliefs (government mandated only);
- Investment planning / management.

5.2 While most wealth managers tended to be willing to provide advice for most things they considered to be legitimate, in qualitative interviews, a large bank said they did not offer tax advice due to industry regulations, instead asking clients to take their own tax advice. Despite this, there were some areas where advice was provided, for example on ISAs, or trusts when dealing with high net-worth clients.

*"As an organisation, we try and not give tax advice. In fact, we usually have disclaimers saying, 'We're not providing tax advice and people should take their own tax advice.' We have very few people embedded in the business who are able to advise customers on tax."*

#### **Wealth manager, 250+ employees**

5.3 Some wealth managers offered services in addition to financial planning and tax advice. Quantitative interviews indicated that around one quarter (23%) of wealth managers offered additional services. The main additional services provided were:

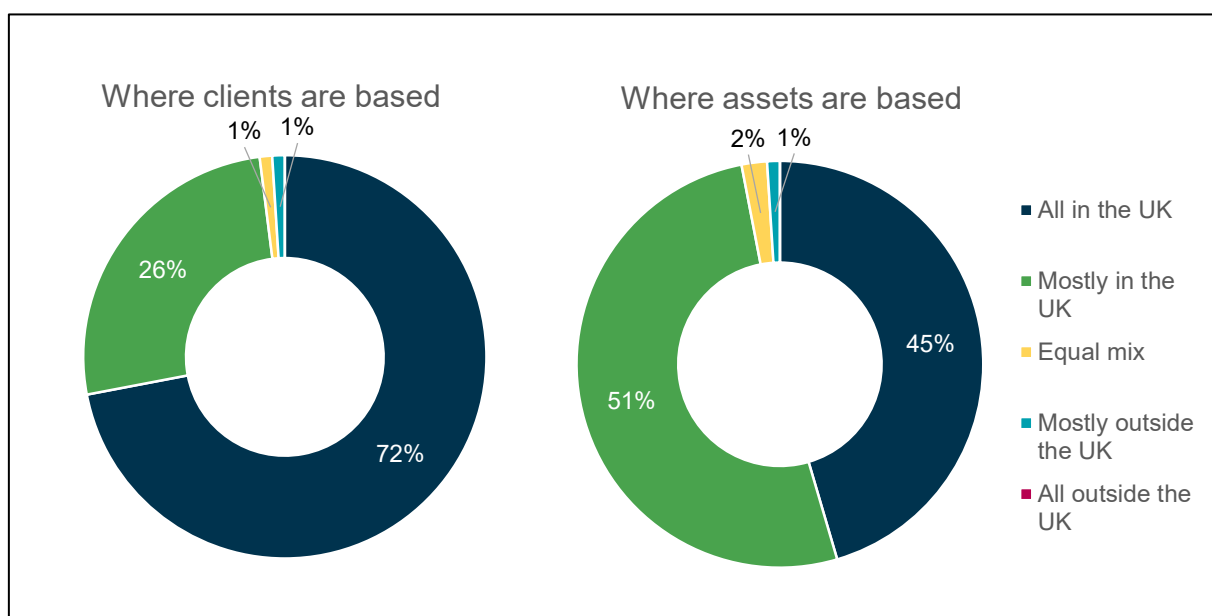
- Investment management services (17%);
- Investment planning / advice (17%);
- Accountancy services (13%);
- Mortgage advice (13%);
- Will writing (13%)

- 5.4 Other additional services mentioned by 10% or fewer of these wealth managers included: pension planning/advice; power of attorney; insurance; pension administration; and financial management services.
- 5.5 Larger organisations, in terms of both number of employees and annual turnover, were significantly more likely to provide additional services than smaller organisations.
- 5.6 Two-fifths (42%) of wealth managers with 10+ staff provided additional services, compared to only around two in ten (18%) with fewer than 10 staff. Similarly, around a third (36%) with a turnover of more than £1 million provided additional services, whereas only 18% with an annual turnover of £1 million or less did so.

### Holding assets overseas

- 5.7 As Figure 5.1 shows, the vast majority of wealth managers reported that all or most of their wealthy clients (98%) and their assets (96%) were based in the UK.
- 5.8 Almost three quarters of wealth managers (72%) reported that all their clients were based in the UK, while a quarter (26%) reported they were mostly based in the UK. Only a small minority had a client base split evenly between the UK and outside the UK, or based mostly outside the UK (each 1%).
- 5.9 While most wealth managers' clients were based in the UK, it was more common for their clients to have some assets based outside the UK. Just under half (45%) based all assets in the UK, while just over half (51%) were based mostly in the UK, indicating that this 51% did hold some assets in other jurisdictions. Only 2% reported their client base had an 'equal mix' of assets based in the UK and outside, and only 1% reported that assets were held mostly outside the UK.

**Figure 5.1 Where wealth managers' clients and their assets are based**



Question E4: In terms of where your wealthy clients are, are they...

Question E5: In terms of where your wealthy clients base their assets, are they...

Base: All wealth managers (300)

- 5.10 Larger organisations (in terms of size and turnover) were more likely than smaller organisations to work with clients who were based, or based their assets, outside the UK. Around three-quarters (77%) who had fewer than 10 staff said all of their clients were based in the UK compared with half (54%) of wealth managers with 10+ staff. In terms of turnover, three-quarters (76%) of wealth managers with a turnover of £1 million or less said all of their clients were based in the UK, while this applied to six in ten (59%) wealth managers with a turnover of more than £1 million.
- 5.11 Findings were similar in terms of where assets were based. Half (49%) of those with fewer than 10 staff said all of their clients' assets were based their assets in the UK, compared to three in ten (29%) with 10+ staff.
- 5.12 Although qualitative interviews supported the survey results that most clients were based in the UK and also based their assets there, a few wealth managers had advised clients to invest or to hold assets outside of the UK. These were generally held in offshore bonds for tax efficiency purposes in jurisdictions such as Jersey, Guernsey, the Isle of Man and Ireland.
- 5.13 Those that had advised clients to base assets in other jurisdictions stressed that these were legitimate activities and that clients were advised that they were still subject to UK tax law and would need to declare their income in the UK.
- 5.14 One wealth manager who had the facility for assets to be held overseas required a signed declaration from a client's tax advisor before providing this service. They also mentioned that this is not something that they advertise; they only provide the service if a client enquires about holding assets offshore.

*“Occasionally we’ll get somebody who is non-resident, non-domicile saying, ‘I would like to use your services, but I don’t really want to bring my assets into the UK.’ So, then they’ll go onto the Jersey custodian.”*

**Wealth manager, 100-249 employees**

### Incidence of suspicions or concerns

- 5.15 Wealth managers did not have a great deal of experience of encountering suspicions or concerns relating to tax evasion or avoidance.
- 5.16 A minority of wealth managers (13%) had encountered suspicions or concerns when conducting 'know your customer', anti-money laundering or other due diligence checks. Of those who had come across something suspicious, most reported that this was 'very rare' (35 of 40 who had encountered suspicions). Only a few had experienced suspicions or concerns more frequently (three reported the occurrence 'occasionally' and two 'fairly frequently').
- 5.17 While survey findings are only indicative due to the low incidence of wealth managers reporting suspicions or concerns (40 respondents), the most common action taken was to report the incident, either to an authority (qualitative interviews suggested these activities were more likely to be reported to the Financial Conduct Authority than HMRC) or internally to a more senior member of staff or a compliance manager. Some also mentioned conducting internal checks or refusing to accept the business.



## Advice on tax avoidance

5.18 The research identified instances where wealth managers had provided, or been asked to provide, advice on tax avoidance, and explored actions taken by wealth managers in these situations.

### Providing advice

5.19 Almost all (95%) disagreed that they had provided clients with advice that may be perceived by HMRC to go against the spirit or intentions of the tax law (93% disagreed strongly) and over eight in ten (83%) disagreed that they had been asked to provide this type of advice in the past (74% disagreed strongly).

5.20 Although incidence of these activities was low, it was more common for wealth managers to be asked to provide this advice than it was for wealth managers to give this advice (12% agreement compared to 2% agreement respectively).

5.21 In qualitative interviews, some wealth managers reported that in the past five years they had been asked by clients to provide advice that could be perceived by HMRC to go against the spirit or intentions of tax law, although they did mention that occurrence was quite rare.

5.22 Types of advice they had been asked to provide included:

- Arrangements to avoid paying stamp duty:
  - In these cases, the client was advised against this as it was considered to be against the spirit of the law and the client did not pursue the matter. In both instances, the client was retained.
- Schemes to reduce the amount of inheritance tax paid;
- Structures that would prevent customers having tax liability in the UK;
- Transferring the ownership of property;
- A scheme to increase the money taken out of a pension by purchasing private shares;

*“Clients were able to exchange shares for pension funds basically and they are now suffering the consequences because of the tax liabilities...At the time it was the only way of accessing your pension funds without possibly paying tax.”*

### Wealth manager, 1-9 employees

- Film schemes:
  - A planning firm approached about a Film Scheme, had held a meeting with the company who approached them. However, they did not get involved as it ‘did not feel right’.

*“When [the company] came calling, I took one meeting and that was it ... I didn't like the idea and I couldn't think of a client I would want to talk to about it.”*

### Wealth manager, 1-9 employees

### Response to being asked to provide advice

- 5.23 Survey results indicate that around half of those who had been asked to provide advice that could be perceived as going against the spirit or intentions of tax law reported that they had refused to accept business from the client, while it was also relatively common for these wealth managers to have informed the client that they may be committing an offence.
- 5.24 This was supported by the qualitative findings, which indicated that wealth managers generally refused to provide advice when this was requested by a client and often informed the client that they may be committing an offence if they carried out the action. Although they refused to provide this advice, wealth managers tended not to report this behaviour to HMRC or the FCA, and if they were existing clients, continued to do business with them. One wealth manager mentioned that they had not reported the incident to HMRC because they had not advised the client to evade tax and did not see it as their responsibility to report the matter.
- 5.25 A few mentioned that in the past they may have acted differently and been more open to providing such advice. They cited the reasons for their change in views as:
- Negative previous experiences:
    - One mentioned involvement in an Elysian Fuels Scheme, which was a scheme designed to get more money out of pensions by buying private company shares. While the scheme was initially backed by pension administration companies, it subsequently went to court and shares proved to be worthless;
  - Increased regulation;
  - Landmark cases which made it clear the schemes were no longer acceptable, and the associated media coverage / scrutiny that came with this.

### Awareness of 'enablers' legislation

- 5.26 Wealth managers were informed during their interview that providing tax planning advice that might be perceived by HMRC to be contrary to the spirit or intentions of tax law could be considered as enabling tax avoidance. Subsequently, they were asked whether they were aware of legislation passed in 2017 which introduced a penalty for any person who enables the use of abusive tax arrangements which are later defeated. Almost all wealth managers who had been asked to provide advice that could be contrary to the spirit of the tax law (37 respondents) said they were aware of the 'enablers' legislation.

### Awareness of specific schemes

- 5.27 During qualitative interviews, wealth managers were presented with a list of known tax avoidance schemes. For each scheme, they were asked about: their awareness; whether they had provided advice or had been asked to provide advice on the scheme in the past; and what actions they had taken if were asked to provide advice. The schemes that wealth managers were asked about were:
- Disguised Remuneration schemes;

- Business Premises Renovation Allowance (BPRA) / Enterprise Zone Allowance (EZA) misuse schemes;
- Film schemes;
- Exploitation of tax reliefs (such as Research and Development Relief and Interest Relief) in a way that Parliament never intended;
- Profits previously allocated to individual partners being allocated to a corporate partner ('special capital' contribution schemes);
- Arrangements which purport to avoid the Stamp Duty Land Tax; and,
- The use of Employee Benefit Trusts in a way not intended by parliament to avoid paying various taxes.

### **Awareness**

- 5.28 In general, there was mixed awareness of the prompted tax avoidance schemes amongst wealth managers. Most said they were only aware of a small number of schemes, while only a few had heard of all or the majority.
- 5.29 Schemes that wealth managers were most aware of in qualitative interviews were: film schemes; exploitation of tax reliefs; and employee benefit trusts. Wealth managers were least aware of 'special capital' contribution schemes and BPRA/EZA misuse schemes.
- 5.30 Even where wealth managers were aware of the prompted tax avoidance schemes, few had had any first-hand experience of these. Some mentioned that they had been made aware of schemes through landmark cases and the resultant media coverage.
- 5.31 One of the few wealth managers who was aware of the majority of schemes was a planning firm who mentioned that they were obligated to know what all the schemes were, so they knew what was and what was not acceptable (in the eyes of the FCA), and therefore knew how to advise clients.

*"It's incumbent on me to understand these things, partly for Continuing Professional Development (CPD) ... I need to maintain independence. I need to be able to advise on these schemes if a client asks. Whether I would in practice follow that through – absolutely not – but if I tell the FCA I am unable to advise on those schemes, they will question my [professional quality]"*

#### **Wealth manager, 1-9 employees**

- 5.32 The same planning firm mentioned feeling resentment towards advisors who offered these schemes as they mentioned that this can impact them, as when these schemes do not work out, they bear the cost of those compensated by the Financial Services Compensation Scheme.

### **Case example of a wealth manager discussing the difficulties of deciding what constitutes tax avoidance**

- Multinational bank operating primarily in consumer/retail and corporate banking. Their wealth management offering accounts for around 20% of work on the consumer banking side.
- This bank said that deciding what constitutes tax avoidance could be difficult, because it often depended on making a judgement about clients' intentions rather than the structure itself. They felt that cases were not always as 'clear cut' as being illegal or not, because there are legitimate schemes ('government-mandated') where this behaviour is accepted, for instance, if it encourages investment from businesses.

*"Just because these judgements are quite difficult and complicated. You have to know quite a lot about the client's intent and wider business dealings, and just by its nature, there's a bit of subjectivity there around whether or not the outcome is as parliament intended."*

- They reported that several of the known avoidance schemes used to be commonplace (e.g. Film Schemes, Disguised Remuneration, misuse of Employee Benefit trusts), but are now considered unacceptable.
- They felt that these types of schemes had become unacceptable because of a legal precedent being set (e.g. a high-profile court case) or because of negative publicity in the media (e.g. scrutiny of celebrities' tax affairs).
- They mentioned that they would stop offering a service as soon as it became clear that this was unacceptable to HMRC.

*"We see the publicity that the individuals involved are attracting. We see the courts find against the investors, and it becomes clear that the tide has turned on these things and now even the ones that we think are probably more commercial we probably would avoid any involvement in, because we're seeing everything change around them."*

### **Chapter summary**

Wealth managers often offered a range of financial and tax planning and advice services. In addition to these services, investment management, accountancy, mortgage and will writing services were the most commonly provided.

Clients were typically based, and held their assets, within the UK, although a few held assets offshore, often in offshore bonds in jurisdictions such as Jersey, Guernsey, the Isle of Man or Ireland.

Only a minority (13%) had encountered suspicions or concerns relating to tax evasion or avoidance, and when they had, incidences were very rare. Findings indicate that when there were suspicions, the most common course of action was to report it to the FCA.

Similarly, very few had provided tax advice that may be perceived by HMRC to go against the spirit or intentions of the tax law (only 2% agreed that they had), although more had been asked by a client to provide such advice (12%). In cases where a client had asked for this advice, wealth managers were most likely to refuse to accept the clients' business, while some also informed the client that they may be committing an offence. Wealth managers were less likely to report these incidents to HMRC or the FCA.

Awareness of known tax avoidance schemes was fairly low, most only being aware of a small number of schemes, and first hand experience of the schemes was even lower. Awareness was highest for: film schemes, exploitation of tax reliefs and employee benefit trusts.

## 6 Awareness and attitudes towards the facilitation of tax evasion

### Summary of key differences by audience

- Wealth managers were more likely than freight forwarders or UK importers to agree that 'suspecting tax, VAT or duty evasion is occurring but not reporting it to HMRC' constituted facilitating evasion.
- UK importers were less likely than freight forwarders to report to HMRC if they knew of a business similar to theirs trying to reduce the amount of duty/VAT paid by not making accurate declarations; UK importers were more likely than freight forwarders to take no action in these circumstances.
- UK importers were less likely than freight forwarders to agree that it was their responsibility to take action when clients or organisations they worked with were suspected of engaging in VAT or duty evasion.

### What constitutes facilitating tax evasion?

- 6.1 A key objective of the research was to measure business's understanding of what constitutes facilitating tax evasion. As such, understanding of 'facilitating tax evasion' was tested across all audiences, albeit using differing methods.
- 6.2 Wealth managers' understanding was tested quantitatively, simply by asking a yes/no question: "Are you aware of what facilitating tax evasion means?" Almost all wealth managers (97%) reported that they knew what the term meant, with only 2% saying that they were not aware. Despite this, qualitative interviews indicated that there was not a consistent understanding amongst all wealth managers.
- 6.3 Due to the perception that freight forwarders and UK importers would be less certain of what was meant by 'facilitating' than wealth managers, understanding was tested qualitatively amongst these two audiences. Freight forwarders and UK importers were asked to explain, in their own words, what was meant by 'facilitating VAT and Duty evasion'.
- 6.4 While most tended to think that they understood what was meant by the term, the variety of responses suggested that freight forwarders and UK importers did not all have a complete understanding of what the term meant.
- 6.5 Some freight forwarders and UK importers felt that it entailed 'allowing' VAT or duty evasion to occur, but that the individual or company was not necessarily directly involved. However, others felt that facilitation was directly 'aiding' or 'helping' someone else evade paying VAT or Duty.

*"Facilitating VAT and Duty evasion I guess means allowing people to do what they want. Allowing people to cut the corners they want to cut."*

**UK importer, sole trader**

*“Helping somebody get away without paying or paying reduced VAT and duty. Knowingly.”*

**Freight forwarder, 250+ employees**

- 6.6 Despite these differing interpretations, these firms typically believed that facilitating was a knowing, conscious behaviour, whether it was ‘allowing’ or ‘assisting’.
- 6.7 There were a few exceptions to this, mainly amongst freight forwarders, who felt that negligence and failure to conduct appropriate due diligence could be considered facilitating. One UK importer mentioned that it could occur through ‘poor processes’ such as not conducting internal checks and audits or not proactively assessing risks. They added that if checks did raise an issue, failure to report it could also be engaging in facilitating VAT or duty evasion.

*“I think that is actually set, if you do not show due diligence, if you do not check the paperwork... if you don’t ask questions when you can clearly see the paperwork may be incorrect then you are a facilitator... You are as culpable as the actual people that are actually trying to defraud.”*

**Freight forwarder, 1-9 employees**

**Perceptions of potential facilitating activities**

- 6.8 In qualitative interviews all wealth managers, freight forwarders and UK importers were presented with four activities that could be considered examples of facilitating tax evasion (for wealth managers) or VAT and duty evasion (for freight forwarders and UK importers) and were asked whether they considered each to be an example of facilitating. The four activities were:
- Knowingly aiding another person’s/company’s tax evasion whilst acting as a private individual;
  - Knowingly aiding another person’s/company’s tax evasion whilst acting on behalf of an organisation;
  - Suspecting tax evasion is occurring but not reporting it to HMRC; and
  - Unknowingly aiding another person’s/company’s tax evasion whilst acting on behalf of an organisation.
- 6.9 Across all audiences, there were differing views on whether some of these activities constituted ‘facilitating’, albeit to varying extents. This indicated that there was a lack of clarity over what facilitating entailed.

**Knowingly aiding another person’s/company’s tax, VAT or duty evasion whilst acting as a private individual / acting on behalf of my organisation**

- 6.10 There was widespread agreement from wealth managers, freight forwarders and UK importers that these two actions were examples of facilitating tax, VAT or duty evasion and were wrong.
- 6.11 Participants did not tend to differentiate between acting as a private individual or on behalf of a company; they felt both were wrong. Indeed, they often gave the same response to both actions.

*“Whether I do it as an individual or my company I am still helping someone, or a company, evade duty and VAT.”*

**UK importer, 1-9 employees**

6.12 Many companies considered these behaviours to be facilitating because they were done ‘knowingly’. These participants typically felt that knowingly helping someone evade tax or duty made the individual or company involved complicit and was therefore facilitating the evasion.

*“The fact that you are knowingly doing it makes you complicit in my opinion.”*

**UK importer, 10-49 employees**

6.13 For a few participants, there was uncertainty as to what the punishment would be if an individual or a company was discovered engaging in this behaviour. One wealth manager reported that they knew it was a crime but was unsure whether it would be chargeable under the Corporate Criminal Offence (CCO), whereas a UK importer felt sure that it was wrong but was unsure whether it was a criminal offence.

6.14 Perceptions of whether these activities were examples of facilitating tax evasion were also tested quantitatively with wealth managers, with almost all agreeing that these were facilitating behaviours. 95% of wealth managers regarded knowingly aiding someone else’s tax evasion whilst acting *as a private individual* as a facilitating behaviour (3% disagreed and 1% said they did not know), while 98% thought that knowingly aiding another person’s/company’s tax, VAT and duty evasion whilst acting *on behalf of an organisation* was a facilitating behaviour (1% did not think it was and 1% were unsure).<sup>6</sup>

**Suspecting tax, VAT or duty evasion is occurring but not reporting it to HMRC**

6.15 While most considered this to be an example of facilitating evasion, some felt that ‘suspecting’ could not necessarily be considered as facilitating as it was different to ‘knowing’. Findings indicated that this area of tax law was known better amongst wealth managers than it was by freight forwarders and UK importers.<sup>7</sup>

**Wealth managers**

6.16 Almost all wealth managers considered this to be an example of tax evasion. In the quantitative phase, 94% agreed that this was an example of facilitating, while all 10 wealth managers who took part in qualitative interviews agreed.<sup>8</sup>

6.17 Some wealth managers mentioned that they had whistleblowing responsibilities and were therefore obliged by law to report anything that they suspected to be tax evasion, and if they did not then they were complicit in the evasion.

<sup>6</sup> Freight forwarders and UK importers were not asked these questions in the quantitative phase.

<sup>7</sup> Findings are split by audience here as this is the behaviour where there was most difference by audience

<sup>8</sup> Freight forwarders and UK importers were not asked these questions in the quantitative phase.



*“Whilst we are not actually facilitating or advising, if we are aware of it then effectively we are facilitating it because we are turning a “blind eye” and that is the same result.”*

**Wealth manager, 10-49 employees**

6.18 While acknowledging their responsibility to report suspected tax evasion, one firm mentioned that the nature of the relationship with the suspect – whether it was professional or personal - could dictate whether the behaviour was reported.

*“Even [with this], you've got a responsibility. The only time it would remotely be, 'Should I do nothing?' is if it's your wife, family or best friend, and even then, ultimately ... you've got a responsibility.”*

**Wealth manager, 1-9 employees**

**Freight forwarders**

6.19 While almost all wealth managers agreed that suspecting another person's evasion and not reporting it was a facilitating behaviour, freight forwarders views were mixed.

6.20 Those that did agree that this was an example of facilitating cited the same reasons as wealth managers; that it was their responsibility and ‘the right thing to do’.

6.21 One of these freight forwarders felt that while this was an example of facilitation, it would be harsh to report it to HMRC if they could inform the client to correct it.

*“See, I think that one's a bit harsh because you get it resolved without going to HMRC, but I would say in a literal sense the answer is yes.”*

**Freight forwarder, 250+ employees**

6.22 A few freight forwarders thought that this was a ‘grey area’; for some of these, whether it was an example of facilitating depended on the scale of the suspicion. They felt that if the suspicion was well founded and the evidence was compelling, then not reporting would be an example of facilitation.

6.23 A few freight forwarders did not consider this to be an example of facilitating VAT or duty evasion, noting that without actual proof they would not feel obliged to report suspicious behaviour.

**UK importers**

6.24 UK importers shared similar views to freight forwarders, with mixed opinions on whether this constituted the facilitation of VAT or duty evasion.

6.25 Those who agreed that it was a facilitating behaviour believed that they had a duty to report it, with one mentioning that they had done so in the past.

6.26 Most of those who disagreed that this was a facilitating behaviour felt that ‘suspecting’ was not a suitable standard for reporting to HMRC; instead they would only report it if they had hard evidence (thus ‘knowing’ of the tax evasion, rather than just suspecting it).

*“If you suspect something and then subsequently find proof, then that becomes knowing, and you have to deal with it, you have to act on it. Just suspecting is not enough.”*

**UK importer, 1-9 employees**

6.27 One UK importer said it was more difficult to expect junior staff to report a suspected issue, as they 'can't really go poking their noses into people's accounts and asking questions' and would not expect repercussions for a junior employee suspecting evasion but not reporting it. The implication was that whether a facilitating behaviour was taking place was dependent on job responsibility.

**Unknowingly aiding another person's/company's tax, VAT and duty evasion whilst acting on behalf of my organisation.**

6.28 The incidence of participants disagreeing that this behaviour constituted facilitating evasion was the highest of the four behaviours. Views on this varied across all audiences, indicating that this was an area where there was uncertainty over tax law.

6.29 Only around four in ten (43%) wealth managers considered this to be an example of facilitating or enabling tax evasion (53% disagreed and 4% were unsure).

**Agreement (that this was an example of facilitating evasion)**

6.30 Those who thought that this was a facilitating behaviour generally believed that 'ignorance was not a defence' and that an individual, or a company, was still liable despite not knowing about the evasion.

6.31 Some of those who agreed that this was a facilitating behaviour felt that 'not knowing' was not an excuse because they felt that if companies conducted appropriate due diligence then any risks would be identified. Further, a couple acknowledged that if they did not know the evasion was occurring then they had not done their job properly.

*"Ignorance isn't an excuse and we have due diligence from a regulatory perspective and also from an HMRC perspective. If we are aiding something that we shouldn't really be doing, then we shouldn't be doing the job that we do."*

**Wealth manager, 10-49 employees**

*"If you are that unaware that you are aiding VAT errors and you are in charge of an organisation then there is probably something wrong there."*

**UK importer, 10-49 employees**

6.32 One freight forwarder mentioned that even by unknowingly or mistakenly giving the wrong advice they would still be considered complicit and liable.

**Unsure (whether this was an example of facilitating evasion)**

6.33 Those who were less sure felt that 'not knowing' would make someone less complicit, but felt they would still be liable. The key factor was whether it was reasonable not to know of the tax evasion. Some mentioned that this came down to whether the appropriate prevention procedures had been followed, feeling that without such procedures, 'not knowing' was not a defence. Those same participants felt that if all reasonable measures had been taken to mitigate against evasion, then 'not knowing' should not be considered an example of facilitation.

*“So, as long as you look at what you’re doing, as long as you’ve the instruction, as long as, you know, the actual values are not grossly under-declared there’s not a lot more you can do I don’t think...However, if you turn a blind eye you’re as culpable as the people that are, you know, sending the goods, mis-declaring the goods and don’t really give a toss.”*

**Freight forwarder, 1-9 employees**

6.34 One wealth manager felt there were certain instances where ‘not knowing’ was reasonable, giving an example of paying a plumber via a bank transfer who then does not put the payment onto their tax return.

**Disagreement (that this was an example of facilitating evasion)**

6.35 Those who did not consider this to be an example of facilitating evasion thought that ‘not knowing’ was a valid defence.

*“You can’t report something you’re not aware of. The argument could come in that you must be stupid if you didn’t but if it’s genuinely unknown [then you can’t].”*

**Wealth manager, 1-9 employees**

6.36 One wealth manager felt that although it could not be considered as facilitation if those involved were genuinely unknowing, HMRC had a responsibility to investigate such cases and prove it one way or another. A freight forwarder mentioned that they would expect a court to find them guilty if they were charged with this behaviour, despite disagreeing that it was a facilitating behaviour.

6.37 A few freight forwarders disagreed because it was rare for them to physically see the products imported and they felt it was unrealistic for them to do this due to the large volumes of freight handled. Those freight forwarders therefore relied on the accuracy of paperwork to determine whether anything suspicious was occurring and felt that knowing the paperwork was all in order, and having followed the appropriate procedures for doing so, was enough to mean they were not at risk of facilitating tax evasion.

6.38 Of the UK importers who disagreed, one did not believe it was their responsibility to ensure that businesses in their supply chain were tax compliant, whereas the other felt that information could be deliberately withheld, meaning it was harder to tell if anything untoward was occurring.

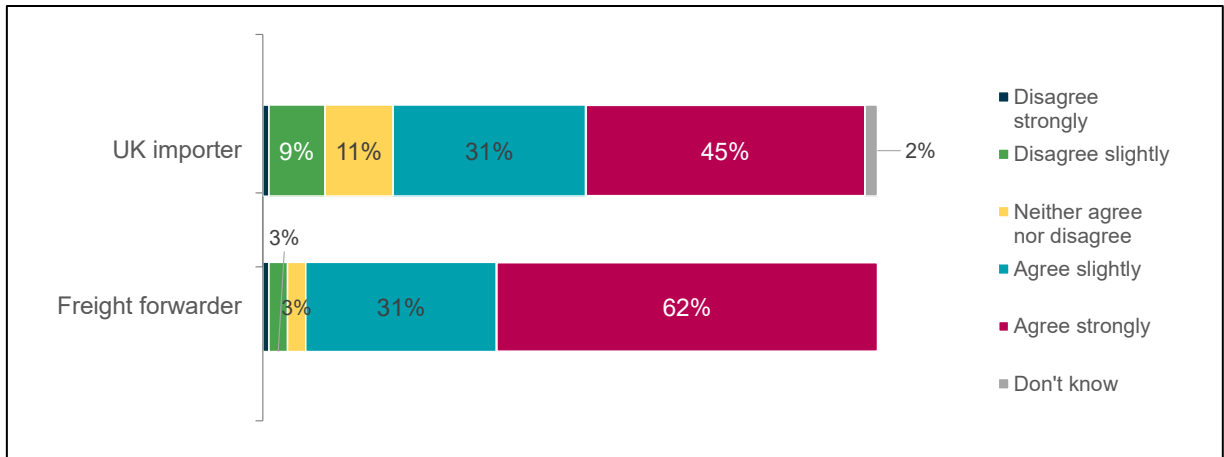
**Attitudes towards responsibility of reporting others: UK importers and freight forwarders**

6.39 To further explore how facilitating evasion was viewed by freight forwarders and UK importers, the research explored how they viewed their responsibilities in terms of taking action when they suspected clients or organisations they worked with of engaging in VAT or duty evasion.

6.40 While the majority among both audiences agreed that this was their responsibility, UK importers were less likely to agree than freight forwarders. As shown in Figure 6.1, only three quarters (76%) of UK importers agreed, compared to over nine in ten (93%) freight forwarders. Conversely, 10% of UK importers disagreed, compared to only 4% of freight forwarders.

6.41 Freight forwarders were also asked whether businesses had to turn a 'blind eye' to clients' activities in order to remain competitive.<sup>9</sup> The majority (91%) disagreed that they had to do this, while only a small proportion (4%) agreed. Larger freight forwarders were significantly more likely to disagree that they had to do this than smaller companies (95% with a turnover of more than £1 million disagreed compared to 84% with a turnover up to £1 million).

**Figure 6.1 Freight forwarder and UK importers agreement on whether it is the business's responsibility to take action when clients or organisations they work with are suspected of engaging in duty or VAT evasion**



*Question D1\_4: It is the business's responsibility to take action, when clients or organisations they work with are suspected of engaging in duty or VAT evasion*  
 Base: All freight forwarders (300); all UK importers (300)

<sup>9</sup> This question was not asked of UK importers

### Chapter summary

Most reported knowing what facilitating tax, VAT or duty evasion meant, although the variety of responses amongst freight forwarders and UK importers suggests that they did not always have a rounded understanding.

Most wealth managers, freight forwarders and UK importers felt that knowingly aiding another person or company's tax evasion whilst acting as a private individual or on behalf of their organisation was an example of facilitation of tax evasion, because this knowledge suggested those involved were complicit.

However views between these audiences were more mixed on whether suspecting this behaviour but not reporting it was an example of facilitation. Wealth managers appeared to understand better that this was a form of facilitation and they had an obligation to report this activity. In contrast, some freight forwarders felt it was harsh to report these cases to HMRC if the client had been informed and was willing to correct the issue and some freight forwarders and UK importers felt there needed to be a suitable degree of evidence-based suspicion to be able to report this activity.

There was less clarity regarding whether unknowingly aiding tax evasion constitutes tax evasion; some felt it was unfair to be held accountable for something they did not know, while others added that the key measure should be whether it was *reasonable* to know, which came down to whether suitable prevention procedures were in place. Others felt that ignorance was never a defence.

## 7 Prevention procedures

7.1 Understanding how wealth managers, freight forwarders and UK importers mitigated against risk in terms of facilitating or enabling tax, VAT or duty evasion was important in order to determine how they viewed their responsibility to prevent such behaviours. This chapter explores organisations' perceptions of prevention procedures and the types of procedures that they had in place.

### Summary of key differences by audience

- Wealth managers typically had more formal, stringent measures in place, whereas freight forwarders and UK importers often had less rigorous measures, some relying more on experience of staff in an open working environment instead.
- Freight forwarders were more likely than wealth managers or UK importers to identify risk areas within their industry.

### Perceptions of prevention procedures

#### Wealth managers

7.2 As figure 7.1 shows, wealth managers reported that they took a very strong stance against tax evasion, with the vast majority agreeing or strongly agreeing with all three statements:

- 99% agreed (96% strongly) that top-level management were delivering a clear message that facilitation of tax evasion was unacceptable;
- 99% agreed (94% strongly) that they conducted appropriate due diligence on clients that they worked with; and
- 97% agreed (89% strongly) that staff were aware of the organisation's procedures to prevent the facilitation of tax evasion.

7.3 Almost all wealth managers (96%) also agreed that the organisation's current tax evasion measures were proportionate to the risks that it faces (83% agreed strongly).

#### Freight forwarders

7.4 Like wealth managers, freight forwarders' prevention procedures were perceived to be rigorous, with the vast majority agreeing that:

- Top-level management were delivering a clear message that facilitation of tax evasion was unacceptable (96% agreed, 82% strongly);
- They conducted appropriate due diligence on clients that they worked with (98% agreed, 76% strongly); and
- Staff were aware of the organisation's procedures to prevent tax evasion (98% agreed, 81% strongly).

## UK importers

7.5 UK importers were less likely to agree that these examples of good practice took place within their organisations, although a large majority still agreed with all three statements:

- 93% agreed (79% strongly) that top-level management were delivering a clear message that facilitation of tax evasion was unacceptable;
- 90% agreed (71% strongly) that they conducted appropriate due diligence on organisations that they worked with; and
- 89% agreed (71% strongly) that staff were aware of the organisation's procedures to prevent tax evasion.

## Types of prevention procedures implemented

7.6 To better understand how each audience sought to reduce their risk of being involved in facilitating or enabling evasion, qualitative interviews explored the prevention procedures that each audience had in place.

7.7 In broad terms, wealth managers typically had more formal, stringent measures in place, whereas freight forwarders and UK importers often had less rigorous measures, such as relying on experience of staff to detect tax evasion and fostering an open working environment which encouraged staff to share any concerns they might have about tax evasion.

## Wealth managers

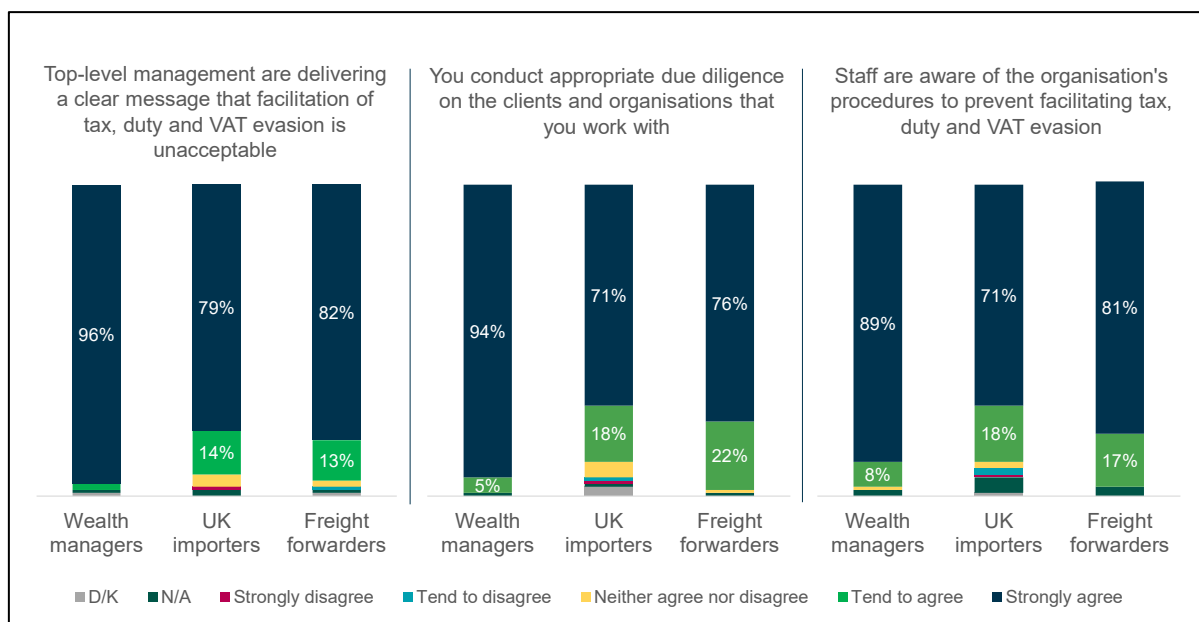
7.8 Wealth managers reported using a wide range of measures, generally used in conjunction with one another, which they felt to be sufficient and enable them to ensure they were not facilitating tax evasion. The most commonly mentioned prevention procedures were:

- Staff training (internal and external);
- Working with external compliance consultants;
- Documented risk assessments;
- Whistleblowing policies; and
- Senior staff meetings to ensure a consistent company-wide approach.

*“The compliance consultants review our files choosing whichever file they wish to check (specifically advice files). They have a copy of our New Business register and they can pick up anything they want from there.”*

**Wealth manager, 10-49 employees**

**Figure 7.1 Wealth manager, freight forwarder and UK importer perceptions of prevention procedures within their own organisations**



Question B4: Extent to which agree or disagree that...

Base: All wealth managers (300); all UK importers (300); all freight forwarders (300). Full results can be found in Appendix A.

7.9 In the survey, two-thirds of wealth managers (63%) conducted risk assessments, although almost all of those who had not still felt their organisations' prevention procedures were proportionate to the risks they face and felt they were delivering a clear message that facilitation was unacceptable (95% and 99% respectively). This might be explained by the fact that many wealth managers felt anti-money laundering and new customer checks were considered sufficient prevention procedures.

7.10 Some wealth managers had their own compliance departments to ensure they were not involved in anything that could be considered to be facilitating tax evasion. Where there was no specific department, compliance checks were often done by a director or senior manager, while others hired external compliance consultants.



### Case example of a wealth manager with rigorous prevention procedures

- Small financial planning firm with a small client portfolio (c.100 clients), primarily providing services for retired people of a middle-class background. In addition to its core investment planning services, the firm also provided advice on various other things, including: inheritance tax, wills, estate planning, trusts and income tax.
- The firm had various procedures and took extensive due diligence precautions to ensure they were well covered against facilitating or enabling tax evasion; they called this a 'belt and braces' approach. These measures included:
  - Formal, written procedures as part of the anti-money laundering process. These were clearly documented and ready for FCA inspection. For example, if a client returned to the firm after five years without doing business with them, they would check their address to ensure their records were up to date.
  - The firm had a compliance consultant who visited once a month to go through the financial sanctions list to check if any prospective clients appeared on there.
  - With overseas investors (e.g. Russian investors), the firm would request to see their documents, ensure they had solicitor certification and checked the Home Office had provided them with a Visa.
  - They conducted a speculative internet search on new clients' names to see if anything concerning was raised. If anything concerning came up, the firm would not accept the business.
  - The firm refused to handle cash payments and insisted that cheques were made out to the company name. The participant cited one occasion where a cheque was destroyed because it was mistakenly addressed to them personally, rather than to their firm, although this had only occurred once in 14 years.
- Overall, the participant noted that they took extra care and were not prepared to risk their license and their business for anything that could potentially be considered as tax evasion. However, they did not feel that all Independent Financial Advisers (IFAs) would go to the same lengths.

### Freight forwarders

7.11 Freight forwarders typically reported that they had strict prevention procedures in place, although in reality those checks rarely went beyond checks of paperwork. It was rare to open the freight and check the goods themselves; this only tended to happen with new clients or when something suspicious had been spotted with the accompanying documentation. The most commonly mentioned checks were:

- Checking import documents and codes (e.g. tariff codes, Customs Procedure Codes (CPC), preference certificates);
- Conducting internal audits; and,

- Spot-checking documentation - this was often done by a different person to the one who completed the original paperwork.

7.12 Other examples of prevention procedures, mentioned by only one freight forwarder each, included an accounts team vetting new customers and staff having to sign a declaration stating they were personally liable should anything happen (the implication being that this would encourage due diligence, as well as absolving the organisation of blame).

7.13 Freight forwarders who took part in qualitative interviews tended to be smaller organisations with experienced staff. This typically meant that they were confident that anything suspicious would be noticed and that further training was not necessary. As such, very few offered formal training. One mentioned that it was more of a 'learn as you go' approach.

*"No [we don't do training], because we've got only one youngster, really, that does entries and he, obviously, learns from the two more senior people. We've been in the business long enough to know what's right and wrong."*

#### **Freight forwarder, 1-9 employees**

7.14 Where companies had less experienced staff, jobs that were perceived to carry a risk of facilitating VAT or duty evasion were often carried out by the experienced employees. One mentioned that new employees were supervised closely.

7.15 A few freight forwarders suggested that by fostering an open working environment, staff were encouraged to report anything suspicious to senior management.

*"We encourage the teams to be open, because if you don't engage people in conversation there is a very good chance that someone sits there, does their job. I've worked for companies where they have an import department and all they do is sit there all-day doing entries, that's all they do. Their job is just to do that, and they've got a target, the kind of place where why have you only done five today? You should have done 200. Is that person going to stop, think, 'Oh my God, that doesn't feel right'? No, they're not."*

#### **Freight forwarder, 250+ employees**

7.16 Most freight forwarders' procedures had not changed recently, and many had remained the same for several years. One exception to this was an organisation who noted that: 'as the system evolves, we evolve with it'. This freight forwarder mentioned a system coming into place called the Customs Declaration Service (CDS), which they believed would change how they operated from a 'tax declaration perspective'.

7.17 One freight forwarder, working in fine art logistics and storage, mentioned that they did not have any prevention procedures in place because they were confident that no issues would arise. This organisation had 11 employees with all roughly 25 years' experience so felt no need for staff training or whistleblowing procedures.

#### **UK importers**

7.18 Qualitative interviews found that UK importers' approach to prevention procedures was generally very similar to freight forwarders', in terms of being reliant on experience, although they were less formal.

7.19 The main types of prevention procedure mentioned by UK importers were:

- Checking documentation;
- Internal and external audits; and
- Quality management procedures.

7.20 The main difference between UK importers and freight forwarders was that prevention procedures mentioned by UK importers tended to be part of general quality control procedures; detecting VAT and duty evasion was often not the primary purpose of their checks. Indeed, one importer mentioned that checking paperwork was to avoid overpaying duty rather than to look for anything that suggested evasion.

7.21 A few mentioned that they were required to ensure documentation was in order and have processes for self-reporting wrongdoing as part of their International Organization for Standardisation (ISO) accreditation. Although their ISO requirements did not specifically reference preventing facilitating evasion, those importers felt that checks would have alerted them to suspicious activities.

*“ISO is our quality management system but there are no specific requirements for VAT checks... Everyone gets an overview of the quality management system which explains the processes we have in place.”*

**UK importer, 10-49 employees**

*“We check our purchase and sales orders ... there's nothing specifically written which references [facilitation] but it is in there if you know the job.”*

**UK importer, 1-9 employees**

7.22 Only a few UK importers mentioned having procedures to specifically mitigate against VAT or duty evasion. One mentioned that for some licenced goods they had to ensure they were being compliant, which entailed making sure coding on documentation was correct from an accounts perspective and that any issues were declared to HMRC. A large importer of consumer goods mentioned third party inspections of the goods when they were leaving the Far East.

*“We have third party inspections before we ship the goods [in the Far East]. We have independent quality control people who inspect the goods and loads before shipment to make sure the factory is delivering what it says it is delivering and that everything works. We conduct sample checking before everything is loaded into a container... It gives us peace of mind.”*

**UK importer, 1-9 employees**

7.23 As with some freight forwarders, a few UK importers mentioned that in lieu of whistleblowing procedures, they felt the open and cooperative working environment would mean that anything suspicious would be reported to senior staff.

*“I would hope that anybody who had a concern would be happy to raise it with me. Purely because we have a fairly open society here.”*

**UK importer, 1-9 employees**

7.24 A few importers mentioned that they used freight forwarding agents to clear their goods and therefore saw procedures to prevent evasion as the responsibility of the forwarder.

7.25 Those who did not feel that they delivered a strong message to staff that facilitation of VAT or duty evasion was wrong either felt that the message was implicit due to their experienced workforce, or that they did not consider it necessary for junior employees who did not work in any risk areas to know.

*"I wouldn't need to, in that the two of us who run the company are in sole control of that end. Our checks and measures are that we see the delivery come in and we check off the delivery so that we know that the goods that have arrived are the goods that we expected, and that our normal VAT and duty, customs, liabilities and stuff are covered."*

**UK importer, 1-9 employees**

*"We don't discuss accounting with employees. The guy who operates the shop doesn't need to understand because we can get to the port that controls the till and I just hand all the information over to the accountants."*

**UK importer, 10-49 employees**

## Risk areas for facilitation of tax evasion

7.26 The research determined what each audience considered to be the main risk areas in their industry. This was explored through the quantitative and qualitative phases.

### Wealth managers

Overall, many wealth managers did not consider any aspects of their day-to-day work to present any risk of facilitating or enabling tax evasion. As Figure 7.1 illustrates, nearly six in ten (58%) said there were no risk areas. Those who did consider there to be risk areas identified new clients as the most common area (13%), followed by source of money (8%), investment advice (5%) and lump sum investments (4%).

7.27 While new clients and source of money were identified as the two most common risk areas, qualitative interviews with wealth managers showed that they were often confident that 'know your customer' and anti-money laundering threats would highlight any suspicious activity. This suggested that while these areas carried potential risks, wealth managers perceived that the risks could be easily nullified.

7.28 In qualitative interviews, wealth managers mentioned a wide range of risk areas, although they did not feel these were widespread issues. The most common risk areas mentioned were:<sup>10</sup>

- Property: hiding money within mortgage investments; clients owning property with undisclosed rental income; clients with Business Property Relief schemes;
- Pensions: Defined Benefit Pension Transfers; pension scams; Recognised Overseas Pension Scheme (ROPS);

<sup>10</sup> Each risk area was only mentioned by one or two wealth managers.

- Wealthy individuals;
- Overseas investments;
- The black economy;
- Companies with different types of corporate vehicle / corporate structure; and
- Schemes that involve moving large sums of money around: e.g. Final Salary Transfers.

*“Pensions have been a big issue because of the pension scams but I think the government and the regulator are making people more aware of that.”*

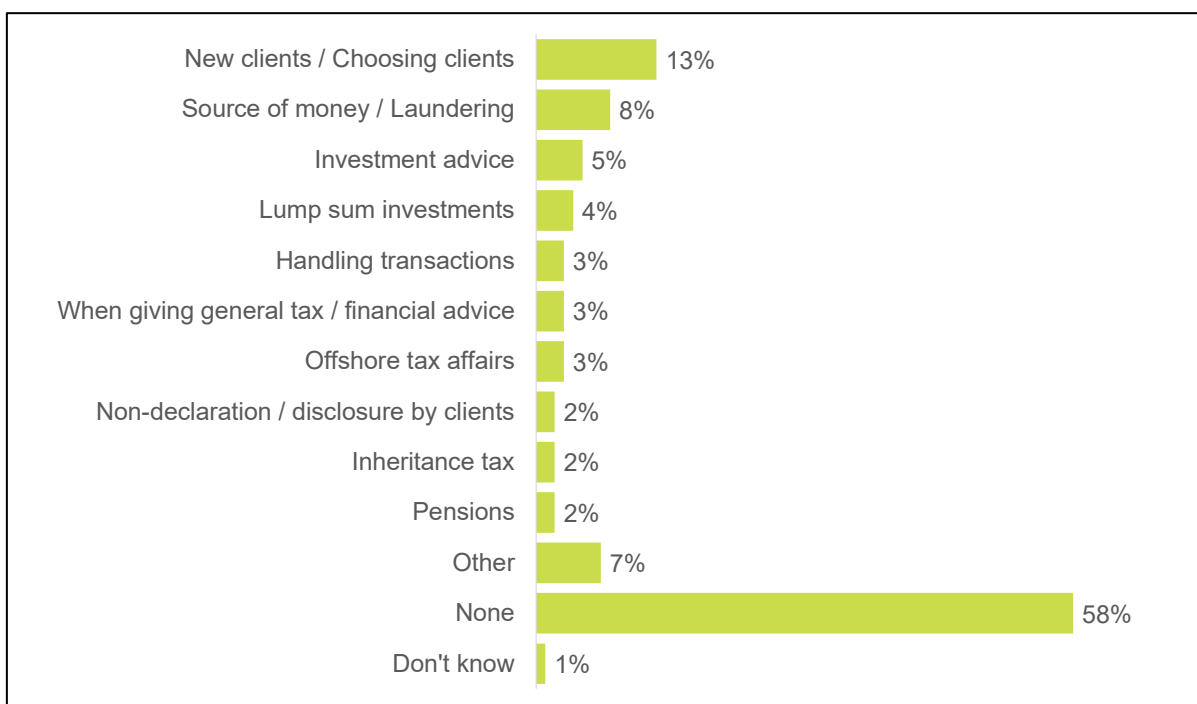
**Wealth manager, 10-49 employees**

*“The more layers there are in the structure, the easier it is to hide things and to move monies around, and I think if you are working across multiple jurisdictions as well.”*

**Wealth manager, 100-249 employees**

7.29 One large banking firm felt there was less of a risk of tax evasion in the banking sector because of increased regulation; they felt that firms in other territories and IFAs were at a higher risk of facilitation or evasion. The same firm thought that certain industries were more likely to be engaged in the evasion itself, for example in construction, where they mentioned some firms used dubious schemes to pay subcontractors.

**Figure 7.2 Risk areas for wealth managers**



*Question B4: What aspects of your day-to-day work do you think present most risk in facilitating or enabling tax evasion?*

*Base: All wealth managers (300)*

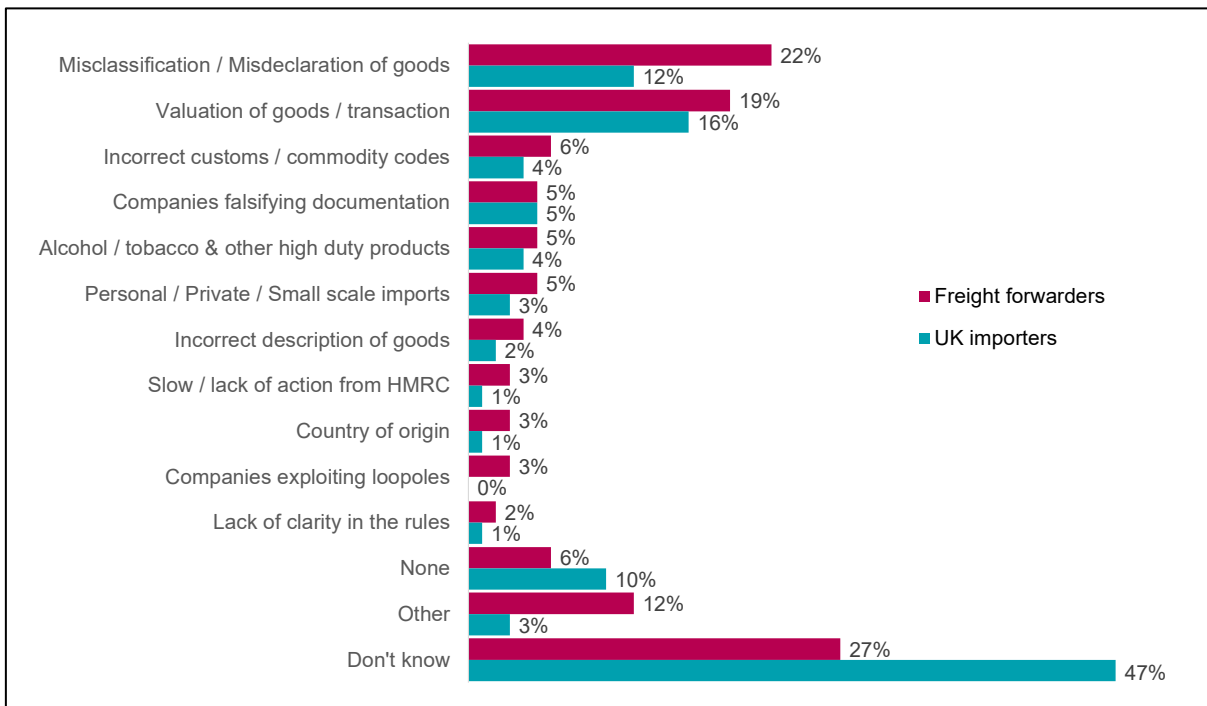
### Freight forwarders and UK importers

7.30 As with wealth managers, large proportions of freight forwarders and UK importers were unable to identify risk areas within their industries, although UK importers were far more likely to be unaware of any, as shown by Figure 7.3 (47% of UK importers said ‘don’t know’ compared to 27% of freight forwarders).

7.31 Qualitative findings suggested the high proportion of “don’t know” responses from UK importers was due to them often dealing with smaller volumes and less varied types of good than freight forwarders, meaning they were less exposed to suspicious activities. Some industries that UK importers operated in were not considered to involve risk, for example the comic book industry. Further, some UK importers contracted freight forwarders to import their products, meaning they were not directly involved in areas that carried most risk in terms of facilitating or enabling VAT or duty evasion.

7.32 Figure 7.2 shows that where risk areas were considered, misclassification or misdeclaration of goods (22% of freight forwarders and 12% of UK importers) and valuation of goods (19% of freight forwarders and 16% of UK importers) were thought to be the areas presenting the highest risk.

**Figure 7.3 Risk areas for freight forwarders and UK importers**



Question B3a: What aspects of importing do you think present the highest risk of duty or VAT evasion?  
 Base: All freight forwarders (300); all UK importers (300)

7.33 Qualitative interviews identified four primary risk areas. These were mainly identified by freight forwarders.

### **The clothing industry**

- Clothing samples were mentioned as a risk area. Some freight forwarders reported cases where clients imported, or attempted to import clothing which was classified as a sample to avoid paying duty or VAT, when these 'samples' were fit to wear.
- One freight forwarder mentioned that, because of previous experience, they treated anything classed as samples as if they were not samples and asked the owner of the goods for a true valuation.
- Another mentioned that there was a grey area in the legislation around what could be treated as a sample and noted that customs applied different rules depending on the size of the company importing the goods.

### **Importers lacking knowledge (*freight forwarders only*)**

- Some freight forwarders felt there was an issue with importers lacking knowledge and not knowing how to classify or describe goods correctly. One mentioned that these were often importers importing for the first time.
- These were considered genuine errors rather than attempts to avoid or reduce the duty paid.

*"It is not until you open the box and they (t-shirts) are all Adidas or Nike and are license requirements and you can't tell until you get the goods in the UK, so it is just needing that extra bit of knowledge."*

**Freight forwarder, 250+ employees**

### **Lack of industry regulation (*freight forwarders only*)**

- Some freight forwarders thought the absence of qualification requirements in their industry led to inexperienced and unknowledgeable freight forwarding companies operating.
- Lack of regulation was considered to encourage negligence and dishonest behaviour. Additionally, if an individual or company was caught, there was nothing to stop them setting up a new company under a different name and continuing to operate.
- One freight forwarder noted how few forwarding agents had a manual tariff, which they considered to provide them with all the information they would need to conduct imports and exports.

*"These brokers are either naïve or there's a lack of understanding. There's no training at all given by the border force and you don't have to have any exams. Whereas if you go to America you cannot be a broker if you don't pass the apprentice exam."*

**Freight forwarder, 1-9 employees**

## Goods arriving from China

7.34 Geographically, goods imported from China were considered a particular risk. Examples included:

- Incorrect valuation of garments;
- Counterfeit products such as cigarettes being imported as clothing; and
- Chinese garlic being imported as Indian garlic.

### Chapter summary

Almost all respondents surveyed believed the organisations they worked for demonstrate good practice in preventing facilitation of tax evasion; around nine in ten or more in each group agreed that top-level management were delivering a clear message that facilitation was unacceptable, that they had conducted appropriate due diligence checks on their clients and that staff were aware of the organisation's procedures to prevent tax evasion.

Wealth managers typically had more formalised, stringent prevention measures, including staff training, the use of external consultants and documented risk assessments, whereas freight forwarders and UK importers', although believing that their procedures were rigorous, rarely went beyond checking paperwork and conducting internal audits. Freight forwarders and UK importers often felt that the experience of their staff and/or an open working environment sufficiently protected them against facilitating VAT or duty evasion.

Over half of wealth managers (58%) did not think there were any particular areas of risk in their day-to-day work in terms of facilitating tax evasion. Where risk areas were identified, new clients and source of money were considered the highest risk, although these were only mentioned by a minority (13% and 8% respectively).

Similarly, a high proportion of freight forwarders and UK importers could not identify risk areas within their industries, although the proportion was much higher for UK importers (47%) than freight forwarders (27%), likely because the nature of freight forwarding meant they were in contact with more varied and larger quantities of goods than UK importers and were therefore more likely to encounter suspicious behaviours. The main areas of risk were: the misclassification, misdeclaration and incorrect valuation of goods, the clothing industry, goods arriving from China, importers lacking knowledge of importing rules and regulations (freight forwarders only) and lack of industry regulation (freight forwarders only).



## 8 Awareness and attitudes towards actions and sanctions

8.1 An important part of the research was to measure businesses' awareness and perceptions of sanctions and other tools that could be brought to bear on those facilitating or enabling tax, VAT or duty evasion. In addition to exploring awareness and perceptions, this chapter examines perceptions of HMRC's ability to identify evasion and to enforce actions and sanctions.

### Summary of key differences by audience

- UK importers' awareness of sanctions was lower than that of wealth managers and freight forwarders.
- Wealth managers were less likely than freight forwarders and UK importers to find the following sanctions effective: seizing / confiscation of goods or money; reclaiming tax owed with interest; the company being subject to the CCO and; disclosing involvement in evasion to the media/press.
- Wealth managers were less confident that HMRC were able to identify businesses facilitating or enabling tax evasion than freight forwarders and UK importers.

### Awareness of actions and sanctions and perceived effectiveness

8.2 The following actions and sanctions that HMRC and other bodies could use were explored in both the quantitative and qualitative phases:

- Fines / financial penalties;
- Reclaiming tax owed / reclaiming tax owed with interest;
- Seizing / confiscation of goods or money;
- Removal of authorisation or registrations by HMRC;
- Imprisonment of individuals in the organisation complicit in the tax evasion;
- The company could be subject to the Corporate Criminal Offence (CCO) for failure to prevent facilitation of tax evasion;
- Disclosing to the media/press which organisations have been involved in facilitating or enabling tax, Duty or VAT evasion;
- Reporting organisations involved to their professional bodies (*wealth managers only*);
- Public 'naming and shaming' on government websites (*wealth managers only*); and
- Issuing warnings to specific companies e.g. within the export Memorandum of Understanding (*freight forwarders and UK importers only*).

### **Awareness vs. effectiveness**

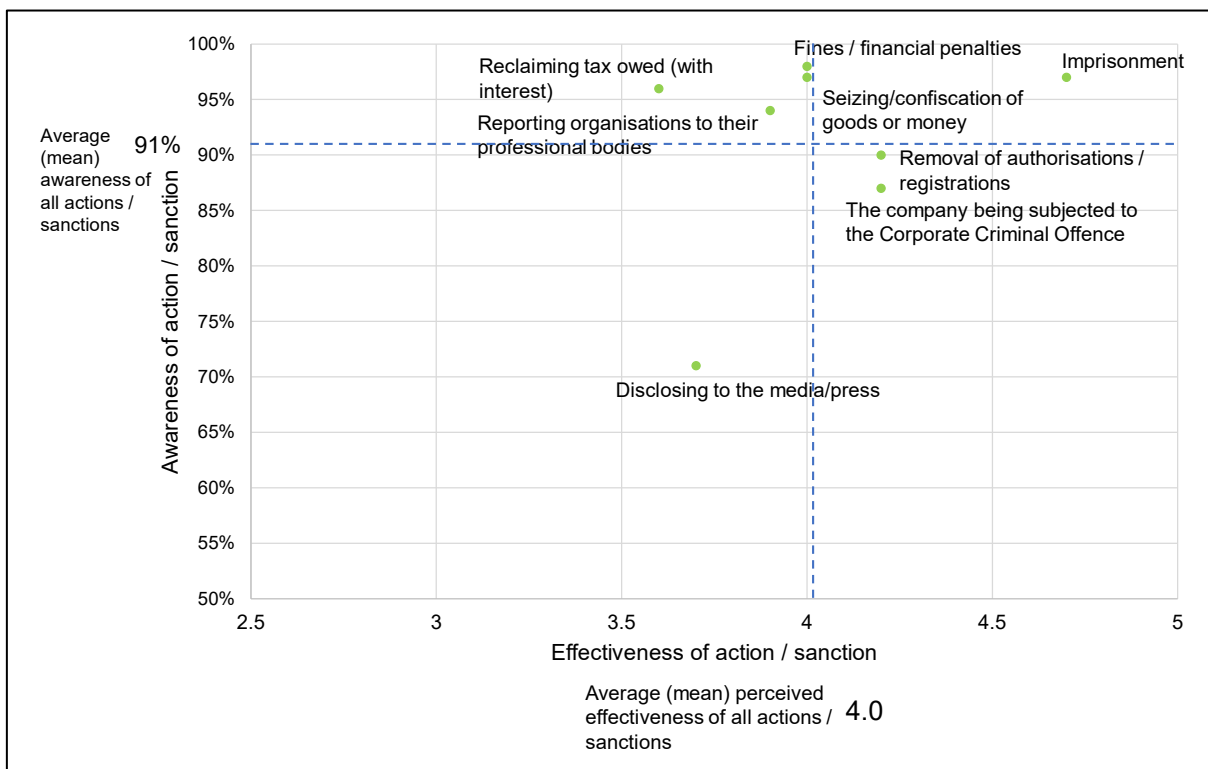
- 8.3 In the quantitative phase, all audiences were asked whether they were aware of these actions, and how effective they perceived each to be. Awareness was asked as a yes/no question, while respondents were asked to rate how effective they perceived each sanction to be on a scale of 0-5, 0 being ineffective and 5 being extremely effective.
- 8.4 Findings from these two questions are presented on scatter charts in figures 8.1, 8.2 and 8.3. These charts demonstrate the relationship between awareness and perceived effectiveness of each sanction.
- 8.5 The sanctions that fall within the bottom right quadrant on the charts indicate sanctions that were considered effective (more so than average), but where awareness was low, relative to others. These may be of particular interest as they suggest that a higher awareness of those sanctions could prove effective in deterring evasion.
- 8.6 Awareness of sanctions was generally high across the board, with the exception of disclosing involvement in evasion to the media/press which was consistently low. However, there was variation in awareness by audience.
- 8.7 For almost every sanction, awareness was highest amongst wealth managers and lowest amongst UK importers. The exception to this was the removal of authorisations and the company being subject to the CCO, where freight forwarders' awareness was as high as wealth managers' (both 90% for removal of authorisations and 87% for being subject to the CCO).
- 8.8 Perceived effectiveness was high for most sanctions, with all audiences rating each sanction a 4 or 5 on average, with the exception of reclaiming tax owed, disclosing involvement in evasion to the media / press, and among wealth managers only, reporting organisations to professional bodies (3.9). Imprisonment was considered the most effective, with all audiences giving it an average of 4.7. Reclaiming tax owed with interest was considered the least effective measure across all groups (3.9 for freight forwarders, 3.8 for UK importers and 3.6 for wealth managers).
- 8.9 There was variation by audience in terms of effectiveness, wealth managers perceived the following sanctions to be less effective than freight forwarders and UK importers: seizing / confiscation of goods or money; reclaiming tax owed with interest; the company being subject to the CCO and; disclosing involvement in evasion to the media/press. There was, however, minimal variation in perceived effectiveness between freight forwarders and UK importers.

### **Wealth managers**

- 8.10 Wealth managers were particularly aware of: fines/financial penalties (98%), imprisonment of individuals complicit in evasion (97%), seizing/confiscation of goods or money (97%) and reclaiming tax owed with interest (96%).
- 8.11 The average effectiveness rating for all sanctions was 4 out of 5. Imprisonment was felt to be the most effective by some distance (4.7), followed by the removal of authorisations and the company being subject to the CCO (both 4.2).

- 8.12 Removal of authorisations and being subject to the CCO were of particular interest, as despite scoring highly in terms of effectiveness, awareness was lower than average, particularly for the CCO (87%). These findings suggested that with increased awareness, these two sanctions could be effective at deterring tax evasion.
- 8.13 While several sanctions scored highly in terms of awareness, not all were thought to be particularly effective. Despite 96% of wealth managers being aware of HMRC claiming tax back (with interest), it was considered the least effective action, rated at 3.6. The same applied to reporting organisations to their professional bodies, although to a lesser extent. While 94% were aware of this sanction, it only received an effectiveness rating of 3.9.
- 8.14 Combined analysis of awareness and effectiveness indicates that imprisonment is the most potentially impactful deterrent to engaging in tax evasion by wealth managers, scoring 4.7 in terms of effectiveness and 97% being aware.
- 8.15 Conversely, disclosing those involved in tax evasion to the media/press does not appear to be particularly impactful as a deterrent; only around seven in ten (71%) were aware of it and it was only rated as 3.7 in terms of effectiveness.

**Figure 8.1 Awareness vs. effectiveness of actions / sanctions for wealth managers**

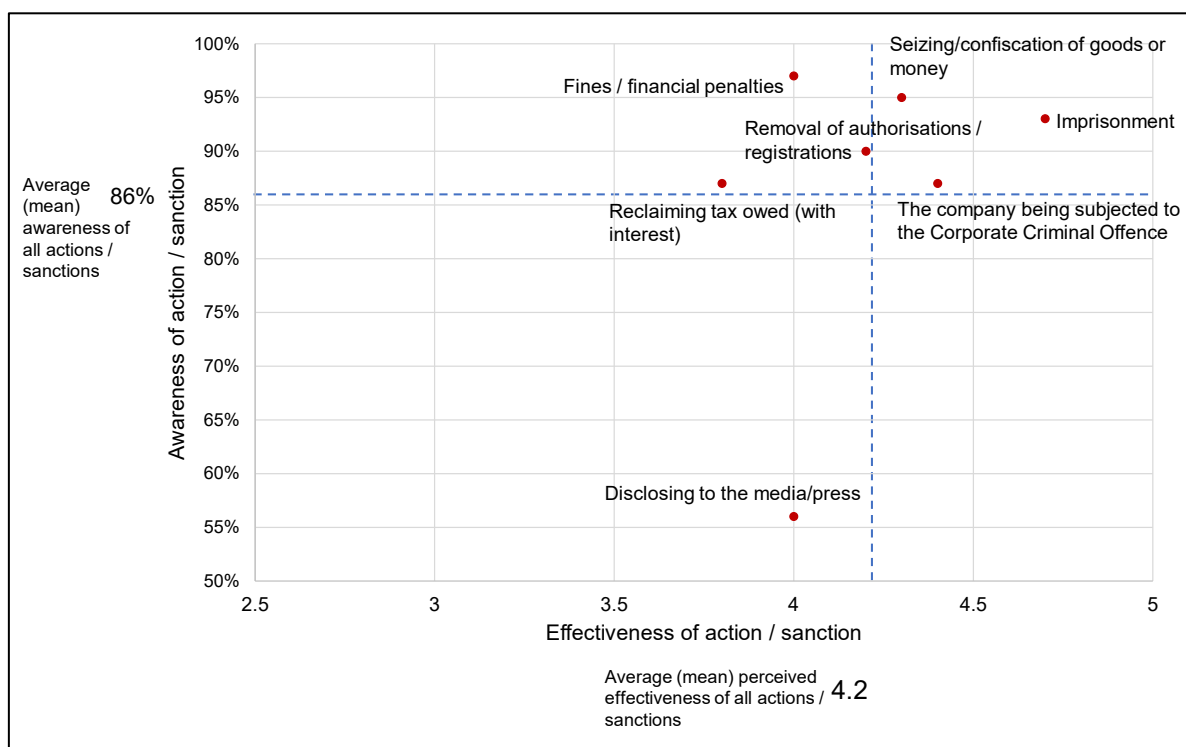


Question C1: Whether aware that the prompted sanctions and other steps could be taken  
 Question C2: On a scale of 0 to 5 where, 0 is not at all effective, and 5 is extremely effective, how effective a deterrent do you think the following sanctions would be to organisations currently facilitating or enabling tax evasion?  
 Base: All wealth managers (300)

### Freight forwarders

- 8.16 As shown in Figure 8.2, at least nine in ten freight forwarders were aware of: fines/financial penalties (97%); seizing / confiscation of goods or money (95%); imprisonment (93%), and; removal of authorisations / registrations (90%).
- 8.17 Overall, freight forwarders perceived the sanctions to be more effective than wealth managers, giving an average rating of 4.2 across all sanctions. As with wealth managers, imprisonment was considered the most effective action (4.7), followed by the company being subject to the CCO (4.4) and seizing / confiscation of goods or money (4.3).
- 8.18 No sanctions were rated higher than average in terms of effectiveness but had lower than average levels of awareness. However, companies being subjected to the CCO was close to falling into this category, indicating that more awareness of this sanction amongst freight forwarders could improve its value as a deterrent.
- 8.19 While awareness of fines/financial penalties was high (97%), it only received a rating of 4.0/5 in terms of effectiveness, lower than the average. Similarly, while more than average were aware of reclaiming tax owed with interest (87%), it received a rating of only 3.8 in terms of effectiveness, the lowest of all sanctions.
- 8.20 As with wealth managers, imprisonment appears to be the most impactful deterrent (93% aware and 4.7/5 effective) and disclosing involvement in evasion to the media/press the least impactful deterrent (56% aware and 4.0/5 effective).

**Figure 8.2 Awareness vs. effectiveness of actions / sanctions for freight forwarders**



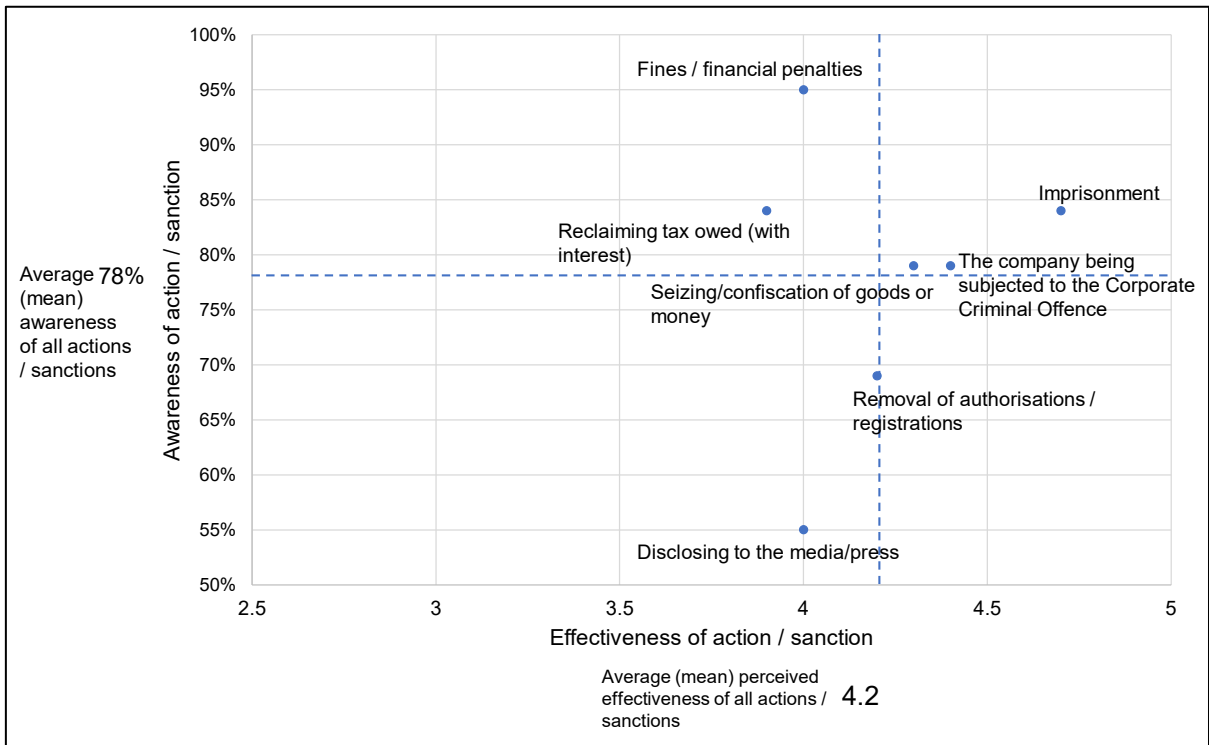
Question C1: Whether aware that the prompted sanctions and other steps could be taken  
 Question C2: On a scale of 0 to 5 where, 0 is not at all effective, and 5 is extremely effective, how effective a deterrent do you think the following sanctions would be to organisations currently facilitating or enabling duty or VAT evasion?  
 Base: all freight forwarders (300)

**UK importers**

- 8.21 As figure 8.3 illustrates, among UK importers awareness was highest that fines/financial penalties could be used as a possible sanction against those involved in facilitating tax evasion by a considerable distance (95%); imprisonment and reclaiming tax owed with interest were the only other sanctions that at least eight in ten UK importers were aware of (both 84%).
- 8.22 Overall, UK importers gave the effectiveness of the sanctions an average rating of 4.2, on a par with freight forwarders and higher than wealth managers (4.0). As with the other audiences, imprisonment was considered the most effective (4.7), followed by the company being subjected to the CCO (4.4) and seizing / confiscating goods or money (4.3).
- 8.23 While no sanctions had a lower than average awareness but a higher than average effectiveness rating, the use of the CCO was close to falling into this category, with only a slightly higher than average awareness (79% awareness compared to 78% on average) yet a high effectiveness (4.4 compared to 4.2 on average). Results indicate that increasing awareness of the CCO could be an effective way of deterring facilitation of tax evasion among this group.
- 8.24 As with freight forwarders, fines / financial penalties and reclaiming tax owed both scored highly in terms of awareness (95% and 84% respectively) but were not considered as effective as other sanctions (4.0/5 for fines and 3.9/5 for tax owed).

8.25 Consistent with wealth managers and freight forwarders, imprisonment appears to be the most impactful deterrent (84% aware and 4.7/5 effective) and disclosing to the media / press the least impactful (55% aware and 4/5 effective).

**Figure 8.3 Awareness vs. effectiveness of actions / sanctions for UK importers**



Question C1: Whether aware that the prompted sanctions and other steps could be taken  
 Question C2: On a scale of 0 to 5 where, 0 is not at all effective, and 5 is extremely effective, how effective a deterrent do you think the following sanctions would be to organisations currently facilitating or enabling tax evasion?  
 Base: All UK importers (300)

**Qualitative findings**

8.26 Qualitative interviews further explored perceptions of these sanctions, discussing both the perceived effectiveness of the sanctions and how likely it was to be enforced.

**Fines / financial penalties**

8.27 The consensus across the three audiences was that the effectiveness of fines and financial penalties depended on the level of the fine. Some noted that the fine would have to be a substantial amount, which was enough to have a significant impact on how the offending business operated, to deter them from engaging in facilitating activities.

*“If you were going to make a gain of £25,000 through whatever transaction it was but you knew the penalty was £1 million, it’d make you think twice about it.”*

**Wealth manager, 10-49 employees**

8.28 A few, however, felt that fines were often not enough of a deterrent because those who were knowingly engaging in evasion would have already weighed up this risk against the reward and decided to go ahead anyway. Indeed, one importer even suggested that offenders may set money aside, to be used to repay HMRC in the event they were caught.

8.29 Most thought that HMRC were likely to enforce fines and other financial penalties, a few noting that these were fairly easy for HMRC to administer. Many were aware of instances in the past when HMRC or other regulatory bodies, such as the FCA for wealth managers, had used fines, either through personal experience, anecdotal evidence or seeing or hearing about it in the media.

*“I think we have been fined once for a late VAT return. I don’t think it was a lot of money, but it definitely prompted me to not do it ever again. Even though it was probably £100, that was enough.”*

**UK importer, 10-49 employees**

#### **Reclaiming tax owed / reclaiming tax owed (with interest)**

8.30 Perceptions of the effectiveness of reclaiming tax owed were similar to perceptions about fines and financial penalties; most felt that the effectiveness was dependent on the amount reclaimed.

8.31 Most felt that in order for this sanction to be effective then the tax must be reclaimed with interest, and at a significant rate relative to the size of the company. Without imposing interest on the tax owed, or if only at a low rate of interest, the offender would be paying back only what they owed, or slightly more, meaning there were potential gains to be made at little or no risk of monetary loss.

*“Well, if it’s a little bit of interest, why? Is that going to bother me? I don’t think so. It’s about the balance of the risk.”*

**Freight forwarder, 250+ employees**

8.32 Most felt that this sanction was likely to be enforced and that it was easier to administer. One UK importer thought that reclaiming tax generally followed fines.

#### **Seizing / confiscation of goods or money**

8.33 Again, the perceived effectiveness of this sanction depended on what was seized; participants indicated that the goods or money seized would need to have an impact on how the offender conducts their operations in order to be effective. One freight forwarder cited an example of where this had proven effective, where confiscation had led to a business closing down.

8.34 While some were aware of this sanction being enforced, participants thought it less commonly used than fines or reclaiming tax. Despite thinking that this could be effective, some participants, across all audiences, perceived that this sanction would be hard for HMRC to administer. Most of these thought that the HMRC lacked the human or financial resource to seize goods or money. A few were unsure how exactly the process would work, envisaging a long-drawn out process which potentially involved HMRC going to court.

*“Nobody wants to lose their goods or lose money, so its effective, but the hassle for the HMRC, I can’t see them bothering in that way, getting the bailiffs in and stuff like that.”*

**UK importer, 1-9 employees**

### Removal of authorisation or registrations by HMRC

8.35 Wealth managers tended to think that this would be an effective sanction, although they generally felt it would be imposed by the FCA rather than HMRC. Those who mentioned this noted that if their authorisations were removed then they may be unable to continue doing business, either as an individual or an organisation, depending on what was taken away.

*“I was thinking for the FCA if they took away authorisations then you can’t practice as a financial adviser. You are struck off effectively.”*

#### Wealth manager, 1-9 employees

8.36 However, a few had doubts over how easy this would be to enforce upon large firms who had ‘in-house protection strategies’ and were able to pay high legal fees to fight a case against them. They felt it was more likely to be imposed upon smaller, local firms who could not afford to pay the necessary legal fees.

8.37 Freight forwarders had mixed views on this sanction, feeling that the effectiveness was dependent on the authorisation removed. The removal of certain authorisations would prevent companies from operating, thus being extremely effective, although with others there would be alternatives that would allow them to continue operating as usual.

*“If they take your deferment guarantee away, for example, you could do Flexible Accounting System (FAS) payments, so it wouldn’t affect you. But if they took your T1 declaration away and you were doing T1s every day, then it would affect you hugely.”<sup>11</sup>*

#### Freight forwarder, 1-9 employees

8.38 One freight forwarder doubted the effectiveness of this sanction because if this did lead to business closure, those involved could set up a new business under another name and resume operations.

8.39 Freight forwarders were generally sceptical about this actually happening; none had experienced it, or heard of it happening in the past. Additionally, in the absence of a regulatory body, a few were unsure who would have the authority to administer the sanction.

8.40 UK importers considered this sanction to be very effective if the authorisations or licence removed affected their ability to import or export goods. Examples given were: company registration, HMRC registration and anything to do with export licences.

8.41 An importer who dealt in the import of comic books was unsure what authorisations could actually be removed in their industry.

8.42 Some importers doubted whether HMRC would be able to enforce this measure. One thought there would be loopholes businesses could exploit, for example by declaring bankruptcy and starting up under a different name.

<sup>11</sup> A T1 is a transit document used to transport goods from the customs office at the place of departure to the customs office at the destination without paying customs duties and taxes within the territories of the countries included in the transit agreement.



### **Imprisonment of individuals in the organisation complicit in the tax evasion**

8.43 Imprisonment was typically considered to be an effective sanction across all audiences, who thought the idea of being imprisoned would act as a strong deterrent to those considering engaging in evasion.

*“If you’re caught doing it, then they would put you in prison for it, wouldn’t they? You wouldn’t do it again, because you’d be in prison.”*

#### **Freight forwarder, 1-9 employees**

8.44 However, one wealth manager and one freight forwarder were doubtful as to whether this would deter ‘professional criminals’ who would be willing to take the risk of imprisonment as part of a calculated risk.

*“You’re getting into professional criminals there. It’s very difficult because they turn around and accept it. It’s part of their risk.”*

#### **Freight forwarder, sole trader**

8.45 Most doubted whether imprisonment was a likely sanction for those involved in facilitating activities and if it was enforced, felt it would only be for significant cases of tax evasion, rather than against those guilty of facilitating, or as a last resort after other sanctions had already been imposed. Most perceived pursuing imprisonment to be resource-intensive for HMRC and therefore unlikely to happen. Further, one wealth manager mentioned that they thought HMRC would be more concerned with reclaiming tax than punitive measures. An importer mentioned that imprisonment would be counter-intuitive as an individual would not be paying tax whilst imprisoned.

*“People have this disbelief that they would ever be imprisoned for something... also the hassle of arresting somebody and sending them to prison means that you [HMRC] really think twice about doing that.”*

#### **UK importer, 1-9 employees**

### **The company could be subject to the Corporate Criminal Offence for failure to prevent facilitation of tax evasion**

8.46 Those who were aware of what the CCO was tended to think it would be an effective sanction. However, not all were aware, particularly freight forwarders and UK importers.

8.47 Some wealth managers considered this sanction to be very effective, the main deterrents being: fines, criminal conviction and regulatory consequences. One large wealth manager felt the most concerning aspect of the CCO was the negative publicity that this would attract.

*“I think it’s the risk of adverse publicity, so the risk of it becoming known that the organisation’s been prosecuted for something criminal. That’s extremely damaging for an organisation’s reputation.”*

#### **Wealth manager, 250+ employees**

8.48 However, others doubted its effectiveness, either because the punishment was unclear or because it did not affect individuals. A few wealth managers also doubted the effectiveness of the CCO because of the perception that it is rarely enforced by the relevant authorities.

*“There doesn’t seem to be much evidence of corporations being brought to court, again mainly because of the costs involved.”*

**Wealth manager, 10-49 employees**

*“It probably will have an effect on the firm in knowing that they might be committing an offence under CCO but I’m not quite sure what that action is [that HMRC can take].”*

**Wealth manager, 100-249 employees**

- 8.49 A few wealth managers considered it to be more effective for smaller firms who could not afford to be engaged in protracted law suits if charged because larger firms could “buy their way out of danger”.
- 8.50 Freight forwarders had mixed awareness of the CCO, with a majority not being aware of it. Most of those considered that the sanctions that could be enforced under the CCO would act as effective deterrents. A few mentioned that as they were not aware of it, it could not act as a deterrent, with one mentioning that it was ‘not advertised enough’.
- 8.51 Freight forwarders considered the main deterrents under the CCO to be criminal convictions against the company, or anything that could prevent companies from operating. A few thought that individuals could be imprisoned under the CCO (which is in fact incorrect) – they felt that it would likely only be senior figures at the organisation who would face imprisonment, while less senior figures may be let off more lightly. Another mentioned that director disqualification could easily be circumvented by getting another person, such as a relative, to register as director, while the original director could continue operating.
- 8.52 UK importers’ attitudes were very similar to those of freight forwarders, although awareness of the CCO was lower than freight forwarders.
- 8.53 Importers tended to perceive criminal conviction and fines & penalties to be the main deterrent of the CCO. One small importer noted that fines would be a strong deterrent due to the potential impact they could have on their cash flow.
- 8.54 The relevance of the CCO depended on the industry the importer worked in. While one company working in construction did not feel that it would apply, another working in the pharmaceutical industry felt that it was very relevant, noting that as there were only a small number of ‘big players’ in the industry, having a company in their supply chain charged under the CCO would affect their share price.

**Reporting organisations involved to their professional bodies (wealth managers only)**

- 8.55 Wealth managers views on this sanction were mixed. Some perceived that it would be effective and because it was easy to do, was a very real threat.
- 8.56 Others were more sceptical. One mentioned that in their experience companies who were reported to the FCA received nothing more than a ‘slap on the wrist’. Another suggested that companies had ways of nullifying the threat of being reported to the FCA, although they did not elaborate on what these measures could be.

**Disclosing to the media/press which organisations have been involved in facilitating or enabling Duty or VAT evasion / Public ‘naming and shaming’ on government websites (*wealth managers only*)**

8.57 There were varied views on whether or not this sanction would be effective. Some mentioned that firms feared negative publicity and therefore the threat of reputational damage would act as a strong deterrent. However, others thought that negative publicity had no effect on the public, who tended to have short memories about this type of coverage. A few cited the example of Amazon, noting that customers still used them despite the negative press they received. Additionally, one wealth manager mentioned that if the reputation was damaged significantly, a company could set up with a different name.

8.58 Others doubted its effectiveness believing the short collective memory of the public would mean there would be little lasting reputational damage.

*“Naming and shaming, they couldn’t give a monkey. It’s tomorrow’s chip paper, the webpage will disappear in a few weeks’ time.”*

**Wealth manager, 1-9 employees**

**Issuing warnings to specific companies e.g. within the export Memorandum of Understanding (*freight forwarders and UK importers only*)**

8.59 Some freight forwarders felt that warnings would be effective in deterring people from facilitation. A few felt it was a logical first step as a precursor to further sanctions, if the warning was not heeded. Additionally, some felt it was likely to be enforced as it was easy for HMRC to do. Others did not think a warning would be sufficient, thinking that some would just ignore it.

*“It’s the best one to do, isn’t it? You’ve got to explain to people what they’re doing wrong before you start coming down too heavily on them, if it’s, obviously, not deliberate.”*

**Freight forwarder, 1-9 employees**

*“Giving people a warning when they know what they’re doing wrong isn’t going to work... There are two ways to do everything. There’s a right way and a wrong way. There isn’t anything in between.”*

**Freight forwarder, 1-9 employees**

8.60 Additionally, a few UK importers were unsure what sort of warning would be issued, never having heard of this deterrent in the past.

**Perceptions about HMRC’s ability to enforce actions and sanctions**

8.61 Quantitative findings showed that while respondents generally agreed that HMRC was likely to enforce sanctions against businesses they identified as being engaged in facilitating or enabling evasion, they were less confident that HMRC were able to identify these businesses in the first place, particularly wealth managers.

### Wealth managers

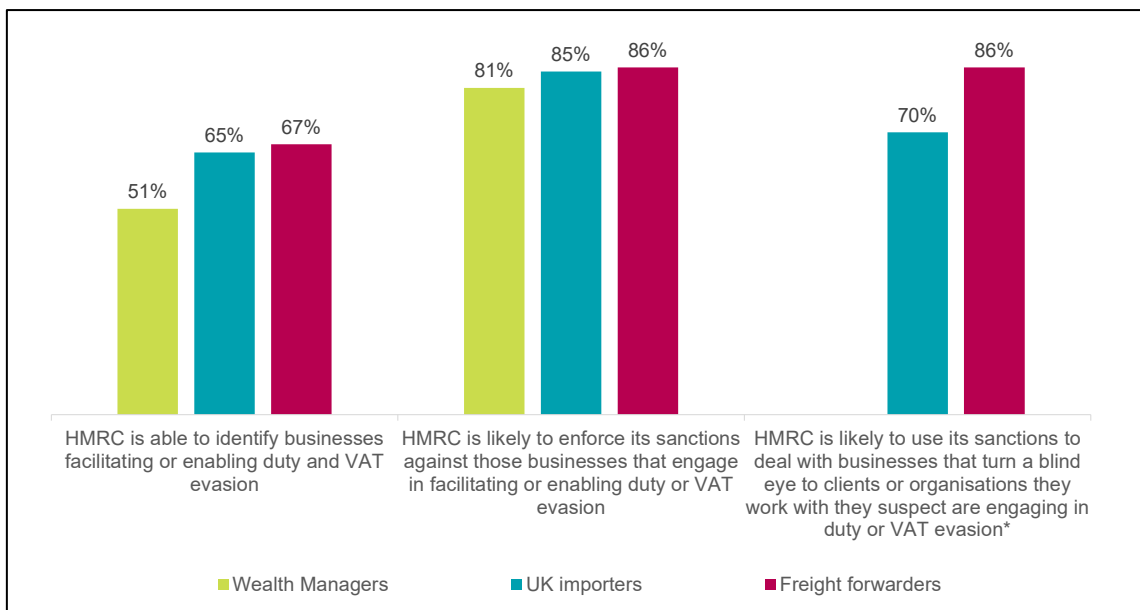
8.62 As shown in Figure 8.3, only half of wealth managers (51%) agreed that HMRC was able to identify businesses facilitating or enabling tax evasion (16% disagreed, 28% answered ‘neither agree nor disagree’ and 4% said they did not know). However, eight in ten (81%) wealth managers considered that HMRC were likely to enforce actions and sanctions against those businesses that had been caught engaging in facilitating or enabling activities.

8.63 Qualitative interviews supported these findings, as wealth managers were generally sceptical of HMRC’s ability to detect evasion and enforce its sanctions. Most commonly, wealth managers thought that HMRC lacked the resource to deal with what they acknowledged was a huge task. A few wealth managers thought that while HMRC were able to identify areas that were high risk in terms of tax evasion, they did not have the resource that would enable them to identify the individuals or companies engaged in evasion.

*“HMRC are pretty astute in everything. Not much gets past them ... so I don’t think there are any cracks in the system. It’s more down to reporting and being able to pin down individuals.”*

**Wealth manager, 1-9 employees**

**Figure 8.4 Perceptions across all audiences of HMRC’s ability and likelihood to enforce sanctions**



*Question D1\_1: HMRC is able to identify businesses facilitating or enabling tax evasion*

*Question D1\_2: HMRC is likely to enforce its sanctions against those businesses that engage in facilitating or enabling tax evasion*

*Question D1\_3 (freight forwarders and UK importers only): HMRC is likely to use its sanctions to deal with businesses that turn a blind eye to clients or organisations they work with they suspect are engaging in duty or VAT evasion*

*Base: All wealth managers (300); all UK importers (300); all freight forwarders (300)*

- 8.64 Others who were not confident about HMRC's ability felt that they could identify businesses successfully, but were unable, or chose not to, enforce sanctions. One of those mentioned that lawyers and solicitors can often block any punitive action, while another mentioned an example of an individual convicted of evasion in the past who changed their name and started a new company in a nearby town and was not stopped by HMRC.
- 8.65 The few wealth managers who were more positive referred to evasion being spotted using electronic means, although they were still not sure that this would enable them to identify evasion. One felt that the introduction of Making Tax Digital would enable HMRC to better identify evasion, although they did concede that if a company was engaged in evasion they would try to hide any evidence of it in their tax return.

### Freight forwarders

- 8.66 Freight forwarders were more likely than wealth managers to agree that HMRC was able to identify businesses facilitating or enabling VAT or duty evasion; two thirds (67%) agreed that they could, while only one in ten (10%) disagreed (20% answered 'neither agree nor disagree').
- 8.67 As with wealth managers, freight forwarders were quite a lot more likely to agree that HMRC was likely to enforce its sanctions than identify it in the first place (86% agreed, while 5% disagreed and 8% answered 'neither agree nor disagree').
- 8.68 The majority of freight forwarders (86%) agreed that HMRC was likely to use its sanctions against businesses that turned a 'blind eye' to clients or organisations they suspected were engaged in VAT or duty evasion (5% disagreed and 7% answered 'neither agree nor disagree').
- 8.69 Qualitative interviews indicated that freight forwarders were not especially confident that HMRC could identify evasion and enforce its sanctions. Freight forwarders were, like wealth managers, primarily concerned with what they perceived to be a lack of HMRC resource to tackle the problem. Forwarders who mentioned this tended to refer to HMRC's lack of physical presence (which was perceived to have reduced in recent years), meaning they did not have the ability to enforce their rules and regulations, despite knowing that some freight forwarders were not conducting the appropriate due diligence. There was a perception amongst a few that HMRC did not have the ability to investigate all types of business, with one suggesting that they only had the resource to investigate high net worth cases.

*"To be honest with you, the number of Officers on the ground these days is tiny compared to what they used to be."*

#### Freight forwarder, 250+ employees

- 8.70 Linked to lack of resource, one freight forwarder mentioned a problem with knowledge within HMRC, feeling that this could enable some individuals or companies to take advantage. This freight forwarder cited an example of an auditor visiting them who they thought did not have the requisite knowledge to conduct a proper audit:

*"When people come out to an audit, if they don't have an understanding of what they're actually looking at. Then it's very easy for experienced freight forwarders to make the easy sound complicated and believable."*

#### Freight forwarder, 250+ employees

8.71 A few freight forwarders, however, were positive about HMRC's ability to identify evasion and enforce sanctions. One of those cited the electronic data that HMRC now have at their disposal which they thought would enable them to conduct analysis and identify evasion.

*"They are best placed to do that. They can analyse data as they receive country-wide data and can see the value on a product across all import shipments. HMRC sees a broad range of the same cargos coming in from different people."*

**Freight forwarder, 1-9 employees**

### **UK importers**

8.72 Around two thirds (65%) of UK importers thought that HMRC was able to identify businesses facilitating or enabling VAT or duty evasion (9% disagreed and 23% answered 'neither agree nor disagree'), similar to freight forwarders.

8.73 Views on the extent to which HMRC was likely to enforce its sanctions against those businesses engaged in facilitation were also similar to freight forwarders, with 85% of UK importers agreeing (5% disagreed and 9% answered 'neither agree nor disagree').

8.74 Seven in ten importers (70%) agreed that HMRC was likely to use its sanctions with businesses that turned a 'blind eye' to clients or organisations they worked with who were suspected of engaging in VAT or duty evasion (10% disagreed and 17% answered 'neither agree nor disagree'); this was a lower proportion than freight forwarders.

8.75 Qualitative interviews indicated that UK importers were confident in HMRC's ability to identify and act against tax evasion facilitation, mainly because of HMRC's ability to harness the increasing digitisation of filing tax returns and monetary transactions. They assumed HMRC were better placed to spot suspicious trends and red flags. One importer noted that HMRC could identify suspicious activity on eBay, whose systems categorised goods in a certain way, as HMRC had access to this information.

8.76 Those UK importers who were not confident of HMRC's ability to identify and act against evasion tended to cite resource issues, like wealth managers and freight forwarders, and some doubted whether they could identify evasion in the first place.

*"Every department in government is so short of staff – I would be surprised if they could spot anything."*

**UK importer, sole trader**

### **Other actions that could be effective**

8.77 In addition to the prompted list, qualitative interviews sought to determine what other sanctions could be enforced against those engaged in facilitating or enabling evasion.

8.78 Many felt that HMRC's current actions and sanctions covered everything. Each sanction suggested was therefore only mentioned by a handful of participants at most.

8.79 Other actions and sanctions that participants suggested could be effective fell into four main categories:

- Stronger action to prevent evasion;

- Increased regulation / more licensing requirements;
- More assistance from HMRC; and
- More publicity from HMRC.

### **Stronger action to prevent evasion and avoidance**

8.80 Suggestions of how to prevent evasion and avoidance occurring in the first place consisted of actions to stop them at source and stronger actions to deter individuals and companies engaging in these activities in the future.

### **Action to stop avoidance schemes at source**

8.81 A few wealth managers mentioned that HMRC could do more to close down certain avoidance schemes before they gained momentum and before tax had already been lost. One of those mentioned that all schemes should undergo pre-vetting by HMRC; they thought that currently only some schemes do so.

### **Stronger actions to deter future evasion**

8.82 A few freight forwarders suggested deterrents to stop engagement in future evasion. One suggested that rather than only the goods in question being seized, entire shipments should be. While they acknowledged that this was a fairly extreme measure and would be unfair on importers who had legitimate freight in the shipment, they were confident that this would stop the culprits very quickly as it would have a major impact on them financially and from a reputational perspective.

8.83 The same freight forwarder mentioned that if HMRC had the power to close a company down who was caught engaging in evasion then it would act as a deterrent to other similar companies.

### **Increased regulation / licensing requirements**

8.84 Some freight forwarders and wealth managers suggested increased regulatory and licensing requirements to prevent evasion. These businesses felt that appropriate authorities should apply more scrutiny to who is permitted to work in their industries. One mentioned that the FCA should have tighter vetting procedures, while another mentioned examples where individuals who were not authorised to practice had got another regulated individual to sign off their work, thus effectively allowing them to operate.

*“[For every new member of staff] the FCA require us to vet the person for unsuitability before the application, but the actual requirements are all very loose... they’re coming from a point of view that they’re not allowed to stop anybody, unless they’ve got very good reason.”*

**Wealth manager, 10-49 employees**

8.85 Freight forwarders who mentioned this felt that the industry lacked regulation altogether, enabling those without the required knowledge to operate. Further, they felt that there was not enough of a deterrent to those engaged in facilitating or enabling VAT or duty evasion.

*“At the moment, if I committed VAT fraud for a company and I got found out and got fired, I could go down the road and get another job doing import clearances.”*

**Freight Forwarder, 250+ employees**

8.86 Some felt that licences and qualifications could be introduced (citing that this had been done in the USA) and that a regulatory body should be in place with the power to revoke these licences and Authorised Economic Operator (AEO) authorisations if forwarding agents were found to be involved in facilitation of VAT or duty evasion.

*“If they did it once then everyone would go, ‘Hang on a minute, we can’t be dealing with these people, we can’t be doing that because they could be in here next... if they did all of this it would go around this airport like wildfire. Everyone talks to everybody. It would be extremely effective.”*

**Freight forwarder, 1-9 employees**

**More assistance from HMRC**

8.87 A few participants said that HMRC could do more to help businesses ensure they were not engaged in facilitating or enabling activities. One said that HMRC should focus on educating individuals about not evading tax in the first place, while another wanted more education and guidance from HMRC on what constitutes facilitating tax evasion.

*“I think possibly some more constructive guidance and help for firms so that they can better train their staff.”*

**Wealth manager, 100-249 employees**

8.88 One freight forwarder thought that UK importers needed to be better educated about the correct processes to follow to ensure they were not unknowingly engaging in facilitation of tax evasion and felt HMRC were best placed to provide this education.

**More publicity from HMRC**

8.89 While HMRC does currently publicise cases where individuals or companies have been prosecuted, a few were not aware of this and therefore felt more needed to be done in this respect.

*“It is all very well knowing it is an offence but if you don’t hear if anyone has been done for it they are not catching them.”*

**UK importer, sole trader**

8.90 A wealth manager mentioned that HMRC should make efforts to educate the wider public about what constitutes tax evasion and how to act if they came across any suspicious activities or dubious schemes.

*“If people knew more about how to complain and bring matters to the attention of the regulator it would help it to identify it at an earlier stage.”*

**Wealth manager, 1-9 employees**

8.91 One UK importer thought that financial rewards could be offered to individuals who reported suspicious activities.



### Chapter summary

Awareness of the sanctions and actions that HMRC or other bodies could use to mitigate tax, VAT or duty evasion was typically high. Imprisonment was considered the most effective sanction across all audiences, while reclaiming tax owed (with interest) was considered the least effective. The perceived effectiveness of these sanctions often depended on the scale of the punishment, for example, for imprisonment the length of time served; for reclaiming tax owed, how much and how much with interest; and for seizing or confiscating goods or money, what or how much was seized.

The perceived effectiveness of the sanctions varied somewhat for wealth managers compared to the other two audiences. Wealth managers were less likely than freight forwarders and UK importers to feel that the following sanctions are effective: seizing or confiscating goods or money; reclaiming tax owed (with interest); companies being subject to the CCO; and disclosing involvement in facilitation of evasion to the media/press.

The majority amongst all audiences agreed that HMRC is likely to use enforcement action against businesses engaging in the facilitation of tax evasion (86% of freight forwarders; 85% of UK importers and 81% of wealth managers), but all audiences were less likely to agree that HMRC could identify businesses facilitating or enabling tax evasion (67%, 65% and 51% respectively). The majority of freight forwarders (86%) and UK importers (70%) felt that HMRC was likely to use enforcement action on businesses who turn a blind eye to businesses they work with engaging in tax evasion.

Where respondents were positive about the HMRC's ability to identify evasion, they often cited the role of increased digitisation as making evasion easier to monitor and spot, for example, through the move towards filing tax returns online. Those who were less positive typically felt that HMRC lacked the resource to both identify evasion and enforce action.

Those who thought that HMRC could take further action to prevent evasion suggested stronger measures to prevent evasion and avoidance at source, increased regulation and licensing requirements, and more assistance, education and publicity from HMRC about facilitation of tax, VAT and duty evasion.

## 9 Appendix A: Perception of prevention procedures

**Table 9.1 Wealth manager, freight forwarder and UK importer perceptions of prevention procedures within their own organisations**

|  | Audience           | Strongly disagree | Tend to disagree | Neither agree nor disagree | Tend to agree | Strongly agree | Unsure | Not applicable |
|--|--------------------|-------------------|------------------|----------------------------|---------------|----------------|--------|----------------|
| Top-level management are delivering a clear message that facilitation of tax, duty and VAT evasion is unacceptable | Freight forwarders | <1%               | 1%               | 2%                         | 13%           | 82%            | <1%    | 1%             |
|  | UK importers       | 1%                | <1%              | 4%                         | 14%           | 79%            | 0%     | 2%             |
|  | Wealth manager     | <1%               | <1%              | <1%                        | 2%            | 96%            | 0%     | <1%            |
| You conduct appropriate due diligence on the clients and organisations you work with                               | Freight forwarders | 0%                | 0%               | 1%                         | 22%           | 76%            | 1%     | 1%             |
|  | UK importers       | 1%                | 1%               | 5%                         | 18%           | 71%            | 3%     | 1%             |
|  | Wealth manager     | <1%               | 0%               | 0%                         | 5%            | 94%            | <1%    | <1%            |
| Staff are aware of the organisation's procedures to prevent facilitation of tax, duty and VAT evasion              | Freight forwarders | <1%               | <1%              | <1%                        | 17%           | 81%            | 0%     | 2%             |
|  | UK importers       | 1%                | 2%               | 2%                         | 18%           | 71%            | 1%     | 5%             |
|  | Wealth manager     | <1%               | 0%               | 1%                         | 8%            | 89%            | <1%    | 1%             |

Question B4 (B5 for wealth managers): Extent to which agree or disagree that...

Base: All wealth managers (300); all UK importers (300); all freight forwarders (300)

## 10 Appendix B: Selection criteria for qualitative interviews

### Freight forwards and UK importers

10.1 As was discussed more extensively in Chapter 2, the survey data was used to identify suitable respondents for the qualitative interviews across all strands. Table 9.1 shows the sampling criteria used and how many freight forwarder and UK importer qualitative respondents met each criterion.<sup>12</sup>

**Table 10.1 Quantitative selection criteria for the qualitative follow-up interviews (freight forwarders and UK importers)**

| Criteria codes | Definition  | No. of freight forwarders meeting criteria | No. of UK importers meeting criteria |
|----------------|---|--|--------------------------------------|
| A              | Yes to any of the prompted facilitating activities (A1)   | 9  | 4                                    |
| B              | Had suspicions or concerns that clients / imports had been involved in VAT or Duty evasion (A3)   | 4  | 0                                    |
| C              | Criterion A met but Criterion B not met   | 5  | 4                                    |
| D              | <i>Freight forwarders only:</i> Sometimes / never knows who the owners of goods are when entries are made (A7)  | 3  | 0                                    |
| E              | Sometimes / never knows what goods are in loads when entries are made (A8)  | 4  | 0                                    |
| F              | <i>Freight forwarders only:</i> Kept imported goods on property for more than 4 weeks (A9)  | 1  | 0                                    |
| G              | Answered 'if you can get away with it, why not' when asked about their views on businesses deliberately making inaccurate declarations to HMRC (B2)           | 0  | 0                                    |
| H              | Answered 'I think this is wrong but would take no action' when asked about their views on businesses deliberately making inaccurate declarations to HMRC (B2) | 1  | 5                                    |
| I              | Disagreed with any of prompted statements about prevention procedures (B4)  | 1  | 0                                    |
| J              | Perceived any sanction to be ineffective (C2)   | 4  | 6                                    |
| K              | Disagreed about HMRC's enforcement capabilities and the likelihood to enforcement action, or evidence of non-compliance in attitudinal statements (D1)        | 6  | 5                                    |

<sup>12</sup> Survey questions that the sampling criteria definitions derive from are shown in brackets. The questionnaires are included in the appendices.

## Wealth managers

10.2 Again, the survey was used to identify wealth managers suitable for qualitative follow-up interviews. The sampling criteria and the number of respondents meeting each criterion are shown in Table 9.2.

**Table 10.2 Quantitative selection criteria for the qualitative follow-up interviews (wealth managers)**

| Criteria codes | Definition  | No. of wealth managers meeting criteria |
|----------------|---|---|
| L              | Had come across something suspicious when conducting 'know your customer' checks for anti-money laundering and other due diligence checks (A1)  | 5                                       |
| M              | Agreed that they had provided clients with tax planning advice going against the spirit or intentions of tax law (A3)   | 0                                       |
| N              | Agreed that they had been asked by clients to provide advice going against the spirit or intentions of tax law (A4)   | 3                                       |
| O              | Said any of the facilitation of tax evasion examples were not facilitation (B2)   | 5                                       |
| P              | Said organisation did not conduct risk assessments (B3)   | 3                                       |
| Q              | Disagreed with any of prompted statements about prevention procedures (B5)  | 0                                       |
| R              | Said organisation did not conduct risk assessments but agreed 'top-level management are delivering a clear message that facilitation of tax evasion is not acceptable' or 'the organisation's current tax evasion procedures are proportionate to the risks it faces' (B3/B5) | 3                                       |
| S              | Perceived any sanction to be ineffective (C2)   | 2                                       |
| T              | Disagreed about HMRC's enforcement capabilities and the likelihood to enforcement action (D1)   | 2                                       |
| U              | Had wealthy clients who resided or based their assets abroad (E4/E5)  | 1                                       |

# 11 Appendix C: Freight forwarders and UK importers questionnaire

## S Screener

|                                    |   |
|------------------------------------|---|
| AUDIENCE                           |   |
| FREIGHT FORWARDERS – THE DECLARANT | 1 |
| UK IMPORTERS – THE CONSIGNEE       | 2 |

ASK TELEPHONIST

S1 **Good morning / afternoon. My name is NAME and I'm calling from IFF Research on behalf of HM Revenue and Customs (HMRC).**

[IF CONTACT PROVIDED: **Please can I speak to <CONTACT>**]

[IF NO CONTACT PROVIDED: **Please can I speak to the person who has most responsibility for ensuring compliance with VAT, customs and excise duties and who also has an awareness of how your organisation delivers these services**

PROMPT IF NECESSARY: **this could be the managing director, financial director, or the Head of Imports or Tax.**

|   |    |                  |
|---|----|------------------|
| Transferred                             | 1  | CONTINUE         |
| Hard appointment                        | 2  | MAKE APPOINTMENT |
| Soft Appointment                        | 3  |                  |
| Engaged                                 | 4  | CALL BACK        |
| Referral to head office                 | 16 | GO TO S2b        |
| Refusal                                 | 5  | CLOSE            |
| Refusal – company policy                | 6  |                  |
| Refusal – Taken part in recent survey   | 7  |                  |
| Nobody at site able to answer questions | 8  |                  |
| Not available in deadline               | 9  |                  |

|   |    |   |
|---|----|---|
| Fax Line  | 10 |   |
| No reply / Answer phone                           | 11 |   |
| Residential Number                                | 12 |   |
| Dead line   | 13 |   |
| Company closed                                    | 14 |   |
| Request reassurance email / resend advance letter | 15 | COLLECT EMAIL ADDRESS THEN CONTINUE OR MAKE APPOINTMENT |

ASK ALL

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We’re conducting a survey on behalf of HMRC to help them enhance advice, improve business engagement and understand how to target and build future activity to ensure the right tax and duties are paid. You may have recently received a letter introducing the research. Please note that all data will be reported anonymously, in strictest confidence and for research purposes only, and your answers will not be reported to HMRC in any way that would allow you to be identified.**

**Would it be okay to run through this with you now?**

**ADD IF NECESSARY: Depending on your answers the interview will take around 15 minutes to complete.**

|  |    |                           |
|--|----|---------------------------|
| Continue   | 1  | CONTINUE                  |
| Referred to someone else at establishment<br>NAME _____<br>JOB TITLE _____ | 2  | TRANSFER AND RE-INTRODUCE |
| Hard appointment   | 3  | MAKE APPOINTMENT          |
| Soft appointment   | 4  |                           |
| Referral to head office  | 10 | GO TO S2b                 |
| Refusal  | 5  | THANK AND CLOSE           |
| Refusal – company policy   | 6  |                           |
| Refusal – taken part in recent survey                                      | 7  |                           |

|   |   |   |
|---|---|---|
| Not available in deadline                         | 8 |   |
| Request reassurance email / resend advance letter | 9 | COLLECT EMAIL ADDRESS THEN CONTINUE OR MAKE APPOINTMENT |

ASK ALL

**S2a Before we begin, I just need to read out a quick statement based on GDPR legislation. I want to reassure you that all information collected will be treated in the strictest confidence, and that you have the right to have a copy of your data, change your data or withdraw from the research at any point. In order to guarantee this, and as part of our quality control procedures, all interviews are recorded automatically. Is that OK?**

ADD IF NECESSARY: **Results will be reported in the form of statistics and your responses will not be linked back to you. All names and contact details are deleted at the earliest opportunity – and no more than 12 months after the end of the project.**

**Are you happy to continue with the survey?**

|     |   |                 |
|-----|---|-----------------|
| Yes | 1 | CONTINUE        |
| No  | 2 | THANK AND CLOSE |

IF REFERRED TO HEAD OFFICE (S1=16 OR S2=10)

**S2b Please can I take the details of the best person to contact at your company’s head office?**

|   |                                      |
|---|--------------------------------------|
| Name:<br>RECORD DETAILS OF RELEVANT PERSON AT HEAD OFFICE | ALLOW REFUSED AND DON'T KNOW OPTIONS |
| Address:  | ALLOW REFUSED AND DON'T KNOW OPTIONS |
| Job title:  | ALLOW REFUSED AND DON'T KNOW OPTIONS |
| Phone number:   | ALLOW REFUSED AND DON'T KNOW OPTIONS |

IF FREIGHT FORWARDER (AUDIENCE=1)

**S3 That’s great – just to check you’re eligible for the research, can you confirm that your organisation operates in the freight forwarding industry?**

ADD IF NECESSARY: **Do you act as the declarant on import forms as part of the services you provide?**

*INTERVIEWER NOTE:* They also may provide other services like logistics or any service involved with moving goods from outside the European Union (EU) into the UK.

|            |   |                 |
|------------|---|-----------------|
| Yes        | 1 | CONTINUE        |
| No         | 2 | THANK AND CLOSE |
| Don't know | 3 | THANK AND CLOSE |



IF UK IMPORTER (AUDIENCE=2)

**S4 And just to check, in the last year, has your business imported goods that originated...?**

*READ OUT. SINGLE CODE.*

INTERVIEWER NOTE: IF CODING 'FROM OUTSIDE THE EU ONLY' THIS SHOULD NOT INCLUDE ANY OF THE FOLLOWING COUNTRIES:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic / Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom

|  |   |                 |
|--|---|-----------------|
| From outside of the EU only                      | 2 | CONTINUE        |
| From European (EU) member states only            | 1 | THANK AND CLOSE |
| From countries both within and outside of the EU | 3 | CONTINUE        |
| DO NOT READ OUT: Don't know                      | 4 | THANK AND CLOSE |

ASK ALL UK IMPORTERS (AUDIENCE=2)

**S5 Thinking about the goods you have imported that originated from outside of the EU, to the best of your knowledge, have these...?**

READ OUT. SINGLE CODE PER ROW.

|   | Yes | No | DK |
|---|-----|----|----|
| Come directly to the UK only (i.e. never via another EU member state (MS))  | 1   | 2  | 3  |
| IF S5_1 NOT YES<br>Ever landed at another EU member state before arriving in the UK   | 1   | 2  | 3  |
| IF S5_1 NOT YES<br>Ever arrived in the UK via another EU member state without being landed (i.e. the goods have stayed on the boat or are just offloaded onto the quay) | 1   | 2  | 3  |

IF IMPORTS VIA OTHER MEMBER STATES (S5\_2=1 OR S5\_3=1)

**S6 Which other EU member states (MS) do these goods that you import from outside of the EU come through?**

DO NOT READ OUT. MULTICODE.

|                        |    |   |    |
|------------------------|----|---|----|
| Austria                | 1  | Latvia                                    | 16 |
| Belgium                | 2  | Lithuania                                 | 17 |
| Bulgaria               | 3  | Luxembourg                                | 18 |
| Croatia                | 4  | Malta                                     | 19 |
| Cyprus                 | 5  | Netherlands                               | 20 |
| Czech Republic/Czechia | 6  | Poland                                    | 21 |
| Denmark                | 7  | Portugal                                  | 22 |
| Estonia                | 8  | Romania                                   | 23 |
| Finland                | 9  | Slovakia                                  | 24 |
| France                 | 10 | Slovenia                                  | 25 |
| Germany                | 11 | Spain                                     | 26 |
| Greece                 | 12 | Sweden                                    | 27 |
| Hungary                | 13 | Don't know                                | 28 |
| Ireland                | 14 | Only mentions countries outside of the EU | 29 |
| Italy                  | 15 |   |    |

DS – IF CODE 29 CHOSEN, INTERVIEWER SHOULD RE-ASK S5

**REASSURANCES TO USE IF NECESSARY**

The interview will take around 15 minutes to complete.

Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.

Your organisation's details were supplied to us by HMRC]. Your data will be held securely at IFF; we are ISO27001 accredited for information security, and comply fully with the Data Protection Act. We are members of the Market Research Society and regulated by their code of conduct.

## A Facilitating activities

ASK ALL

**I want to remind you that everything you tell me today is in complete confidence and will only be reported in aggregate form. Neither you nor your organisation will be able to be identified as taking part in the research.**

**A1 To the best of your knowledge, since working for your current employer, have you or any other members of your company ever...?**

*READ OUT. SINGLE CODE PER ROW.*

| FOR BOTH AUDIENCES UNLESS SPECIFIED  | YES | NO | Don't Know |
|--|-----|----|------------|
| <b>_1 Had suspicions or concerns about incorrect valuation of goods</b>  | 1   | 2  | 3          |
| <b>_2 Noticed that goods have been incorrectly described</b>   | 1   | 2  | 3          |
| <b>_3 Noticed that goods were incorrectly classified</b>   | 1   | 2  | 3          |
| <b>_4 Had concerns that the country of origin is incorrect</b>   | 1   | 2  | 3          |
| <b>_5 Had suspicions that an incorrect relief was used e.g. gift relief, onward supply relief, samples etc.</b>                        | 1   | 2  | 3          |
| <b>_6 Had suspicions about any activity – this is broader than just your employer and may relate to another business or individual</b> | 1   | 2  | 3          |

IF HAD SUSPICIONS (A1\_X=1)

A2 **The last time you [INSERT A1\_X], what actions, if any, did you or other members of your company take?**  
**DO NOT READ OUT. MULTICODE.**

|   |   |  |
|---|---|--|
| Reported it to a more senior member of staff  | 1 |  |
| Reported it to HMRC   | 2 |  |
| Informed the organisation we were importing the goods from  | 3 |  |
| IF UK IMPORTERS (AUDIENCE=2): Informed the organisation that were importing the goods on our behalf         | 8 |  |
| IF FREIGHT FORWARDERS (AUDIENCE=1): Informed the client that you acted for as declarant on the import forms | 9 |  |
| Refused to accept the business  | 4 |  |
| Other (Specify)   | 5 |  |
| Did nothing / No action was taken [IF AUDIENCE=1: / Provided the service anyway]                            | 6 |  |
| Don't know  | 7 |  |

ASK ALL

A3 **Have you or other members of your company ever had any suspicions or concerns that [AUDIENCE=1: the clients you act for as declarant on import forms] [AUDIENCE=2: imports of goods where you act as consignee for the goods ] have been involved in VAT or duty evasion?**

|            |   |  |
|------------|---|--|
| Yes        | 1 |  |
| No         | 2 |  |
| Don't know | 3 |  |

IF SUSPECTED DUTY OR VAT EVASION (A3 =1)

A4 **The last time this happened, what actions, if any, did you or other members of your company take?**

*DO NOT READ OUT. MULTICODE.*

|   |   |  |
|---|---|--|
| Reported it to a more senior member of staff  | 1 |  |
| Reported it to HMRC   | 2 |  |
| Informed the organisation we were importing goods from  | 3 |  |
| IF UK IMPORTERS (AUDIENCE=2): Informed the organisation that were importing the goods on our behalf         | 8 |  |
| IF FREIGHT FORWARDERS (AUDIENCE=1): Informed the client that you acted for as declarant on the import forms | 9 |  |
| Refused to accept the business  | 4 |  |
| Other (Specify)   | 5 |  |
| Did nothing / No action was taken [IF AUDIENCE=1: / Provided the service anyway]                            | 6 |  |
| Don't know  | 7 |  |

IF SUSPECTED DUTY OR VAT EVASION (A3=1)

A5 **Which of the following best describes how frequently you or other members of your company come across activities that would give rise to suspicions about VAT or Duty evasion? Does it tend to be...?**

*READ OUT. SINGLE CODE.*

|   |   |  |
|---|---|--|
| <b>On a daily basis</b>                 | 1 |  |
| <b>A few times in a month</b>           | 2 |  |
| <b>Around once a month</b>              | 3 |  |
| <b>A few times in a year</b>            | 4 |  |
| <b>Around once a year</b>               | 5 |  |
| <b>Less frequently than once a year</b> | 6 |  |
| DO NOT READ OUT: Never                  | 7 |  |
| DO NOT READ OUT: Don't know             | 8 |  |

IF SUSPECTED DUTY OR VAT EVASION (A3=1)

A6 **Would you say you or other members of your company have had these suspicions or concerns about...?**

*READ OUT. SINGLE CODE.*

|   |   |  |
|---|---|--|
| <b>One</b> [AUDIENCE=1: of the clients you act for as declarant on import forms or organisations you work with] [AUDIENCE=2: import of goods where you act as consignee for the goods ] | 1 |  |
| <b>A few</b> [AUDIENCE=1: of the clients you act for as declarant on import forms] [AUDIENCE=2: imports of goods where you act as consignee for the goods]                              | 2 |  |
| <b>Most</b> [AUDIENCE=1: of the clients you act for as declarant on import forms] [AUDIENCE=2: imports of goods where you act as consignee for the goods]                               | 3 |  |
| <b>All</b> [AUDIENCE=1: of the clients you act for as declarant on import forms] [AUDIENCE=2: imports of goods where you act as consignee for the goods]                                | 4 |  |
| DO NOT READ OUT: Don't know   | 8 |  |

ASK FREIGHT FORWARDERS (AUDIENCE=1)

A7 **When an entry is made, would you say that you, or another person in your organisation...?**

*READ OUT. SINGLE CODE.*

|   |   |  |
|---|---|--|
| <b>Always know who the owner of the goods is</b>                    | 1 |  |
| <b>Sometimes know who the owner of the goods is, but not always</b> | 2 |  |
| <b>Never know who the owner is</b>                                  | 3 |  |
| DO NOT READ OUT: Don't know   | 4 |  |

ASK ALL

- A8 [AUDIENCE=2: **When an entry is made**] [AUDIENCE=1: **And**] **would you say that you, or another person in your organisation...?**  
*READ OUT. SINGLE CODE.*

*INTERVIEWER NOTE: IT IS FINE IF THIS KNOWLEDGE IS GAINED FROM EITHER CHECKING DOCUMENTATION OR FROM PHYSICAL CHECKS*

|   |   |  |
|---|---|--|
| <b>Always know what the goods are in the loads</b>                    | 1 |  |
| <b>Sometimes know what the goods are in the loads, but not always</b> | 2 |  |
| <b>Never know what the goods are</b>                                  | 3 |  |
| DO NOT READ OUT: Don't know   | 4 |  |

ASK FREIGHT FORWARDERS (AUDIENCE=1)

- A9 **And how long do goods normally remain on your property?**  
*PROMPT IF NECESSARY. SINGLE CODE.*

|  |   |
|--|---|
| A few hours                                | 1 |
| More than a few hours, but less than a day | 2 |
| 1-2 days                                   | 3 |
| 3-6 days                                   | 4 |
| 1-2 weeks                                  | 5 |
| 3-4 weeks                                  | 6 |
| More than 4 weeks                          | 7 |
| Not applicable                             | 9 |
| Don't know                                 | 8 |

## B Awareness of facilitating tax evasion

### B1 QUESTION DELETED

ASK ALL

### B2 Some businesses try and reduce the amount of duty or VAT they pay by not making accurate declarations to HMRC. Which of these statements comes closest to your views about businesses similar to yours doing this?

READ OUT. SINGLE CODE.

|  |   |  |
|--|---|--|
| I think this is wrong and I would inform HMRC  | 1 |  |
| I think this is wrong but would take no action | 2 |  |
| If you can get away with it, then why not      | 3 |  |
| DO NOT READ OUT: None of these                 | 5 |  |
| DO NOT READ OUT: Don't know                    | 6 |  |

### B3 QUESTION DELETED QUESTION DELETED

ASK ALL

### B3A What aspects of importing do you think present the highest risk of duty or VAT evasion?

|            |   |  |
|------------|---|--|
| WRITE IN   |   |  |
| Don't know | 1 |  |
| None       | 2 |  |



ASK ALL

- B4 I'm now going to read out a list of statements and would like you to tell me the extent to which you agree or disagree with them?**  
*READ OUT. SINGLE CODE PER ROW.*

|   | Strongly disagree | Tend to disagree | Neither agree nor disagree | Tend to agree | Strongly agree | DO NOT READ OUT: Don't Know | DO NOT READ OUT: N/A |
|---|-------------------|------------------|----------------------------|---------------|----------------|-----------------------------|----------------------|
| <b>_1 Top-level management are delivering a clear message that facilitation of duty and VAT evasion is unacceptable</b> | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |
| <b>_2 You conduct appropriate due diligence on the clients and organisations that you work with</b>                     | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |
| <b>_3 Staff are aware of the organisation's procedures to prevent facilitating duty and VAT evasion</b>                 | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |

## C Awareness of HMRC sanctions and other tools

ASK ALL

- C1 I'm now going to read through a list of sanctions and other steps that HMRC, or other bodies involved in civil and criminal enforcement, could take if an organisation was found to be involved in facilitating or enabling tax evasion. For each of these, I would like you to tell me whether you were aware that these could be taken before today?**  
*READ OUT. SINGLE CODE PER ROW.*

|  | Yes | No | DO NOT READ OUT: Don't know |
|--|-----|----|-----------------------------|
| <b>_1 Fines / financial penalties</b>  | 1   | 2  | 3                           |
| <b>_2 Reclaiming tax owed / reclaiming tax owed with interest</b>                              | 1   | 2  | 3                           |
| <b>_3 Seizing/confiscation of goods or money</b>   | 1   | 2  | 3                           |
| <b>_4 Removal of authorisations or registrations by HMRC</b>                                   | 1   | 2  | 3                           |
| <b>_5 Imprisonment of individuals in the organisation complicit in the duty or VAT evasion</b> | 1   | 2  | 3                           |
| <b>6_ The company could be subject to the Corporate Criminal Offence</b>                       | 1   | 2  | 3                           |
|  | 1   | 2  | 3                           |

|  | Yes | No | DO NOT READ OUT: Don't know |
|--|-----|----|-----------------------------|
| <b>_7 Disclosing to the media/press which organisations have been involved in facilitating or enabling tax evasion</b> |     |    |                             |

ASK ALL FOR EACH ITERATION OF C1

C2 **And on a scale of 0 to 5 where, 0 is not at all effective, and 5 is extremely effective, how effective a deterrent do you think the following sanctions would be to organisations currently facilitating or enabling tax evasion?**

|  | WRITE IN | Don't know |
|--|----------|------------|
| <b>_1 Fines / financial penalties</b>  | –        | 1          |
| <b>_2 Reclaiming tax owed / reclaiming tax owed with interest</b>  | –        | 1          |
| <b>_3 Seizing/confiscation of goods or money</b>   | –        | 1          |
| <b>_4 Removal of authorisations or registrations by HMRC</b>   | –        | 1          |
| <b>_5 Imprisonment of individuals in the organisation complicit in the duty or VAT evasion</b>                         | –        | 1          |
| <b>6_ The company could be subject to the Corporate Criminal Offence</b>   | –        | 1          |
| <b>_7 Disclosing to the media/press which organisations have been involved in facilitating or enabling tax evasion</b> | –        | 1          |

## D Attitudes

ASK ALL

D1 To what extent do you agree or disagree with the following statements...? Do you...

READ OUT. SINGLE CODE EACH ROW.

|   | Strongly disagree | Tend to disagree | Neither agree nor disagree | Tend to agree | Strongly agree | DO NOT READ OUT: Don't Know |
|---|-------------------|------------------|----------------------------|---------------|----------------|-----------------------------|
| <b>_1 HMRC is able to identify businesses facilitating or enabling duty and VAT evasion</b>   | 1                 | 2                | 3                          | 4             | 5              | 6                           |
| <b>_2 HMRC is likely to enforce its sanctions against those businesses that engage in facilitating or enabling duty or VAT evasion</b>  | 1                 | 2                | 3                          | 4             | 5              | 6                           |
| <b>_3 HMRC is likely to use its sanctions to deal with businesses that turn a blind eye to [AUDIENCE=1: clients or] organisations they work with they suspect are engaging in duty or VAT evasion</b> | 1                 | 2                | 3                          | 4             | 5              | 6                           |
| <b>_4 It <u>is</u> the business's responsibility to take action, when [AUDIENCE=1: clients or] organisations they work with are suspected of engaging in duty or VAT evasion</b>                      | 1                 | 2                | 3                          | 4             | 5              | 6                           |
| IF AUDIENCE=1<br><b>_5 A business has to turn a 'blind eye' to its clients' activities, in order to remain competitive</b>  | 1                 | 2                | 3                          | 4             | 5              | 6                           |

## E Demographics

ASK ALL

E1 **I just have a few more questions I'd like to ask in order to classify your answers. Firstly, can I ask, how many employees does your business currently employ across all sites, excluding owners and partners?**

- PLEASE DO NOT INCLUDE TEMPORARIES/CASUALS OR AGENCY STAFF
- INCLUDE FULL AND PART TIME
- EXCLUDE SELF-EMPLOYED
- EXCLUDE OWNERS/PARTNERS, BUT OTHER DIRECTORS COUNT AS EMPLOYEES
- INCLUDE EMPLOYEES BASED INSIDE AND OUTSIDE THE UK

*READ OUT IF NECESSARY. SINGLE CODE.*

|                    |    |
|--------------------|----|
| None (sole trader) | 1  |
| 1 to 5             | 2  |
| 6 to 9             | 3  |
| 10 to 19           | 4  |
| 20 to 29           | 5  |
| 30 to 49           | 6  |
| 50 to 99           | 7  |
| 100 to 249         | 8  |
| 250 or more        | 9  |
| Don't Know         | 10 |
| Refused            | 11 |

ASK UK IMPORTERS (AUDIENCE=2)

E3 **How would you describe the main activity of your business?**

*INTERVIEWER PROBE FOR THE FOLLOWING – START WITH FIRST PROBE AND ONLY USE THE OTHERS IF NECESSARY TO GET CLEAR INFORMATION*

**What is the main product or service of your business?**

**What would you type into a search engine to find an establishment like yours online?**

**What exactly is made or done at this establishment?**

|  |   |  |
|--|---|--|
| WRITE IN. TO BE CODED TO 2 DIGIT SIC 2007. |   |  |
| Refused                                    | 1 |  |

ASK ALL

E2 **And what, approximately, was the turnover of your business in your last financial year?**

*READ OUT IF NECESSARY. SINGLE CODE.*

|                                   |    |
|-----------------------------------|----|
| <b>Up to £50,000</b>              | 1  |
| <b>£50,001 to £85,000</b>         | 2  |
| <b>£85,001 to £100,000</b>        | 3  |
| <b>£100,001 to £250,000</b>       | 4  |
| <b>£250,001 to £500,000</b>       | 5  |
| <b>£500,001 to £1,000,000</b>     | 6  |
| <b>£1,000,001 to £2,000,000</b>   | 7  |
| <b>£2,000,001 to £5,000,000</b>   | 8  |
| <b>£5,000,001 to £10,000,000</b>  | 9  |
| <b>£10,000,001 to £25,000,000</b> | 10 |
| <b>Over £25,000,000</b>           | 11 |
| Don't Know                        | 12 |
| Refused                           | 13 |

## F Closing questions

ASK ALL

F1 **We are now at the end of the survey. Thank you very much for taking the time to speak to us today. Would you be willing for us to call you back for:**

*READ OUT. MULTICODE.*

|  |   |
|--|---|
| This particular study – if we need to clarify any of the information | 1 |
| Other research studies which may be relevant to you                  | 2 |
| Neither of these   | 3 |

IF CONSENT TO RECONTACT (F1=1-2)

F2 **And could I just check, is [NUMBER] the best number to call you on?**

|                      |   |
|----------------------|---|
| Yes                  | 1 |
| No - write in number | 2 |

IF CONSENT TO RECONTACT (F1=1-2)

**F3 As part of this study, we are also looking to conduct follow-up interviews to get a deeper understanding of the experiences we've discussed today. These interviews will be face-to-face, lasting up to an hour, and will take place in January and February 2019. Would it be okay for somebody to get in touch around that time to check if you're available to interview?**

*READ OUT. SINGLE CODE*

|     |   |
|-----|---|
| Yes | 1 |
| No  | 2 |

|  |                      |
|--|----------------------|
| Name:<br>RECORD DETAILS OF<br>RESPONDENT WHO<br>COMPLETED<br>INTERVIEW | ALLOW REFUSED OPTION |
| Job title:   | ALLOW REFUSED OPTION |
| Email address:   | ALLOW REFUSED OPTION |

SAY TO ALL

**Just to confirm, we'll be keeping your anonymised responses to the interview for analysis purposes and if you'd like a copy of your data, to change your data or for your data to be deleted then please get in contact with [REDACTED].**

**You also have a right to lodge a complaint with the Information Commissioners Office (ICO) and you can do so by calling their helpline on 0303 123 1113.**

|     |   |  |
|-----|---|--|
| Yes | 1 |  |
|-----|---|--|

THANK RESPONDENT AND CLOSE INTERVIEW

Finally I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.

## 12 Appendix D: Wealth managers questionnaire

### S Screener

|                 |   |
|-----------------|---|
| AUDIENCE        |   |
| WEALTH MANAGERS | 3 |

ASK TELEPHONIST

S1 **Good morning / afternoon. My name is NAME and I'm calling from IFF Research on behalf of HM Revenue and Customs (HMRC).**

[IF CONTACT PROVIDED: **Please can I speak to <CONTACT>**]

[IF NO CONTACT PROVIDED: **Please can I speak with an individual directly involved in offering tax advice or financial planning services to wealthy clients?**]

*INTERVIEWER NOTE:* Wealthy clients are people who earn £150,000 or more in a year

|   |    |                  |
|---|----|------------------|
| Transferred                             | 1  | CONTINUE         |
| Hard appointment                        | 2  | MAKE APPOINTMENT |
| Soft Appointment                        | 3  |                  |
| Engaged                                 | 4  | CALL BACK        |
| Referral to head office                 | 16 | GO TO S2b        |
| Refusal                                 | 5  | CLOSE            |
| Refusal – company policy                | 6  |                  |
| Refusal – Taken part in recent survey   | 7  |                  |
| Nobody at site able to answer questions | 8  |                  |
| Not available in deadline               | 9  |                  |
| Fax Line                                | 10 |                  |
| No reply / Answer phone                 | 11 |                  |
| Residential Number                      | 12 |                  |
| Dead line                               | 13 |                  |

|   |    |   |
|---|----|---|
| Company closed                              | 14 |   |
| Request reassurance / resend advance letter | 15 | COLLECT EMAIL ADDRESS THEN CONTINUE OR MAKE APPOINTMENT |

ASK ALL

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We're conducting a survey on behalf of HMRC to help them enhance advice, improve business engagement and understand how to target and build future activity to ensure the right tax is paid. You may have recently received a letter introducing the research. Please note that all data will be reported anonymously, in strictest confidence and for research purposes only, and your answers will not be reported to HMRC in any way that would allow you to be identified.**

**Would it be okay to run through this with you now?**

**ADD IF NECESSARY: Depending on your answers the interview will take around 15 minutes to complete.**

|  |    |   |
|--|----|---|
| Continue   | 1  | CONTINUE  |
| Referred to someone else at establishment<br><br>NAME _____<br><br>JOB TITLE _____ | 2  | TRANSFER AND RE-INTRODUCE                               |
| Hard appointment   | 3  | MAKE APPOINTMENT  |
| Soft appointment   | 4  |   |
| Referral to head office  | 10 | GO TO S2b   |
| Refusal  | 5  | THANK AND CLOSE   |
| Refusal – company policy   | 6  |   |
| Refusal – taken part in recent survey  | 7  |   |
| Not available in deadline  | 8  |   |
| Request reassurance / resend advance letter  | 9  | COLLECT EMAIL ADDRESS THEN CONTINUE OR MAKE APPOINTMENT |



ASK ALL

**S2a Before we begin, I just need to read out a quick statement based on GDPR legislation. I want to reassure you that all information collected will be treated in the strictest confidence, and that you have the right to have a copy of your data, change your data or withdraw from the research at any point. In order to guarantee this, and as part of our quality control procedures, all interviews are recorded automatically. Is that OK?**

**ADD IF NECESSARY: Results will be reported in the form of statistics and your responses will not be linked back to you. All names and contact details are deleted at the earliest opportunity – and no more than 12 months after the end of the project.**

**Are you happy to continue with the survey?**

|     |   |                 |
|-----|---|-----------------|
| Yes | 1 | CONTINUE        |
| No  | 2 | THANK AND CLOSE |

IF REFERRED TO HEAD OFFICE (S1=16 OR S2=10)

**S2b Please can I take the details of the best person to contact at your company’s head office?**

|   |                                      |
|---|--------------------------------------|
| Name:<br>RECORD DETAILS OF<br>RELEVANT PERSON<br>AT HEAD OFFICE | ALLOW REFUSED AND DON'T KNOW OPTIONS |
| Address:  | ALLOW REFUSED AND DON'T KNOW OPTIONS |
| Job title:  | ALLOW REFUSED AND DON'T KNOW OPTIONS |
| Phone number:   | ALLOW REFUSED AND DON'T KNOW OPTIONS |

ASK ALL

**S3 That’s great – just to check you’re eligible for the research, can you confirm that you or your organisation provides financial planning and/or tax advice or other financial planning services for the wealthy? i.e. people who earn £150,000 or more in a year?**

|            |   |                 |
|------------|---|-----------------|
| Yes        | 1 | CONTINUE        |
| No         | 2 | THANK AND CLOSE |
| Don't know | 3 | THANK AND CLOSE |

ASK ALL

**S4 And thinking about you or your organisation as a whole, does it provide any other services apart from financial planning or tax advice to wealthy clients?**

**ADD IF NECESSARY: For example, trust and company services, legal advice, information on tax in foreign countries.**

|            |   |
|------------|---|
| Yes        | 1 |
| No         | 2 |
| Don't know | 3 |

IF PROVIDE OTHER SERVICES (S4=1)

**S5 What other services does your organisation provide to your wealthy clients?**

|            |   |  |
|------------|---|--|
| WRITE IN   |   |  |
| Don't know | 1 |  |

ASK ALL

**S6 Are you registered with any regulatory bodies?**

|            |   |                |
|------------|---|----------------|
| Yes        | 1 | CONTINUE TO S7 |
| No         | 2 | CONTINUE TO A1 |
| Don't know | 3 | CONTINUE TO A1 |

IF REGISTERED WITH A REGULATORY BODY (S6=1)

**S7 Which regulatory bodies are you registered with?***DO NOT READ OUT. MULTICODE.*

|   |    |  |
|---|----|--|
| Association of Accounting Technicians                   | 1  |  |
| Association of Chartered Certified Accountants          | 2  |  |
| Association of International Accountants                | 3  |  |
| Association of Taxation Technicians                     | 4  |  |
| Chartered Institute of Management Accountants           | 5  |  |
| Chartered Institute of Taxation                         | 6  |  |
| Financial Conduct Authority                             | 7  |  |
| Institute of Certified Bookkeepers                      | 8  |  |
| Institute of Chartered Accountants in Ireland           | 9  |  |
| Institute of Chartered Accountants in Scotland          | 10 |  |
| Institute of Chartered Accountants of England and Wales | 11 |  |
| Institute of Financial Accountants                      | 12 |  |
| International Association of Bookkeepers                | 13 |  |
| Law Society   | 14 |  |
| Prudential Regulatory Authority                         | 15 |  |
| Bank of England   | 16 |  |
| Financial Policy Committee                              | 17 |  |
| The Treasury  | 18 |  |
| STEP  | 19 |  |
| HMRC – if not registered with a professional body       | 20 |  |
| Other (specify)   | 21 |  |
| Don't know  | 22 |  |
| Refused   | 23 |  |

**REASSURANCES TO USE IF NECESSARY**

The interview will take around 15 minutes to complete.

Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.

Your organisation's details were supplied to us by HMRC]. Your data will be held securely at IFF; we are ISO27001 accredited for information security, and comply fully with the Data Protection Act. We are members of the Market Research Society and regulated by their code of conduct.

## A Facilitating activities

ASK ALL

**I want to remind you that everything you tell me today is in complete confidence and will be anonymised. Neither you nor your organisation will be able to be identified as taking part in the research.**

ASK ALL

**A1 First of all, can you tell me whether you have ever come across anything suspicious when conducting 'know your customer checks' for anti-money laundering and other due diligence checks?**

**IF YES: How frequently does this happen?**

*PROMPT IF NECESSARY. SINGLE CODE.*

|                              |   |  |
|------------------------------|---|--|
| No – this has never happened | 1 |  |
| Yes – it is very rare        | 2 |  |
| Yes – occasionally           | 3 |  |
| Yes – fairly frequently      | 4 |  |
| Yes – very frequently        | 5 |  |
| DO NOT READ OUT: Don't know  | 6 |  |
| DO NOT READ OUT: Refused     | 7 |  |

IF HAVE COME ACROSS SUSPICIOUS ACTIVITY (A1=2-5)

**A2 The last time this happened, what actions, if any, did you take?**

*DO NOT READ OUT. MULTICODE.*

|   |   |  |
|---|---|--|
| Reported it to a more senior member of staff/our Compliance Manager | 1 |  |
| Reported it to HMRC or any other relevant authority                 | 2 |  |
| Informed the client that they may be committing an offence          | 3 |  |
| Completed a suspect activity report (SAR)                           | 4 |  |
| Sought advice from my professional or regulatory body               | 5 |  |
| Refused to accept the business/custom                               | 6 |  |
| Other (Specify)   | 7 |  |
| Did nothing / No action was taken                                   | 8 |  |
| DO NOT READ OUT: Don't know   | 9 |  |

ASK ALL

**A3 To what extent do you agree or disagree that you have provided clients with tax planning advice that may be perceived by HMRC to go against the spirit or intentions of the tax law?**

*READ OUT. SINGLE CODE.*

|                             |   |  |
|-----------------------------|---|--|
| Agree Strongly              | 1 |  |
| Agree Slightly              | 2 |  |
| Neither agree nor disagree  | 3 |  |
| Disagree slightly           | 4 |  |
| Disagree strongly           | 5 |  |
| DO NOT READ OUT: Don't know | 6 |  |

ASK ALL

- A4 **To what extent do you agree or disagree that you have been asked by a client to provide tax planning advice that may be perceived by HMRC to go against the spirit or intentions of the tax law?**

*READ OUT. SINGLE CODE.*

|                             |   |  |
|-----------------------------|---|--|
| Agree Strongly              | 1 |  |
| Agree Slightly              | 2 |  |
| Neither agree nor disagree  | 3 |  |
| Disagree slightly           | 4 |  |
| Disagree strongly           | 5 |  |
| DO NOT READ OUT: Don't know | 6 |  |

IF HAVE BEEN ASKED TO PROVIDE ADVICE BY CLIENT CONTRARY TO SPIRIT OF TAX LAW (A4=1-2)

- A5 **What did you do the last time you encountered this issue?**

*DO NOT READ OUT. MULTICODE.*

|   |   |  |
|---|---|--|
| Reported it to a more senior member of staff/our Compliance Manager | 1 |  |
| Reported it to HMRC or any other relevant authority                 | 2 |  |
| Informed the client that they may be committing an offence          | 3 |  |
| Completed a suspect activity report (SAR)                           | 4 |  |
| Sought advice from my professional or regulatory body               | 5 |  |
| Refused to accept the business/custom                               | 6 |  |
| Other (Specify)   | 7 |  |
| Did nothing / No action was taken                                   | 8 |  |
| Don't know  | 9 |  |

IF HAVE BEEN ASKED TO PROVIDE ADVICE BY CLIENT CONTRARY TO SPIRIT OF TAX LAW (A4=1-2)

A6 **This activity could be considered as enabling tax avoidance. Are you aware that legislation was passed in 2017 which introduced a penalty for any person who enables the use of abusive tax arrangements which are later defeated?**

|            |   |  |
|------------|---|--|
| Yes        | 1 |  |
| No         | 2 |  |
| Don't know | 3 |  |

## B Awareness of facilitating tax evasion

ASK ALL

B1 **Are you aware of what facilitating tax evasion means?**

|            |   |
|------------|---|
| Yes        | 1 |
| No         | 2 |
| Don't know | 3 |

ASK ALL

B2 **Which of the following statements would you regard as facilitating or enabling tax evasion?**

*READ OUT. SINGLE CODE PER ROW.*

|  | Yes | No | Don't know |
|--|-----|----|------------|
| <b>_1 Knowingly aiding another person's/company's tax evasion whilst acting as a private individual</b>        | 1   | 2  | 3          |
| <b>_2 Knowingly aiding another person's/company's tax evasion whilst acting on behalf of my organisation</b>   | 1   | 2  | 3          |
| <b>_3 Suspecting tax evasion is occurring but not reporting it to HMRC</b>                                     | 1   | 2  | 3          |
| <b>_4 Unknowingly aiding another person's/company's tax evasion whilst acting on behalf of my organisation</b> | 1   | 2  | 3          |

ASK ALL

**B3 To the best of your knowledge, has your organisation conducted a documented business-wide risk assessment to identify where tax evasion and facilitation are more likely to occur?**

|            |   |  |
|------------|---|--|
| Yes        | 1 |  |
| No         | 2 |  |
| Don't know | 3 |  |

ASK ALL

**B4 What aspects of your day-to-day work do you think present most risk in facilitating or enabling tax evasion?**

|            |   |  |
|------------|---|--|
| WRITE IN   |   |  |
| Don't know | 1 |  |
| None       | 2 |  |

ASK ALL

**B5 I'm now going to read out a list of statements and would like you to tell me the extent to which you agree or disagree with them?**

*READ OUT. SINGLE CODE PER ROW.*

|   | Strongly disagree | Tend to disagree | Neither agree nor disagree | Tend to agree | Strongly agree | DO NOT READ OUT: Don't Know | DO NOT READ OUT: N/A |
|---|-------------------|------------------|----------------------------|---------------|----------------|-----------------------------|----------------------|
| <b>_1 Your organisation's current tax evasion prevention procedures are proportionate to the risks it faces</b> | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |
| <b>_2 Top-level management are delivering a clear message that facilitation of tax evasion is unacceptable</b>  | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |
| <b>_3 You conduct appropriate due diligence on the clients and organisations that you work with</b>             | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |
| <b>_4 Staff are aware of the organisation's procedures to prevent facilitating tax evasion</b>                  | 1                 | 2                | 3                          | 4             | 5              | 6                           | 7                    |



## C Awareness of HMRC sanctions and other tools

ASK ALL

- C1 I'm now going to read through a list of sanctions and other steps that HMRC, or other bodies involved in civil and criminal enforcement, could take if an organisation was found to be involved in facilitating or enabling tax evasion. For each of these, I would like you to tell me whether you were aware that these could be taken before today?

READ OUT. SINGLE CODE PER ROW.

|   | Yes | No | DO NOT READ OUT: Don't know |
|---|-----|----|-----------------------------|
| _1 Fines / financial penalties  | 1   | 2  | 3                           |
| _2 Reclaiming tax owed / reclaiming tax owed with interest  | 1   | 2  | 3                           |
| _3 Seizing/confiscation of goods or money   | 1   | 2  | 3                           |
| _4 Removal of authorisations or registration(s) by HMRC   | 1   | 2  | 3                           |
| _5 Imprisonment of individuals in the organisation complicit in tax evasion                                     | 1   | 2  | 3                           |
| _6 The company could be subject to the Corporate Criminal Offence   | 1   | 2  | 3                           |
| _7 Reporting organisations involved to their professional bodies  | 1   | 2  | 3                           |
| _8 Disclosing to the media/press which organisations have been involved in facilitating or enabling tax evasion | 1   | 2  | 3                           |

ASK ALL FOR EACH ITERATION OF C1

- C2 And on a scale of 0 to 5 where, 0 is not at all effective, and 5 is extremely effective, how effective a deterrent do you think the following sanctions would be to organisations currently facilitating or enabling tax evasion?

|  | WRITE IN | Don't know |
|--|----------|------------|
| _1 Fines / financial penalties                             | –        | 1          |
| _2 Reclaiming tax owed / reclaiming tax owed with interest | –        | 1          |
| _3 Seizing/confiscation of goods or money                  | –        | 1          |

|  | WRITE IN | Don't know |
|--|----------|------------|
| <b>_4 Removal of authorisations or registration(s) by HMRC</b>   | –        | 1          |
| <b>_5 Imprisonment of individuals in the organisation complicit in tax evasion</b>                                     | –        | 1          |
| <b>_6 The company could be subject to the Corporate Criminal Offence</b>   | –        | 1          |
| <b>_7 Reporting organisations involved to their professional bodies</b>  | –        | 1          |
| <b>_8 Disclosing to the media/press which organisations have been involved in facilitating or enabling tax evasion</b> | –        | 1          |

## D Attitudes

ASK ALL

D1 To what extent do you agree or disagree with the following statements...? Do you...

READ OUT. SINGLE CODE EACH ROW.

|  | Strongly disagree | Tend to disagree | Neither agree nor disagree | Tend to agree | Strongly agree | DO NOT READ OUT: Don't Know |
|--|-------------------|------------------|----------------------------|---------------|----------------|-----------------------------|
| <b>_1 HMRC is able to identify businesses facilitating or enabling tax evasion</b>   | 1                 | 2                | 3                          | 4             | 5              | 6                           |
| <b>_2 HMRC is likely to enforce its sanctions against those businesses that engage in facilitating or enabling tax evasion</b> | 1                 | 2                | 3                          | 4             | 5              | 6                           |

## E Demographics

ASK ALL

**E1 I just have a few more questions I'd like to ask in order to classify your answers. Firstly, can I ask, how many employees does your business currently employ across all sites, excluding owners and partners?**

- PLEASE DO NOT INCLUDE TEMPORARIES/CASUALS OR AGENCY STAFF
- INCLUDE FULL AND PART TIME
- EXCLUDE SELF-EMPLOYED
- EXCLUDE OWNERS/PARTNERS, BUT OTHER DIRECTORS COUNT AS EMPLOYEES
- INCLUDE EMPLOYEES BASED INSIDE AND OUTSIDE THE UK

*READ OUT IF NECESSARY. SINGLE CODE.*

|                    |    |
|--------------------|----|
| None (sole trader) | 1  |
| 1 to 5             | 2  |
| 6 to 9             | 3  |
| 10 to 19           | 4  |
| 20 to 29           | 5  |
| 30 to 49           | 6  |
| 50 to 99           | 7  |
| 100 to 249         | 8  |
| 250 or more        | 9  |
| Don't Know         | 10 |
| Refused            | 11 |

ASK ALL

**E2 And what, approximately, was the turnover of your business in your last financial year?**

*READ OUT IF NECESSARY. SINGLE CODE.*

|                                   |    |
|-----------------------------------|----|
| <b>Up to £50,000</b>              | 1  |
| <b>£50,001 to £85,000</b>         | 2  |
| <b>£85,001 to £100,000</b>        | 3  |
| <b>£100,001 to £250,000</b>       | 4  |
| <b>£250,001 to £500,000</b>       | 5  |
| <b>£500,001 to £1,000,000</b>     | 6  |
| <b>£1,000,001 to £2,000,000</b>   | 7  |
| <b>£2,000,001 to £5,000,000</b>   | 8  |
| <b>£5,000,001 to £10,000,000</b>  | 9  |
| <b>£10,000,001 to £25,000,000</b> | 10 |
| <b>Over £25,000,000</b>           | 11 |
| Don't Know                        | 12 |
| Refused                           | 13 |

ASK ALL

**E3 What professional qualifications do you hold?**

*DO NOT READ OUT MULTICODE. PROMPT FOR ALL PROFESSIONAL QUALIFICATIONS HELD*

*IF SAYS 'CHARTERED ACCOUNTANT' PLEASE PROBE FOR THE EXACT QUALIFICATION. 'ACA' IS THE CHARTERED ACCOUNTANCY QUALIFICATION IN ENGLAND AND WALES. A 'CA' IS THE SCOTTISH EQUIVALENT*

|   |    |  |
|---|----|--|
| ACA (ICAEW)   | 1  |  |
| Chartered Accountant / CA (ICAS)                              | 2  |  |
| ACCA  | 3  |  |
| CGMA (Chartered Global Management Accountant)                 | 4  |  |
| Chartered Wealth Manager                                      | 5  |  |
| International Certificate in Wealth and Investment Management | 6  |  |
| International Certificate in Advance Wealth Management        | 7  |  |
| Certificate in Private Client Investment Advice & Management  | 8  |  |
| Diploma for Financial Advisers (DipFA)                        | 9  |  |
| Diploma in Regulated Financial Planning                       | 10 |  |
| Diploma in Financial Planning                                 | 11 |  |
| Advanced Diploma in Financial Planning                        | 12 |  |
| Certified Financial Planner                                   | 13 |  |
| Certificate in Pension Transfers and Planning Advice          | 14 |  |
| Investment Advice Diploma                                     | 15 |  |
| Certificate in Paraplanning                                   | 16 |  |
| Other (please specify)  | 17 |  |
| No professional qualifications                                | 18 |  |
| Don't know  | 19 |  |

ASK ALL

**E4 In terms of where your wealthy clients reside, are they...**

*READ OUT. SINGLE CODE.*

|  |   |  |
|--|---|--|
| All based in the UK                      | 1 |  |
| Mostly based in the UK                   | 2 |  |
| An equal mix of within the UK and abroad | 3 |  |
| Mostly based outside the UK              | 4 |  |
| All based outside the UK                 | 5 |  |
| DO NOT READ OUT: Don't know              | 6 |  |

ASK ALL

**E5 And in terms of where your wealthy clients base their assets, are they...**

*READ OUT. SINGLE CODE.*

|  |   |  |
|--|---|--|
| All based in the UK                      | 1 |  |
| Mostly based in the UK                   | 2 |  |
| An equal mix of within the UK and abroad | 3 |  |
| Mostly based outside the UK              | 4 |  |
| All based outside the UK                 | 5 |  |
| DO NOT READ OUT: Don't know              | 6 |  |

ASK ALL

**E6 How do new clients usually find out about your services?**

*DO NOT READ OUT. MULTICODE.*

|                              |   |  |
|------------------------------|---|--|
| Recommended by other clients | 1 |  |
| Family / friends             | 2 |  |
| Advertising                  | 3 |  |
| Mailshots                    | 4 |  |
| Events                       | 5 |  |
| Other (Please specify)       | 6 |  |
| Don't know                   | 7 |  |

## F Closing questions

ASK ALL

**F1 We are now at the end of the survey. Thank you very much for taking the time to speak to us today. Would you be willing for us to call you back for:**

*READ OUT. MULTICODE.*

|  |   |
|--|---|
| This particular study – if we need to clarify any of the information | 1 |
| Other research studies which may be relevant to you                  | 2 |
| Neither of these   | 3 |

IF CONSENT TO RECONTACT (F1=1-2)

**F2 And could I just check, is [NUMBER] the best number to call you on?**

|                      |   |
|----------------------|---|
| Yes                  | 1 |
| No - write in number | 2 |

IF CONSENT TO RECONTACT (F1=1-2)

**F3 As part of this study, we are also looking to conduct follow-up interviews to get a deeper understanding of the experiences we've discussed today. These interviews will be face-to-face, lasting up to an hour, and will take place in January and February 2019. Would it be okay for somebody to get in touch around that time to check if you're available to interview?**

*READ OUT. SINGLE CODE*

|     |   |
|-----|---|
| Yes | 1 |
| No  | 2 |

|  |                      |
|--|----------------------|
| Name:<br>RECORD DETAILS OF<br>RESPONDENT WHO<br>COMPLETED<br>INTERVIEW | ALLOW REFUSED OPTION |
| Job title:   | ALLOW REFUSED OPTION |
| Email address:   | ALLOW REFUSED OPTION |

SAY TO ALL

**Just to confirm, we'll be keeping your anonymised responses to the interview for analysis purposes and if you'd like a copy of your data, to change your data or for your data to be deleted then please get in contact with [REDACTED].**

**You also have a right to lodge a complaint with the Information Commissioners Office (ICO) and you can do so by calling their helpline on 0303 123 1113.**

|     |   |  |
|-----|---|--|
| Yes | 1 |  |
|-----|---|--|

THANK RESPONDENT AND CLOSE INTERVIEW

Finally I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.

## 13 Appendix E: Freight forwarders and UK importers topic guide

### A Introduction (2-3 mins)

#### INTERVIEWER USE ONLY – RESEARCH OBJECTIVES

- Measure businesses' understanding of what activities count as facilitating or enabling; and their awareness of what their specific responsibilities are to prevent this (including those set out in HMRC's Standards for Agents);
- Measure awareness of the sanctions and other tools that can be brought to bear on facilitators and enablers; and perceptions of how likely HMRC are to detect evasion and apply these powers;
- Measure business engagement in (suspected, or known) facilitating or enabling activities;
- Explore motivations for engaging in facilitating or enabling activities; and what might deter businesses from engaging in this in future.

#### A1 Introduction by the researcher:

- Name, work for IFF Research, a completely independent research company. We've been commissioned by HM Revenue & Customs (HMRC) to better understand how aware businesses are of activities associated with facilitating VAT and Duty evasion, what they are currently doing to prevent facilitating VAT and Duty evasion, and what they perceive to be the repercussions to businesses who are found to be involved in facilitating VAT and Duty evasion. The findings will help HMRC enhance advice, improve business engagement and understand how to target and build future activity ensuring the right tax and duties are paid. The interview should last around 60 minutes in total.
- **Reassurances:** IFF Research is an independent market research company, operating under the strict guidelines of the Market Research Society's Code of Conduct. We will not pass any of your details on to HMRC or any other companies. It will not be possible to identify any individual or individual company in the results that we report to HMRC and the answers you give will not be traced back to you. Participation is entirely voluntary and will have no impact on any current or future dealings with HMRC in any way. We'll be keeping your anonymised responses to the interview for analysis purposes for up to 6 months after the interview. If you'd like a copy of your data, to change your data, for your data to be deleted or to lodge a complaint, then please follow the process outlined on our webpage: [www.iffresearch.com/gdpr/](http://www.iffresearch.com/gdpr/)
- Check permission to record – just so I don't have to rely solely on taking notes. ADD IF NECESSARY: The recording will be stored on an encrypted area of our server at IFF and only the IFF researchers and IFF's in-house quality assurers will have access to it.
- At the end we will ask if you are happy to have an anonymised version of this transcript provided to HMRC – no obligation to agree, absolutely up to you.
- As a thank you for taking part, we will make a £40 donation to the charity of your choice. We will collect details of the charity at the end of the interview.



## B Background to organisation (5 mins)

ASK ALL

**B1 That's great. We'd first like to know a little bit more about the business you work for?**

*PROBE BRIEFLY IN TERMS OF...*

- Their role/function within your organisation
- Functions or services their business provides
- Ownership
- Size / scale
- Structure
- Geography

IF FREIGHT FORWARDER

**B2 Can you tell me a bit about the type of clients you work with?**

*PROBE IF NECESSARY:*

- **Typically, what sizes are these businesses?**
- **What types of industries do they work in?**
- **What types of goods are they importing?**

## C Background to importing (5-10 mins)

UK IMPORTERS ONLY

C1 **And can you tell me a bit more about the importing that your organisation does?**

- **What types of goods do you usually import?**
- **How frequently are you importing goods into the UK?**
- **Are the imported goods destined to stay in the UK or move onto another country?**
  - **IF BOTH: What is the balance between imports staying the UK and moving onto another country?**
  - **IF EVER MOVING TO ANOTHER COUNTRY: Which countries are these?**

UK IMPORTERS ONLY

C2 **Who tends to do this?**

- **Do you (or does another colleague) do this yourself?**
- **Does your organisation ever use a third party, such as freight forwarders, to do this on your behalf?**
- **IF YES: Why do you use a third party? IF ONLY USES A THIRD PARTY: Why do you never do this yourselves? IF DOES SOME THEMSELVES AND SOME THROUGH FREIGHT FORWARDERS: What is the balance between your organisation doing this and a third party doing this on your behalf?**
- **IF DOES SOME THEMSELVES AND SOME THROUGH FREIGHT FORWARDERS: How do you decide whether to use freight forwarders or not?**
  - **Are you more likely to use freight forwarders for certain imports? What types?**
  - **IF MORE LIKELY TO USE FREIGHT FORWARDERS FOR CERTAIN IMPORTS: Why are they used for these types of goods?**

ASK ALL

C3 **Which countries do your imported goods come from [IF IMPORTER: where you act as a consignee for the goods] [IF FF: where you act as declarant on import forms]? ADD IF NECESSARY: To be clear, at this stage we are interested in the country of origin of the goods rather than the countries they may pass through.**

UK IMPORTERS ONLY

C4 **And to the best of your knowledge, after leaving the country of origin, do these goods ever land in other countries before arriving in the UK?**

- **IF YES: Which countries are these?**
- **IF YES: Roughly what proportion of imports arrive in the UK after landing in another country**

- IF YES: **Are there certain types of goods that this is more likely to happen to?**
- IF YES: **Do you ever ask questions about why goods are cleared into another member state before coming into the UK?**

UK IMPORTERS ONLY

C5 **After leaving the country of origin, do goods ever arrive in the UK via another country, without being landed? ADD IF NECESSARY: i.e. the goods have stayed on the boat or are just offloaded onto the quay**

- IF YES: **Which countries are these?**
- IF YES: **Roughly what proportion of your imports does this apply to?**
- IF YES: **Are there certain types of goods that this is more likely to happen to?**

UK IMPORTERS ONLY

C6 **What factors usually influence which routes your imported goods take before reaching you?**

- **Which of these is the main factor?**

*PROBE IF NECESSARY:*

- Cost?
- Simplicity? (e.g. taking a more direct route?)
- Security?

FREIGHT FORWARDERS WHO KEPT GOODS FOR MORE THAN 4 WEEKS (FROM SAMPLE INFO)

C7 **You mentioned during the survey that you sometimes have goods remain on your property for more than 4 weeks? Why is that?**

- Are there any particular types of goods you hold onto longer?

## D Importing experiences (20 mins)

ASK ALL

- D1 **In this set of questions we want to explore how you approach due diligence. I want to remind you that everything you tell me today is in complete confidence and will only be reported in aggregate form. Neither you nor your organisation will be able to be identified as taking part in the research.**

**I am going to show you some show cards of some experiences you might have had when [IF IMPORTER: acting as a consignee for the goods] [IF FF: when acting as declarant on import forms]. For each of these I would like you to tell me which you have experienced in the last 5 years and what you did in response.**

*REVEAL SHOWCARDS TO RESPONDENTS.*

- Had suspicions or concerns about the incorrect valuation of goods
- Noticed that goods have been incorrectly described
- Noticed that goods have been incorrectly classified
- Had concerns that the country of origin is incorrect
- Had suspicions that an incorrect relief was used (e.g. gift relief, onward supply relief, samples, etc.)
- Had suspicions about any activity – this is broader than just your employer and may relate to another business or individual?

*FOR EACH ELEMENT EXPERIENCED ASK D2-D7:*

ASK ALL

- D2 **How frequently does this tend occur?**
- D3 **IF FREIGHT FORWARDER: Does this occur amongst some clients or goods more than others?**

- IF YES: Which types of clients/goods?

ASK ALL

- D4 **The last time this happened, what did you do, if anything, in response to this?**  
*PROMPT WITH RESPONSE SHOWCARDS*

- Reported it to a more senior member of staff
- Reported it to HMRC

- Informed the organisation we were importing the goods from
- IF UK IMPORTERS: Informed the organisation that were importing the goods on our behalf
- IF FREIGHT FORWARDER: Informed the client you acted for as declarant on the import forms
- Refused to accept the business
- Did nothing / no action taken?
- Any other course of action?

D5 **How concerned were you when you came across this activity?**

D6 **How confident were you about what you needed to do when you came across this activity?**

- **Why did you take the course of action that you did?**
- **How did you know this was the appropriate course of action?**
- **IF DIDN'T REPORT TO HMRC: Why didn't you report this to HMRC?**

D7 **What happened as a result of the course of action that you took?**

ASK ALL THAT REPORTED ANY INCIDENT TO HMRC

D8 **You mentioned reporting [ADD RELEVANT ACTIVITIES] to HMRC? How easy did you find it to report this activity/these activities to HMRC? Why do you say that?**

ASK ALL

D9 **Thinking more generally, how easy do you think it is to tell a genuine error from something more suspicious in some of the examples we've just discussed?**

ASK ALL

D10 **Would you be concerned about not knowing what goods are in loads?**

- **Why do you say that? What do you think the implications could be?**
- **How frequently does this happen?**
- **Are there any circumstances in which you would be more/less concerned?**

FREIGHT FORWARDERS ONLY:

D11 **And would you be concerned about not knowing who the owner of the goods is, where you act as declarant on import forms?**

- **Why do you say that? What do you think the implications could be?**

- How frequently does this happen?
- Are there any circumstances in which you would be more/less concerned?

**READ OUT TO ALL: Now we would like to ask for your views on VAT & Duty Evasion.**

IF FREIGHT FORWARDER

**D12 In the last 5 years, have you or other members of your organisation had any suspicions or concerns that the clients you act for as declarant on import forms have been involved in VAT or Duty evasion?**

IF YES:

- What were those suspicions?
- What did you do, if anything, in response to this? (SHOW RELEVANT RESPONSE D4 SHOWCARDS AGAIN)
- How confident were you about what you needed to do when you came across this activity?
  - Why did you take the course of action that you did?
  - How did you know this was the appropriate course of action?
- What happened as a result of the course of action that you took?
  - Did this response encourage you to take the same action again – why?

IF IMPORTER

**D13 In the last 5 years, have you or other members of your organisation had any suspicions or concerns that the imports of goods, where you act as consignee for the goods, have been involved in VAT or Duty evasion?**

IF YES:

- What were those suspicions?
- How frequently have you come across this?
- The last time this happened, what did you do, if anything, in response to this? (SHOW RELEVANT RESPONSE D4 SHOWCARDS AGAIN)
- How confident were you about what you needed to do when you came across this activity?
  - Why did you take the course of action that you did?
  - How did you know this was the appropriate course of action?

- **What happened as a result of the course of action that you took?**
  - **Did this response encourage you to take the same action again - why?**

## E Prevention procedures (10 mins)

ASK ALL

E1 **What do you understand facilitating VAT and duty evasion to mean?**

E2 **For each of the following, I would like you to tell me whether you consider it to be an example of facilitating VAT and duty evasion? Why do you say this?**

SHOW FACILITATING SHOWCARDS

- Knowingly aiding another person's/company's VAT and duty evasion whilst acting as a private individual
- Knowingly aiding another person's/company's VAT and duty evasion whilst acting on behalf of my organisation
- Suspecting VAT and duty evasion is occurring but not reporting it to HMRC
- Unknowingly aiding another person's/company's VAT and duty evasion whilst acting on behalf of my organisation

FOR ANY NOT CONSIDERED TO BE AN EXAMPLE OF VAT AND DUTY EVASION

E3 **Why do think this would not be considered an example of facilitating VAT and duty evasion?**

- **Do you think there would be any repercussions to an individual or organisation doing this?**

ASK ALL

E4 **Do you feel that senior managers at your organisation are delivering a clear message that facilitation of VAT and Duty evasion by any person is wrong? Why do you say this?**

- **How has your organisation delivered this message?**

ASK ALL

E5 **What prevention procedures does your organisation have in place to prevent the facilitation of VAT and Duty evasion?**

*ALLOW SPONTANEOUS RESPONSE AND THEN PROBE...*

- Documented risk-assessments
  - IF NOT: **Why do you not have one of these?**
- Policies and procedures to be followed
  - IF YES: **What due diligence do you do to check these are being followed?**
- Staff training



- Is this internal or external?
- Who does the training?
- Whistleblowing policy
- Agreed process for self-reporting wrongdoing by the organisation to relevant authorities
- Anything else?

IF HAS ANY PREVENTION PROCEDURES

E6 **Have you recently changed your prevention procedures?**

- IF YES: What changes were these?
- IF YES: When did these changes take place?
- IF YES: What triggered these changes?

IF HAS ANY PREVENTION PROCEDURES

E7 **Do you think staff within your organisation are aware of the organisation's procedures to prevent facilitating VAT and Duty evasion? Why do you say this?**

ASK ALL

E8 **Are there any particular aspects of [IF FF: your industry] [IF IMPORTERS: importing] that you feel are high risk in terms of facilitating Duty or VAT evasion?**

- Types of business involved? Why do you think that is?
- Types of activity? Why do you think that is?
- Any variation by where goods originate from, or what countries they pass through? Why do you think that is?
- Anything else? Why do you think that is?

## F Actions (15 mins)

F1 I'm now going to show you a list of actions and other steps, that HMRC, or other bodies involved in civil and criminal enforcement, could take if an organisation was found to be involved in facilitating or enabling tax evasion.

For each of these I want you to place them in the appropriate position on the graph provided – the bottom axis should show how effective you perceive the action to be – i.e. the more effective you think the action is the further to the right the card should go. The left axis should show how likely it is that the action would be enforced – i.e. the more likely you think it is that HMRC or other bodies will enforce this action, the higher up the graph the card should go

### SHOW ACTION SHOWCARDS

*IF ANY NOT APPLICABLE TO FREIGHT FORWARDERS, FOR FILLING IN THE GRAPH, ASK THEM TO THINK IN RELATION TO THEIR CLIENTS (IF VARIES BY CLIENT, ASK THEM TO THINK ABOUT THE AVERAGE CLIENT). FOR FOLLOW UP QUESTIONS, CHECK HOW EFFECTIVENESS/LIKELIHOOD FOR EACH SANCTION MIGHT VARY BY TYPE OF CLIENT.*

- Fines / financial penalties
- Reclaiming tax owed / reclaiming tax owed with interest
- Seizing / confiscation of goods or money
- Removal of authorisation or registrations by HMRC
- Imprisonment of individuals in the organisation complicit in the Duty or VAT evasion
- The company could be subject to the Corporate Criminal Offence for failure to prevent facilitation of duty and VAT evasion
- Disclosing to the media/press which organisations have been involved in facilitating or enabling Duty or VAT evasion
- Issuing warnings to specific companies e.g. within the export Memorandum of Understanding

~



*INTERVIEWER NOTE: WITH RESPONDENT'S PERMISSION, TAKE A PHOTO OF THE GRAPH.*

*ASK F2-F4 FOR EACH ACTION (WITH ADDITIONAL PROBES AROUND THE CCO ACTION) BEFORE MOVING ON TO THE NEXT. IF LOW ON TIME, FOCUS ON THOSE AT THE MORE EXTREME ENDS OF THE SCALE:*

F2 **Why have you positioned [ACTION] here?**

F3 **What makes you think this action is more/less effective?**

F4 **What makes you think this action is more/less likely to be enforced?**

- **In what situations do you think this type of action is likely to be enforced?**
- **To what extent do you think this action is likely to be enforced on an individual or organisation who 'turns a blind eye' to this activity / these activities?**

F5 **CORPORATE CRIMINAL OFFENCE ACTION ONLY: What do you think the main deterrent of the Corporate Criminal Offence is?**

*PROMPT POSSIBLE CONSEQUENCES IF NECESSARY:*

- Criminal conviction against the organisation
- Regulatory consequences as a result of criminal conviction
- Criminal conviction in public domain and associated media coverage
- Associated penalties and fines

- Exclusion from bidding for public contracts
- Director disqualification (in some cases)

F6 CORPORATE CRIMINAL OFFENCE ACTION ONLY: **How relevant do you think this offence is to your industry?**

ASK ALL

F7 **What other action do you think would deter people from enabling or facilitating VAT and Duty evasion?**

- FOR EACH SANCTION: **How do you think this type of action could be enforced?**

ASK ALL

F8 **To what extent do you think HMRC is able to identify businesses facilitating or enabling Duty and VAT evasion? Why do you say this?**

## G Closing questions (2-3 mins)

G1 **Thanks for your time today. Before we finish, do you have any other comments that you would like to add on what we've discussed today?**

G2 **Would you be willing for us to call you back regarding...?**

|  |   |  |
|--|---|--|
| This particular study – if we need to clarify any of the information | 1 |  |
| Other research studies which may be relevant to you                  | 2 |  |
| Neither of these   | 3 |  |

G3 **And can I just check which charity you would like the £40 donation paid to?**

|                                   |  |
|-----------------------------------|--|
| <b>Charity name</b>               |  |
| <b>Address (if applicable)</b>    |  |
| <b>Description (if necessary)</b> |  |

G4 **Finally, would you be happy for us to pass a transcript of this interview to HMRC, on an anonymised basis, so with any identifiers removed?**

|            |  |
|------------|--|
| <b>Yes</b> |  |
| <b>No</b>  |  |

**THANK RESPONDENT AND CLOSE INTERVIEW**

|   |                  |      |
|---|------------------|------|
| I declare that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. |                  |      |
| Interviewer signature:  | Date:            |      |
| Finish time:  | Interview Length | Mins |

## 14 Appendix F: Wealth managers qualitative topic guide

### A Introduction (2-3 mins)

#### INTERVIEWER USE ONLY – RESEARCH OBJECTIVES

- Measure businesses' understanding of what activities count as facilitating or enabling; and their awareness of what their specific responsibilities are to prevent this (including those set out in HMRC's Standards for Agents);
- Measure awareness of the sanctions and other tools that can be brought to bear on facilitators and enablers; and perceptions of how likely HMRC are to detect evasion and apply these powers;
- Measure business engagement in (suspected, or known) facilitating or enabling activities;
- Explore motivations for engaging in facilitating or enabling activities; and what might deter businesses from engaging in this in future.

#### G5 Introduction by the researcher:

- Name, work for IFF Research, a completely independent research company. We've been commissioned by HM Revenue & Customs (HMRC) to better understand how aware businesses are of activities associated with facilitating tax evasion, what they are currently doing to prevent facilitating tax evasion, and what they perceive to be the repercussions to organisations who are found to be involved in facilitating tax avoidance and evasion. The findings will help HMRC to enhance advice, improve business engagement and understand how to target and build future activity. ensuring the right tax and duties are paid. The interview should last around 60 minutes in total.
- **Reassurances:** IFF Research is an independent market research company, operating under the strict guidelines of the Market Research Society's Code of Conduct. We will not pass any of your details on to HMRC or any other companies. It will not be possible to identify any individual or individual company in the results that we report to HMRC and the answers you give will not be traced back to you. Participation is entirely voluntary and will have no impact on any current or future dealings with HMRC in any way. We'll be keeping your anonymised responses to the interview for analysis purposes for up to 6 months after the interview. If you'd like a copy of your data, to change your data, for your data to be deleted or to lodge a complaint, then please follow the process outlined on our webpage: [www.iffresearch.com/gdpr/](http://www.iffresearch.com/gdpr/)
- Check permission to record – just so I don't have to rely solely on taking notes. ADD IF NECESSARY: The recording will be stored on an encrypted area of our server at IFF and only the IFF researchers and IFF's in-house quality assurers will have access to it.
- At the end we will ask if you are happy to have an anonymised version of this transcript provided to HMRC – no obligation to agree, absolutely up to you.
- As a thank you for taking part, we will make a £40 donation to the charity of your choice. We will collect details of the charity at the end of the interview.

**B1 That's great. We'd first like to know a little bit more about the organisation you work for?**

*PROBE BRIEFLY IN TERMS OF...*

- Their role/function within your organisation
- Ownership
- Size / scale
- Structure
  - Is their entity or business structure that of a company, or is it a group of individuals?
- Geography (including in other countries/jurisdictions)

## **C Background to services provided (20-25 mins)**

**NOTE TO THE INTERVIEWER - IF THE RESPONDENT BEHAVES DEFENSIVELY REMIND THEM ALL RESPONSES ARE ANONYMISED.**

ASK ALL

**C1 And can you tell me about the services your organisation provides?**

- **Does it provide any other services to clients beyond financial planning and tax advice?**
- **IF OTHER SERVICES PROVIDED: What proportion of the work you do would you say involves financial planning and tax advice?**
- **IF OTHER SERVICES PROVIDED: And what proportion of your work is providing other services?**

*INTERVIEWER SHOULD PROBE FOR THIS FOR EACH TYPE OF SERVICE MENTIONED*

ASK ALL

**C2 What types of financial planning or tax advice do your clients typically ask you to provide?**

- **Pensions?**
- **Trusts?**
  - **IF YES: are these in the UK or held overseas?**
- **Funds?**
  - **IF YES: are these in the UK or held overseas?**
- **Inheritance Tax?**
- **Inheritance Tax planning**

- **Tax reliefs?**
  - IF YES: **Which tax reliefs do you recommend to clients?**
- **Investments?**
- **Property?**
- **Savings?**
- **Other bespoke structures?**
  - IF YES: **are these in the UK or held overseas?**
- **Anything else?**

**READ OUT TO ALL:** In this section we would like to explore you and your organisations view of tax avoidance – which in simple terms is to exploit tax rules to gain a tax advantage that Parliament didn't intend – in other words, operating within the letter, but not the spirit of the law.

*NOTE TO INTERVIEWER – WHERE POSSIBLE, TRY TO EXPLORE BOTH THE VIEWS/EXPERIENCES OF THE ORGANISATION AS WELL AS THE INDIVIDUAL.*

ASK ALL

**C3 In the last 5 years, have your clients, or prospective clients, ever asked you, or your organisation, to provide advice that may be perceived by HMRC to go against the spirit or intentions of tax law?**

- IF YES: **What types of advice were they specifically asking you to provide? Any particular schemes?**
- IF YES: **How frequently does this tend to occur?**
- IF YES: **What types of clients tend to be asking for this advice?**

IF ASKED TO PROVIDE ADVICE AGAINST SPIRIT OF THE LAW

**C4 The last time this happened, how did you, or your organisation, respond?**

*PROMPT WITH RESPONSE SHOWCARDS*

- Provided relevant advice
- Reported it to a more senior member of staff / Compliance Manager?
- Reported it to HMRC or any other relevant authority?
- Informed the client that they may be acting outside the spirit of the law?
- Completed a suspect activity report (SAR)?
- Sought advice from my professional or regulatory body/



- Refused to accept the business/custom?
- No action taken? If not, why was this?
- Anything else?

C5 **Have you, or your organisation, acted differently in the past?**

- IF YES: **why has there been a change in behaviour?**

C6 **How confident were you about what you needed to do when you were asked to provide this advice?**

C7 **Why did you take the course of action that you did?**

- **How did you know this was the appropriate course of action?**

IF TOOK SOME FORM OF ACTION (I.E. NOT 'NO ACTION TAKEN')

C8 **What happened as a result of the course of action that you took?**

ASK ALL

C9 **Have you ever had conflicting views or second thoughts about a service you have provided to your HNW and wealthy clients over the last 5 years or so? Again, this is in complete anonymity and in confidence.**

- **What types of service / advice was this in relation to? Did this involve specific countries/jurisdictions?**
- **Ultimately, what influenced your decision to provide this service / advice?**
- **Did you seek any advice from elsewhere before providing this service / advice? (e.g. from other colleagues, a professional body, etc.)**
- **Did you change anything going forward?**

ASK ALL

**I'm now going to show you some examples of known avoidance activities. I'll give you a couple of minutes to read through these before I ask some questions.**

- Disguised Remuneration schemes (also known as Contractor Loans schemes) which claim to avoid the need to pay Income Tax (IT) and National Insurance Contributions (NICs). They normally involve a loan or other payment from a third party which is unlikely to ever be repaid
- Schemes that use Business Premises Renovation Allowance (BPRA) or Enterprise Zone Allowances (EZA) to artificially create a loss that is relieved by sideways loss relief

- Exploitation of statutory tax reliefs for expenditure incurred on the production or acquisition of qualifying British Films – these types of schemes are known as Film Schemes
- Exploitation of tax reliefs (such as Research and Development Relief and Interest Relief) in a way that Parliament never intended
- Profits previously allocated to individual partners are allocated to a corporate partner. The corporate partner holds onto amounts it receives and over a period of time (e.g. 3 years) distributes an amount back to the partners via a 'special capital' contributions so tax is paid by the company rather than the individual.
- Arrangements which purport to avoid the Stamp Duty Land Tax
- The use of Employee Benefit Trusts (a trust funded by an employer to provide benefits for their employees) in a way not intended by Parliament, by designing them to minimise or avoid:
  - Income Tax (and PAYE) liability on amounts received by employees and directors
  - Employers' Class 1 or 1A NICS on amounts paid to employees and directors
  - Corporation Tax
  - Capital Gains Tax
  - Inheritance Tax

*ALLOW RESPONDENT A COUPLE OF MINUTES TO READ THROUGH THE SCHEMES. AFTER THIS, ADDRESS EACH SCHEME IN TURN WITH RELEVANT QUESTIONS FROM C10-C15 (THEY MAY NOT BE AWARE OF ALL OF THESE SCHEMES IF THEY SO 'NO' TO SOME OF THE SCHEMES DO NOT ASK C13)*

*IF RESPONDENT IS MORE COMFORTABLE TALKING ABOUT THE COMPANY AS A WHOLE AT THESE QUESTIONS, IT IS FINE FOR THEM TO DO SO*

ASK ALL

**C10 Is this something you were aware of already before today?**

**C11 What are your thoughts on this particular scheme?**

- **Do you think your views match those of your organisation more generally? Why do you say that?**

ASK ALL AWARE

**C12 Have you provided advice on this to clients before?**

- **What influenced your decision to provide this advice or service?**

IF NOT PROVIDED ADVICE ON PARTICULAR SCHEME BEFORE BUT AWARE

**C13 Have you been asked by clients to provide advice on this before?**

● **IF YES: The last time this happened, what did you do, if anything, in response?**

*PROMPT WITH RESPONSE C4 SHOWCARDS*

- Reported it to a more senior member of staff / Compliance Manager?
- Reported it to HMRC or any other relevant authority?
- Informed the client that they may be acting outside the spirit of the law?
- Completed a suspect activity report (SAR)?
- Sought advice from my professional or regulatory body/
- Refused to accept the business/custom?
- No action taken? Why was this?
- Anything else?

IF PROVIDED ADVICE ON A PARTICULAR SCHEME OR HAVE BEEN ASKED TO

**C14 How confident were you about what you needed to do when you were asked to provide this advice?**

- **Why did you take the course of action that you did?**
- **How did you know this was the appropriate course of action?**

IF ANY ACTION TAKEN

**C15 What happened as a result of the course of action that you took?**

**D1 For each of the following, I would like you to tell me whether you consider it to be an example of facilitating tax evasion? Why do you say this?**

*SHOW FACILITATING SHOWCARDS*

- Knowingly aiding another person's/company's tax evasion whilst acting as a private individual
- Knowingly aiding another person's/company's tax evasion whilst acting on behalf of my organisation
- Suspecting tax evasion is occurring but not reporting it to HMRC
- Unknowingly aiding another person's/company's tax evasion whilst acting on behalf of my organisation

FOR ANY NOT CONSIDERED TO BE AN EXAMPLE OF TAX EVASION

**D2 Why do think this would not be considered an example of facilitating tax evasion?**

- **Do you think there would be any repercussions to an individual or organisation doing this?**

ASK ALL

- D3 **Do you feel that senior managers at your organisation are delivering a clear message that facilitation of tax evasion is unacceptable? Why do you say this?**

- **How has your organisation delivered this message?**

ASK ALL

- D4 **Which, if any, prevention procedures does your organisation have in place to prevent the facilitation of tax evasion?**

*ALLOW SPONTANEOUS RESPONSE AND THEN PROBE...*

- Documented risk-assessments
  - IF NOT: **Why do you not have one of these?**
- Policies and procedures to be followed
  - IF YES: **What due diligence do you do to check these are being followed?**
- Staff training
  - Is this internal or external?
  - Who does the training?
- Whistleblowing policy
  - Within organisation, or by individuals?
- Agreed process for self-reporting wrongdoing by the organisation to relevant authorities
- Anything else?

IF HAS ANY PREVENTION PROCEDURES

- D5 **Have you recently changed your prevention procedures?**

- IF YES: What changes were these?
- IF YES: When did these changes take place?
- IF YES: What triggered these changes?

IF HAS ANY PREVENTION PROCEDURES

- D6 **Do you think staff within your organisation are aware of the organisation's procedures to prevent facilitating tax evasion? Why do you say this?**

ASK ALL

- D7 **KEY QUESTION: Are there any particular aspects of your industry that you feel are potentially high risk in terms of facilitating tax evasion?**

*PROBE EACH POINT IN FULL*

- **Particular types of services or advice offered?**
  - **IF MENTIONS TRUSTS: Are these typically in the UK or held overseas?**
- **Typically, are these structures in the UK or held overseas? If so where?**
- **Are these advisors typically based in the UK or overseas?**
- **Particular types of clients?**
- **Anything else?**

ASK ALL

- D8 **Just to check, in the last 5 years, have you advised your clients to invest or hold assets in other countries/jurisdictions?**
- D9 **KEY QUESTION: Why do you advise this?**

## Actions (15 mins)

- E1 **I'm now going to show you a list of actions and other steps, that are available to HMRC, or other bodies involved in civil and criminal enforcement, if an organisation was found to be involved in facilitating or enabling tax evasion. I want you to help me understand how effective these actions are in improving tax compliance.**

**For each of these I want you to place them in the appropriate position on the graph provided – the bottom axis should show how effective you perceive the action to be – i.e. the more effective you think the action is the further to the right the card should go. The left axis should show how likely it is that the action would be enforced – i.e. the more likely you think it is that HMRC or other bodies will enforce this action, the higher up the graph the card should go.**

*SHOW ACTION SHOWCARDS*

- **Fines / financial penalties**
- **Reclaiming tax owed / reclaiming tax owed with interest**
- **Seizing / confiscation of goods or money**
- **Removal of authorisation or registrations by HMRC**
- **Imprisonment of individuals in the organisation complicit in the tax evasion**

- The company could be subject to the Corporate Criminal Offence for failure to prevent facilitation of tax evasion
- Reporting organisations involved to their professional bodies
- Disclosing to the media/press which organisations have been involved in facilitating or enabling Duty or VAT evasion
- Exclusion from bidding for public contracts
- Public 'naming and shaming' on government websites

~



*INTERVIEWER*

*NOTE: WITH*

*RESPONDENT'S PERMISSION, TAKE A PHOTO OF THE GRAPH.*

*ASK E2-E4 FOR EACH ACTION (WITH ADDITIONAL PROBES AROUND THE CCO ACTION) BEFORE MOVING ON TO THE NEXT. IF LOW ON TIME, FOCUS ON THOSE AT THE MORE EXTREME ENDS OF THE SCALE:*

E2 **Why have you positioned [ACTION] here?**

E3 **What makes you think this action is more/less effective?**

- Any types of wealth managers this may be more effective with?

E4 **What makes you think this action is more/less likely to be enforced?**

- In what situations do you think this type of action is likely to be enforced?
- To what extent do you think this action is likely to be enforced on an individual or organisation who 'turns a blind eye' to this activity?

E5 **CORPORATE CRIMINAL OFFENCE ACTION ONLY: What do you think the main deterrent of the Corporate Criminal Offence is?**

*PROMPT POSSIBLE CONSEQUENCES IF NECESSARY:*

- Criminal conviction against the organisation
- Regulatory consequences as a result of criminal conviction
- Criminal conviction in public domain and associated media coverage
- Associated penalties and fines
- Exclusion from bidding for public contracts
- Director disqualification (in some cases)

E6 **CORPORATE CRIMINAL OFFENCE ACTION ONLY: How relevant do you think this offence is to your industry?**

ASK ALL

E7 **What other actions do you think could prevent the facilitation of tax evasion?**

- FOR EACH ACTION: **How do you think this type of action could be enforced?**

ASK ALL

E8 **To what extent do you think HMRC is able to identify businesses facilitating or enabling tax evasion? Why do you say this?**

## Closing questions (2-3 mins)

F1 **Thanks for your time today. Before we finish, do you have any other comments that you would like to add about what we've discussed today?**

F2 **Would you be willing for us to call you back regarding...?**

|  |   |  |
|--|---|--|
| This particular study – if we need to clarify any of the information | 1 |  |
| Other research studies which may be relevant to you                  | 2 |  |
| Neither of these   | 3 |  |

F3 **And can I just check which charity you would like the £40 donation paid to?**

|                                   |  |
|-----------------------------------|--|
| <b>Charity name</b>               |  |
| <b>Address (if applicable)</b>    |  |
| <b>Description (if necessary)</b> |  |

F4 **Finally, would you be happy for us to pass a transcript of this interview to HMRC, on an anonymised basis, so with any identifiers removed?**

|            |  |
|------------|--|
| <b>Yes</b> |  |
| <b>No</b>  |  |

**THANK RESPONDENT AND CLOSE INTERVIEW**

|   |                  |      |
|---|------------------|------|
| I declare that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. |                  |      |
| Interviewer signature:  | Date:            |      |
| Finish time:  | Interview Length | Mins |



“

**IFF Research illuminates the world for organisations businesses and individuals helping them to make better-informed decisions.”**

Our Values:

**1. Being human first:**

Whether employer or employee, client or collaborator, we are all humans first and foremost. Recognising this essential humanity is central to how we conduct our business, and how we lead our lives. We respect and accommodate each individual's way of thinking, working and communicating, mindful of the fact that each has their own story and means of telling it.

**2. Impartiality and independence:**

IFF is a research-led organisation which believes in letting the evidence do the talking. We don't undertake projects with a preconception of what "the answer" is, and we don't hide from the truths that research reveals. We are independent, in the research we conduct, of political flavour or dogma. We are open-minded, imaginative and intellectually rigorous.

**3. Making a difference:**

At IFF, we want to make a difference to the clients we work with, and we work with clients who share our ambition for positive change. We expect all IFF staff to take personal responsibility for everything they do at work, which should always be the best they can deliver.