



## Public Accounts Committee

**Jim Harra**  
**Permanent Secretary**  
**HM Revenue and Customs**  
**Room 2/75**  
**100 Parliament Street**  
**London SW1A 2BQ**  
**By email: [perm.secs@hmrc.gov.uk](mailto:perm.secs@hmrc.gov.uk)**

17 March 2023

### **Concerns about the VAT registration process**

Dear Permanent Secretary,

I am writing to you in response to issues raised with the Committee concerning prima facie large-scale VAT fraud being committed by companies, apparently of Chinese origin, who have used ordinary residents' homes in the UK as a false address in order to avoid paying VAT.

A particularly worrying case involves a Welsh resident who has received thousands of letters from HMRC and debt collection agencies as a result. It was featured in the first ten minutes of a BBC Wales television programme called X-ray <https://www.bbc.co.uk/iplayer/episode/m001jyqb/xray-series-22-episode-15>

According to an article in The Times the person concerned attempted to contact HMRC and did not get a response. The article refers to two occasions when this has been brought to your attention by the householder's solicitor, which did not result in a reply or action to stop letters coming to his home demanding payment of VAT for companies he did not recognise.

This case has raised a number of concerns for the Committee.

Firstly, we are concerned about the wellbeing of the householder. Can you reassure us that you are taking swift action to ensure that large amounts of mail will no longer be sent to his address, that the householder is not at risk from the threats of debt collection contained in some of the letters, and that you will offer them sufficient compensation for the cost, disruption and stress this has brought.

Secondly, we are concerned that this case points to systemic weaknesses in VAT registration and detection processes. We have a number of questions about the fraud and its wider implications:

- What have been your findings to date into this case?
- How many of the companies with outstanding VAT registered to this address are or have sold goods in the UK without paying VAT?
- Why have your systems failed to identify the number of companies registered to this address and the huge volume of letters being sent?
- What requirement is there to provide proof of residence at a UK address when registering for VAT?



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- In our January report on *HMRC performance in 2021-22* we recommended that lessons be learned from other tax authorities such as Germany. What lessons have you learned?
- What changes are you making as a result of this case and what assurances can you provide the Committee that all suitable controls and detection mechanisms are being put in place?

I have spoken to the individual's MP, Ben Lake, who tells me the Royal Mail is now no longer delivering these letters to his address. Please provide a full reply on each of these points which I can share with Ben Lake MP. I look forward to your response.

Yours Sincerely

Dame Meg Hillier  
Chair of the Committee of Public Accounts