

Requirement to give security to Customs and Excise

This is an extract taken from HM Revenue and Customs Notice 700/52 and is subject to crown copyright.

1.1 What is this notice about?

VAT Law allows us to require you to provide an amount of security if we consider that:

repaying a VAT claim represents a risk to the revenue; or

VAT is at risk of being unpaid by your business; or

VAT is at risk of being unpaid by other businesses or individuals in a supply chain in which you trade.

4. Security for VAT at risk of being unpaid by other businesses or Individuals in a supply chain in which you trade

4.1 VAT Law

VAT Law allows us to require an amount of security from your business if there is a risk of tax being unpaid by other businesses or individuals in a supply chain in which you trade.

4.2 When will you issue a Notice of Requirement to give security?

We may issue a Notice of Requirement to you if:

you have previously been engaged in one or more supply chains involving businesses or individuals who evaded substantial VAT payments in any one or more of the following ways:

(a) by deliberately using VAT registration numbers belonging to other businesses without their knowledge;

(b) going missing;

(c) becoming insolvent owing VAT;

(d) deliberately deciding not to pay the VAT;

(e) participating in business transactions structured so that it is not possible for the VAT owing to be paid; and,

you are unable to show that you have taken reasonable steps to establish the business credentials of your suppliers and customers.

4.4 How much security will you require from me?

We will require an amount of security based on our estimate of the VAT that will go unpaid if a business or individual in the supply chain evades payment of any

VAT due. We may also add any outstanding tax from your current VAT registered business to our calculation before issuing a Notice of Requirement.

4.6 When will I have to provide the security?

The security is required immediately.

4.7 What will happen if I don't provide the security?

It is a **criminal offence** to continue to trade without providing the security and we may prosecute you. You may be liable to a penalty of up to **£5,000 for each taxable supply** you make without providing the security. If you do not provide the security, we may prosecute you for the whole period of trading from the date the Notice of Requirement was issued.

<i>DDE Note: This means a fine of up to £5,000 for every individual sale made after the security Notice was issued.</i>

4.8 Can I be prosecuted as well as my company?

Yes. If you are involved in a business that continues to trade without providing the security you may be prosecuted individually. You may also be personally responsible for paying any fines and compensation awarded by the court.