



HM Revenue
& Customs

Sir Jim Harra KCB
Chief Executive and First
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Dame Meg Hillier
Chair of the Treasury Select Committee
House of Commons
Palace of Westminster
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17 February 2025

Dear Dame Meg,

Thank you for your letter of 30 January 2025. I am happy to assist the Committee with its request for information on HMRC sanctions enforcement-related issues arising from the oral evidence session the Committee held with the Office for Financial Sanctions Implementation (OFSI) on 26 November 2024.

Please find below HMRC's responses to the Committee's questions.

1. Please can you outline how the work for HMRC in relation to criminal enforcement of trade sanctions has changed since you last sent us correspondence about this matter in July 2022?

Subsequent to the additional sanctions imposed on countries including Russia, Belarus and Iran since July 2022, HMRC has continued to prioritise sanctions enforcement and has strengthened its capabilities for detecting and responding to sanctions breaches, including via investment provided by the FCDO's Economic Deterrence Initiative Portfolio:

- HMRC has recruited 40 additional criminal investigators to detect and enforce trade sanctions offences.
- Alongside this, HMRC has recruited policy and legal advisers, as well as analysts to develop HMRC's and wider government's understanding of sanctions compliance risks.
- Funding for HMRC's overseas network of Fiscal Crime Liaison Officers has been increased to enable further intelligence gathering on sanctions compliance for the purposes of building our understanding of risk and enforcement, as well as undertaking capacity-building work in international circumvention hot spots in partnership with FCDO.
- HMRC has delivered a sanctions awareness programme targeted at frontline personnel in HMRC and Border Force to equip officers with the skills to identify potential breaches of sanctions.

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- HMRC has supported the training and upskilling of civil investigators in the Office of Trade Sanctions Implementation (OTSI) in the Department for Business and Trade (DBT) and developed an enforcement partnership with this organisation.

2. Why does HMRC rather than the National Crime Agency (NCA) deal with the criminal enforcement of trade sanctions?

As part of its statutory functions as the UK customs authority, HMRC is responsible for enforcing both fiscal and non-fiscal trade controls at the UK border (in partnership with Border Force), including trade sanctions and strategic export controls (which have strong similarities both in terms of the legal framework and enforcement methods).

The NCA has distinct functions in relation to sanctions enforcement. It leads on the criminal enforcement of financial sanctions, as part of its wider remit to combat economic crime and illicit finance.

In respect of trade sanctions, HMRC is responsible for enforcing sanctions on the import and export of goods and the provision of associated services (e.g. brokering and financial services), as well as the transfer of technology from the UK. OTSI is responsible for civil enforcement of other types of trade sanctions (e.g. sanctions on standalone services, technical assistance and the movement of goods which do not cross the UK border) and can refer serious cases to HMRC for consideration of criminal enforcement action.

The Strategic Exports and Sanctions Enforcement (SE&SE) team in HMRC's Fraud Investigation Service (FIS) works closely with partners across government, including Border Force, the NCA and DBT, and other UK law enforcement authorities.

3. How will the establishment of the Office for Trade Sanctions Implementation change the trade sanctions enforcement work of HMRC?

- **How does HMRC work with the Department for Business and Trade and the newly formed Office of Trade Sanctions Implementation to decide whether breaches in sanctions should lead to civil enforcement or criminal enforcement?**

HMRC welcomes the establishment of OTSI to lead on the civil enforcement of trade sanctions that fall outside HMRC's customs remit (i.e. do not involve goods crossing the UK border) and perform other valuable functions in relation to licencing, guidance, raising awareness and business outreach.

We have worked closely with OTSI to establish an enforcement partnership (including a Memorandum of Understanding) whereby OTSI will refer serious cases to HMRC for consideration of criminal enforcement action, in accordance with our published criminal investigations policy. HMRC will review all referrals we receive from OTSI and adopt cases that we consider to be suitable for criminal investigation.

HMRC's collaboration with OTSI complements existing implementation activity in DBT, including in the Export Control Joint Unit and Import Controls team, in issuing licenses for trade in goods and services.

As mentioned above, HMRC has also supported OTSI in the training and upskilling of their civil investigators.

4. Who is responsible for detecting breaches in trade sanctions: HMRC, the Department for Business and Trade or the Office of Trade Sanctions Implementation?

- **How are customs officials trained to detect breaches in trade sanctions?**
- **How many staff in HMRC are available to; (i) detect and (ii) enforce breaches in trade sanctions?**

In respect of the trade sanctions for which HMRC has enforcement responsibility (please see the answer to Question 2 above), HMRC is responsible for detecting breaches, in partnership with Border Force. As outlined below, we work closely with domestic and international partners to enhance our detection capabilities. OTSI is responsible for detecting breaches of the trade sanctions within its remit and OFSI is responsible for detecting breaches of the Oil Price Cap.

There are a variety of methods HMRC and Border Force use to detect sanctions breaches, each of which has its own training requirements. Common methods include:

- Conducting targeted risk- and intelligence-based checks on goods entering and leaving the UK to identify potential breaches.
- Businesses self-reporting breaches to HMRC through the voluntary disclosure process.
- Identifying irregularities through tax and customs compliance audits.
- The Export Control Joint Unit (ECJU) in DBT identifying irregularities through the audits they do on businesses' compliance with export controls (which may overlap with sanctions) and referring irregularities to HMRC.
- Receiving actionable intelligence from UK law enforcement authorities, the intelligence community and international counterparts.

Investigators involved in sanctions enforcement receive bespoke investigation and intelligence training from HMRC's Counter Fraud Academy. Upon successful completion of the foundation programme, trainees achieve Accredited Counter-Fraud Specialist qualification from the University of Portsmouth's Institute of Criminal Justice Studies. Border Force has its own internal training for its detection teams and HMRC provides materials and resources to support this.

The FIS SE&SE team leads on sanctions enforcement in HMRC. As of January this year, the team had 101 full-time equivalent staff, of whom 41 are dedicated to sanctions enforcement work, the majority of which relates to Russia sanctions.

The number of HMRC and Border Force officers whose roles are not sanctions-specific, but are capable of detecting potential sanctions breaches, is significantly higher. We have rolled out a programme of sanctions awareness events to frontline personnel in HMRC and Border Force to equip officers with the skills to detect sanctions breaches. Approximately 500 staff have attended these events since January 2024.

5. What is the nature of co-ordination between HMRC and the National Crime Agency?

- **How large is the overlap between those who breach trade sanctions and those who breach financial sanctions?**

HMRC is engaged with the National Crime Agency (NCA) at both operational and senior levels, including at Director FIS-Director General NCA level, to ensure that HMRC is aware of the developing threats from organised crime and can offer operational support, where

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needed, as part of the UK law enforcement response to the threat. HMRC provides reciprocal support to law enforcement partners, including the NCA; for example, intelligence sharing and responding to requests for information.

The NCA and OFSI are responsible for the enforcement of financial sanctions, and HMRC supports the NCA and OFSI in this.

Where HMRC becomes aware of potential criminal activity not related to HMRC functions, we refer the matter to the relevant law enforcement authority and coordinate with them if necessary. HMRC has not seen evidence of a significant overlap between businesses that breach trade sanctions and businesses that breach financial sanctions. The sanctions offences HMRC has investigated since 2022 have generally not involved interactions with persons and entities that have been designated for the purpose of financial sanctions.

6. How many investigations did HMRC lead in relation to breaches in trade sanctions in 2021-22, 2022-23 and 2023-24? Of those, how many were related to breaches in Russia sanctions?

The table below shows the number of investigations opened by HMRC criminal investigators into potential sanctions offences from 2021-2024.

Year	Number of investigations opened into potential sanctions offences
2021	0
2022	14 (all of which relate to Russia sanctions)
2023	22 (20 of which relate to Russia sanctions)
2024	29 (27 of which relate to Russia sanctions)

*The figures indicate the year in which the investigations were opened. The figures include investigations that have been resolved and investigations that are ongoing. For the purposes of the UK Strategic Export Controls Annual Report that is presented to Parliament, HMRC provides data for the relevant calendar year.

7. Why doesn't HMRC publish information on breaches in sanctions in a similar way to the Office for Financial Sanctions Implementation (OFSI), which gives the details of the company, how it breached sanctions and the amount of penalty issued?

- **What criteria do HMRC use to decide when to issue penalties and when to pursue criminal enforcement?**
- **To what extent is HMRC issuing penalties instead of seeking criminal enforcement because it is easier?**

Effective sanctions enforcement requires a range of responses. HMRC uses a spectrum of interventions, including seizures, compound settlements and warning letters, as well as referrals for prosecution, to drive changes in non-compliant behaviour.

HMRC decides whether to pursue a criminal prosecution for a sanctions offence in line with its published criminal investigation policy. Where serious or deliberate breaches of sanctions are identified, or where there are aggravating features, cases will be adopted for criminal investigation. These cases will be investigated and, if appropriate, referred to the relevant prosecuting authority to determine whether there is sufficient evidence to prosecute and whether that prosecution is in the public interest.

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Where appropriate, HMRC uses compound settlements to financially penalise businesses that have committed an offence under the customs and excise Acts, rather than referring the offence for prosecution. Businesses can decline to pay a compound settlement, in which case HMRC will continue its investigations with a view to referring the case for prosecution.

In the context of trade sanctions, compound settlements are used primarily where businesses have voluntarily disclosed to HMRC sanctions offences that were inadvertent or due to weaknesses in internal controls, co-operated with our investigation and sought to remedy any underlying failings. Compound settlements are not used when there is evidence of businesses intentionally seeking to evade sanctions.

On behalf of HMRC, DBT publishes a notice in respect of all businesses that are convicted for breaching sanctions or strategic export controls or have received a compound settlement. In all cases, the notice will specify the offence(s) committed and the penalty amount. Where a business has been convicted, they are named in the notice. For compound settlement cases, HMRC considers whether to name the company on a case-by-case basis. Where a business has taken steps to bring themselves into compliance having made an inadvertent sanctions breach, HMRC will generally not name them if doing so could have a disproportionate impact on their reputation, and ability to trade domestically and internationally. This approach helps maintain an incentive for businesses to self-report and rectify non-compliance with trade sanctions through the voluntary disclosure process.

8. How many penalties did HMRC issue in relation to breaches in sanctions in the financial years 2021-22, 2022-23 and 2023-24?

- **Of those, what proportion related to breaches of Russian sanctions?**
- **Can HMRC provide further details on these breaches in sanctions including what kind of transactions and firms they related to?**

In this period, six companies have received compound settlements for breaches of Russia sanctions following HMRC investigations. All the transactions involved the trade of non-military industrial goods. The settlements were calculated in relation to the value of the goods that breached sanctions.

Date	Type of offence	Compound Settlement amount
August 2022	Export	£1,000.00
September 2022	Export	£19,689.20
April 2023	Export	£217,012.50
August 2023	Brokering and technical assistance	£1,000,000.00
August 2023	Export	£67,001.31
August 2024	Export	£58,426.45

In this period, one other company also received a compound settlement for a sanctions breach. This concerned a breach of Iran sanctions, for which the company paid a settlement of £1,000.00 in September 2023.

9. How many individuals or companies has HMRC prosecuted in relation to breaches in sanctions in the years 2021-22, 2022-23 and 2023-24?

- **How many of those prosecutions led to convictions?**

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- **Of those prosecutions, what proportion related to breaches in Russian sanctions?**
- **Can HMRC provide further details on these breaches in sanctions including what kind of transactions and firms they related to?**

HMRC currently has 30 live criminal investigations into breaches of sanctions, 27 of which relate to Russia sanctions. None of these investigations has yet reached the point of prosecution, but will be referred to independent prosecutors as appropriate, dependent upon the outcome of the investigation. In October 2024, one of the live investigations into a breach of Russia sanctions was referred to the Crown Prosecution Service and is awaiting a charging decision. Sanctions investigations can be complex and lengthy, and therefore the time it takes to investigate a breach and progress a case to prosecution can be considerable.

Last year a business was convicted for export control offences following an HMRC investigation. Separately, a person was convicted for terrorism offences following a joint investigation by HMRC and the Metropolitan Police. The individual was also charged with export control offences, but these were left on file following his guilty plea for more serious terrorism offences.

10. Please could you provide an update on the activity data provided in the table of your letter (page 3) to the Treasury Committee, 8 July 2022, where you set out the numbers of detentions, seizures, voluntary disclosures, potential breaches assessed, criminal investigations, warning letters, compound settlements, and prosecutions.

Please see Annex A.

I am copying this letter to the Chair of the Business and Trade Committee.

Yours sincerely,



Jim Harra
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY

Annex A

Strategic Exports and Sanctions Enforcement Outcomes Table									
Calendar Year	Detentions (number of)	Seizures (number of)	Voluntary disclosures (number of)	Checks at the border** (number of)	Criminal Investigations (number of)	Warning Letters (number of)	Compound settlements (following criminal investigation) (number of)	Compound settlements amount (£ total)	Prosecutions (number of)
2021	122	202	212	6629	3	46	12	£226,701.18	0
2022	157	177	317	4977	7	123	22	£6,900,587.14	1
2023	128	266	260	4740	5	216	9	£2,276,390.77	0
2024	*	*	*	4278	*	*	14	£5,069,157.20	2

*HMRC outcomes are published in the [UK strategic export controls annual report 2023](#).

The most recent annual report on arms export controls was published on 17th December 2024 and covers the calendar year 2023. Figures for 2024 will be released to Parliament later this year.

** Referred to as 'Potential breaches assessed' in the previous correspondence. The significant increase of checks has come about from a major increase in staffing numbers and the expansion of areas assessed as at risk. The reduction from 2022 onwards is due to a review programme which enhanced our targeting data.

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