

[2015] UKFTT 0346 (TC)



**TC04530**

**Appeal Number: LON/2007/1177**

**LON/2008/0487**

*Value Added Tax - MTIC appeal – Appeal conducted in the absence of the Appellant, with simply closing submissions advanced on behalf of the Appellant - Appeal dismissed*

**FIRST-TIER TRIBUNAL  
TAX CHAMBER**

**LAKONIA LIMITED**

**Appellant**

**-and-**

**THE COMMISSIONERS FOR HER MAJESTY’S REVENUE AND CUSTOMS**

**Respondents**

**Tribunal: JUDGE HOWARD M. NOWLAN**

**SONIA GABLE**

**Sitting in public at the Royal Courts of Justice in London on 9 -13 and 18 & 19  
February 2015 and 9 April 2015**

**Ian Bridge, counsel, on behalf of the Appellant for closing submissions only, the  
Appellant otherwise neither being present, nor represented**

**Jeremy Benson QC and Michael Newbold, counsel, instructed by the General Counsel  
and Solicitor to HM Revenue and Customs, on behalf of the Respondents**

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## DECISION

### *Introduction*

1. This was a rather unusual MTIC appeal.
2. The transactions that had led to denials by HMRC of claims to recover input tax on the despatch of mobile phones, memory sticks and CPUs to various non-UK European companies had been undertaken by two apparently associated companies, namely Trade 24/7 International Limited (“International”) and Trade 24/7 Limited (“Limited”). The distinction between the two companies was that International generally dealt with international transactions, thus buying from UK suppliers and selling to non-UK European companies, while Limited generally dealt with domestic, UK to UK, transactions.
3. The Appeals that we heard had originally involved 84 deals by International in which it was eventually accepted that the goods in all 84 deals had been purchased from contra-traders. The nature of the contra-trading transactions is explained below. Five further deals by International had involved purchases in direct chains, traced back through various buffer companies straight to the company that had originally imported the phones and then allegedly defaulted in paying VAT on selling them to the first subsequent UK buyer. Similarly, while most of Limited’s deals had involved purchases from and sales to UK buyers, Limited was denied its input claims in relation to four deals in which unusually it had despatched the phones to non-UK European customers, where again HMRC alleged that the deals had been traced to defaulters.
4. Both International and Limited were placed in liquidation, and the liquidator sold the various claims to recover input tax to the present Appellant. While the various Appeals were progressed for a considerable time, and the Respondents generated approximately 140 lever-arch files of witness statements and documentation, the Appellant indicated very shortly before the hearing that it had altogether changed its strategy in relation to the Appeals. It indicated that without conceding anything in relation to the critical issue of whether International and Limited might have known or had means of knowledge that the nine “direct chain” deals (five by International and four by Limited) were connected with fraudulent VAT losses, the appeals in relation to those nine deals were to be withdrawn. Accordingly the deals that remained the subject of the present Appeal were the 84 deals where the product had been purchased directly or indirectly from contra-traders, all of which had been undertaken by International.
5. The amount of input tax claimed by International, including the relatively small amount in relation to the five deals where the appeal had been abandoned, was £14,364,176, all of it in relation to deals conducted in the two months of March and April 2006.
6. While the Appeal as regards the 84 deals was not withdrawn, the Appellant also indicated first that it proposed not to appear at the hearing or to give any evidence. It did reserve the opportunity to read the transcript of the evidence that was to be given in the much shortened hearing, and it reserved the right for its counsel to make closing submissions. The second important matter as regards the 84 deals was that the Appellant conceded that it accepted all matters in relation to the connection of its transactions to fraudulent losses through contra-traders.

7. At the time the Appellant's counsel made the concession just mentioned in relation to tracing through contra-traders, the Court of Appeal's decision in the case of *Fonecomp v. HMRC*, had just been released. That decision had confirmed that in applying the *Kittel* test, it was perfectly in order to conclude that an appellant's transactions had been connected to fraudulent VAT losses even in the case of transactions involving contra-traders, where inherently the original fraudulent default will have been in the purchase of goods that will later have been exported by the contra-trader and not directly in the chain of transactions involving the actual goods acquired and despatched abroad by the appellant. We understand that the present Appellant may remain hopeful that there may yet be an appeal in the *Fonecomp* case to the Supreme Court or that the decision may yet be overturned by the European Court of Justice. In the meantime, however, the Appellant obviously accepted that we had got to apply the law in accordance with the Court of Appeal decision. In this context, we took the concession to the effect that International's deals had been traced to fraudulent VAT losses through the contra-trader to be an acceptance that **as a factual matter:**

- International had bought its relevant products directly or indirectly (almost always directly) from the contra-trader identified by HMRC;
- the products acquired by International from the contra-trader would have been imported from a non-UK European supplier by the contra-trader without there being any fraudulent default at any earlier step in the transactions involving those products; and that
- simultaneously all the contra-trader's domestic sales of the products just mentioned (to companies such as International) would have been matched by other transactions, all of which would have involved purchases by the contra-trader with a proven fraudulent default in payment of VAT at their origin, followed by the despatch to a non-UK European customer of those goods by the contra-trader, with the claim that the input tax claimed to be recoverable in respect of those deals could be set against the output liability of the contra-trader on the sales of the product mentioned in the first two bullet points.

8. We will confirm below that it is our understanding of the Respondents' evidence that the facts are indeed as we have just described our understanding of the Appellant's concession. Were there ever to be some later appeal that changed the effect of the Court of Appeal's decision in *Fonecomp*, the consequences would of course have to be reviewed afresh.

***Our approach to the decisions that we need to reach in this Appeal***

9. The somewhat unusual circumstances in this Appeal mean, therefore, that without any evidence being produced by or on behalf of the Appellant, we must first confirm the points conceded by the Appellant as we have just indicated. Thereafter, and of very much more significance, we must decide whether International knew, which we take to include the notion that "it simply must have known", or finally whether it ought to have known, of the connection of its deals to such fraudulent losses.

10. In the absence of any evidence from the Appellant, we have been unable to reach any reliable conclusions by addressing the deal documentation, and by considering such matters as due diligence, credit checks on customers and suppliers and other matters that are often of

assistance in MTIC appeals. We also consider it quite superfluous to summarise the detail of the 84 deals, to the great majority of which we were not even taken, save as mentioned below. Instead we have identified factors that we consider to be highly instructive. Some of these were sufficiently compelling for the Appellant's counsel to be ready to concede in his closing submissions that it was obvious that circular transactions had plainly been pre-planned and organised by some mastermind. There was of course no concession that International had been a knowing party to that planning, and arguments (of course without any evidence) were advanced for the proposition that it was possible, even with the conceded pre-arrangement, that International could have been innocent and ignorant of the manipulation that it was suggested had resulted in International becoming unwittingly embroiled in such deals.

11. The 9 factors that we will address in due course are as follows:

1. Evidence from the First Curaçao International Bank ("FCIB") servers indicated that all, or possibly all but one, of the 63 payment chains that HMRC sought to trace had been circular.
2. The FCIB evidence also indicated the central role of a particular company in the chains. It also indicated that on many occasions several payments had been required to discharge the full invoice price charged for goods, with partial payment therefore circulating on the required number of occasions to discharge the full price.
3. A CD obtained by HMRC from the police, who obtained it in a murder enquiry, gave details of October and November 2005 deals involving four of the seven contra-traders involved in this Appeal, the CD indicating some of the steps, prices and products in deal chains that corresponded with transactions later known to HMRC.
4. International, and indeed its associated company Limited, appeared to be amongst a list of companies included in what HMRC described as a "cell" (and referred to by HMRC as the "Malaga cell"), in which some mastermind could choose suppliers, contra-traders, exporters and customers, and parties to the matched chains of the contra-traders by ringing the changes amongst candidate companies for each relevant role in each transaction.
5. International had told HMRC that loans and finance had only been provided by employees, family and friends, which appeared to be a lie since significant loans had been provided by companies linked to dominant companies revealed in the FCIB financial information, one at least of which loans had commanded a very high interest rate, and another of which appeared never to have been repaid in full, seemingly with the lender making no attempt to pursue the borrower.
6. Virtually every deal involved the highly unusual, and seemingly wholly uncommercial, feature that, while the documentation had all been produced on one day, the phones to be despatched abroad were then left in the UK freight forwarder's warehouse for varying periods but on average for about one month prior to despatch without the European customer enquiring where its goods were, and without the supplier asking when it would be paid, and without any explanation for this inexplicable practice. Beyond those gaps between the date of the documentation in relation to deals and the despatch of goods to customers' freight forwarders, the

despatch of goods was often also followed by a fairly similar delay before payment was made.

7. A factor of only limited significance relates to the few IMEI numbers of phones that International recorded.
  8. The role of Limited is also highly significant in that it appeared to perform the role of buffer company on-selling to traders other than International but still traders in the Malaga cell, for those traders then to despatch the phones or other goods abroad.
  9. The Dutch freight forwarder, acting for one of the Appellant's customers, conceded that it had completed import documentation fraudulently, where it had received documents, but no accompanying actual goods.
12. The significance of each of the above factors varies of course. Some further confirm the more direct evidence from HMRC in relation to the initial matter of confirming that all 84 deals were duly traced, through contra-traders, to fraudulent VAT losses.
13. More significantly, however, some or most of the 9 issues put it absolutely beyond any doubt, as indeed we have already said the Appellant's counsel conceded in his closing submissions, that all the transactions were pre-planned by some mastermind.
14. The final critical point is that we consider that the indicators listed at items 1,2,4,5,6 and 8 put it beyond any doubt that the Appellant must have known of the connection of its deals to fraudulent losses. We had no evidence as to which employees or directors might have had the relevant knowledge, but when the relevant indicators apply to all, or the great majority, of the deals, we consider it inconceivable that the individuals with the relevant knowledge could not have been of sufficient seniority within the organisation, and/or duly authorised to act as they did, for us to draw the conclusion that the knowledge of one or more unidentified individuals must be attributed to International.
15. Our decision is accordingly that in this case, International did actually know, for the reason that it simply must have known, that its deals were indeed connected to fraudulent VAT losses, and that this Appeal is accordingly dismissed. In the circumstances we consider it superfluous to consider the Respondents' fall back claim that International had means of knowledge of, or that International ought to have known of, the connection of its deals to fraudulent losses.

***The format of the remainder of this decision***

16. In the remainder of this Decision we will deal with the relevant matters as follows:
1. In paragraphs 17 to 22 below we will indicate the few facts that were evident, notwithstanding a total absence of evidence from the Appellant, in relation to the affairs of International and Limited.
  2. In paragraphs 23 and 24 we will indicate those HMRC officers who gave evidence in person before us, though we will thereafter incorporate their evidence, where relevant, into later paragraphs of this Decision.
  3. In paragraphs 25 to 31 we will indicate why we are satisfied with the point, anyway conceded by the Appellant, namely that all of International's 84 challenged deals were duly traced by HMRC to fraudulent VAT losses.
  4. In paragraphs 32 to 60 we will amplify the nine points that we listed in paragraph 11 above which we consider to be of major significance in relation to the Respondents'

claim that International must have known of the connection of its deals to fraudulent losses.

5. In paragraphs 61 to 77 we will list the points advanced on behalf of the Appellant in the Appellant's counsel's closing submissions as to why it is said that there is insufficient evidence for us to reach a conclusion that International must have known of the connection of its deals to fraudulent losses, and in relation to each point we will indicate why we say that the point has no merit.
6. In paragraphs 78 to 88 we will give our decision, and explain why we consider that the conclusions that we reach in relation to the points numbered 1, 2, 4, 5, 6 and 8 leave us with absolutely no doubt whatsoever that International must have been a knowing participant in the fraudulent schemes to defraud HMRC of VAT in all the deals remaining involved in this Appeal.
7. In paragraph 89, we will, as requested, award the Respondents their costs.

### ***Background and general information about International and Limited***

17. International was formed in November 2002 and Limited in February 2003. The only director of both companies appears to have been Mr. Kriton Cicopalus, and the secretary of both companies Mr. Anthony Cicopalus. At some time reference was made to the fact that one of the companies, or possibly the two together, had seven employees but we do not know at what time either company had those employees or what the roles of the employees were.

18. In their respective applications for VAT registration, both companies indicated expected initial annual turnover of £2 million, no expected trade with traders in other EU member states, and International described its proposed business as "mobile network distribution", while Limited described its intended business as "general trade".

19. In the period January 2006 to April 2006, International's turnover was nearly £188 million, the turnover in those few months being double the previous year's turnover. In the period February to July 2006, Limited's turnover was nearly £197 million.

20. On the basis that it was conceded that the turnover of both companies in the relevant period of March and April 2006 was in fact connected to fraudulent VAT losses, we can simply record that all the trading by both companies was MTIC trading, and there appeared, at least in that period, to be neither dominant nor peripheral genuine trading activity alongside MTIC dealings. As we indicated in paragraph 1 above, International was the company that generally bought from UK suppliers and sold to customers in other EU member states. Limited generally dealt with domestic transactions. In earlier periods we were told that the pattern had been that Limited purchased from domestic suppliers, and when product was to be exported by either company it was then sold to International which dealt with the subsequent sale to a customer in some other EU member state. In the periods of March and April 2006 with which we are concerned in this Appeal, the pattern appears to have changed. As we will explain below, by this period, with the exception of International's trading that traced directly back to fraudulent VAT losses (i.e. the purchases from non-contra-traders), all of the turnover of the two companies appeared to have been in transactions involving the various companies in the Malaga cell. Many of the exporting brokers used by the planner or planners in relation to the Malaga cell appeared to perform both roles of acting as exporting brokers and buffer companies in relation to UK to UK sales. By contrast, the general rule in relation to the two companies with which we are presently concerned was that

International ceased to buy from Limited, but almost always bought from one of the seven contra-traders available to perform that role in the Malaga cell, and Limited undertook all the buffer transactions. We were told that in the period from February to April 2006, Limited undertook 164 buffer deals, all of which were traced back to fraudulent VAT losses, and involved companies in the Malaga cell.

21. We were taken to the deal packs for a randomly selected number of deals. The documentation was in relatively common form for MTIC transactions. In other words, the documentation was skimpy. As is generally the case with MTIC deals, the documentation would have been considered wholly inadequate by any lawyer, but had the Appellant called evidence, it would doubtless have been said that it was in fairly common form “*for the industry*”, and it might have been suggested that gaps and omissions had been dealt with orally. There were of course various admitted slips and errors in some of the deal documents. No attention appears to have been given to the feature that in one deal the reference was to a sale of 1,000 memory devices, whilst other references were to 2,000 such devices. Requirements in relation to IMEI numbers were inserted even in deals involving CPUs and memory sticks, where IMEI numbers were irrelevant. Some records of inspection reports referred to inspections of goods that could not possibly have been in the hands of the freight forwarder issuing the relevant report. Perhaps of the greatest significance was the fact that there was never a reference in documentation (indeed there were often conflicting references) to the strange and invariable practice that there would be a long delay between documentation and despatch of goods and another between transportation and payment. Those delays we do consider highly significant, and we will deal with them below. Our present point is simply that any documentation about credit terms, and immediate despatch etc were inconsistent with what did eventually happen in relation to virtually every deal, and implicitly therefore the pattern that all participants would in fact have anticipated.

22. Whilst we could therefore criticise the documentation, we consider that there are other “stand out” factors in this case that are of vastly more significance and so we will ignore the various relatively minor and entirely common deficiencies in deal documentation.

### ***HMRC’s evidence***

23. Evidence was given to us in person by the deal officer, Officer Heather Arnold; by Mr. Newbold and Mrs Angela LMcCalmon in relation to FCIB tracing; by Mr. Nigel Humphries in relation to the feature that all the deals remaining in contention appeared to have involved transactions with companies, i.e. other companies, in what HMRC referred to as the Malaga cell, and finally by Mr. Michael Downer. Mr. Downer dealt with the two issues of the information on the CD found behind a microwave by the police when investigating a murder enquiry, and the information concerning a Dutch freight forwarder, Worldwide Logistics, that admitted to having signed off on documentation including CMRs in relation to the receipt of goods when in fact the goods had not arrived at all.

24. Self-evidently none of the evidence was questioned as the Appellant did not appear. We found all the witnesses who gave evidence in person to be entirely satisfactory. The work that had been undertaken by numerous HMRC officers in compiling the documentation contained in 140 lever arch files, and running to 43,000 pages of documentation was bewildering.

### *The exercise in tracing defaults to fraudulent VAT losses*

25. We considered that we were required, notwithstanding the fact that the Appellant's counsel conceded the point, to consider HMRC's tracing exercise, in order to satisfy ourselves that International's deals had all been traced to fraudulent VAT losses. Whilst, as we requested, the Respondents' counsel prepared considerable information in closing submissions to illustrate this point, we consider that we can now deal with it relatively shortly.

26. As we have indicated, the facts in relation to the suppliers to International illustrated that product had always been bought from one of seven contra-traders. The short names used during the hearing to identify the seven contra-traders were H&M Trading, Rioni, Blackstar, Pan Euro Ventures, Mobile City, Export Tech and 385 North. All seven companies were revealed by Mr. Humphries' evidence to be members of the Malaga cell, such that any one of them could be used to source product from the various European suppliers also in the Malaga cell, then sell it to International or one of the other available Malaga cell broker companies in the UK, which in turn would sell to one of the EU buyers available within the same cell to purchase such product. Simultaneously of course each contra-trader exported different goods purchased from UK traders in chains that HMRC had traced back to defaulting traders, the parties to these chains also being involved in the Malaga cell.

27. We were shown numerous examples, including both those in which International actually featured and those in which it did not feature that made it clear to us that Mr. Humphries' evidence in relation to all the cell companies being "members of a cell" and being controlled by some mastermind was compelling. More generally we were satisfied that numerous HMRC officers had correctly traced the VAT defaults at the origin of the chains where the contra-trader exported, and equally satisfied that in each period the fraudulent defaults matched or indeed exceeded the taxable supplies by the contra-traders in which the output liability was claimed to be discharged by the claimed input deduction.

28. Quite apart from the extensive enquiry work undertaken by HMRC to demonstrate that all the input claims relied on by the contra-traders to match and eliminate their liability in respect of output tax, there are other factors that put it altogether beyond doubt that the activity of the seven contra-traders was fraudulent, and all designed to conceal the way in which, indirectly, the claims to input tax by International and the other brokers exporting product were inevitably traced to fraudulent VAT losses.

29. In a monotonous manner, the facts described in relation to all seven contra-traders revealed that all had been formed fairly recently; all revealed that each contra-trader had asserted in its applications for VAT registration that its initial turnover was expected to be modest and that none of it was to involve exports to other EU members states, and the turnover of all of them did indeed commence at relatively modest levels. Following general and steady increases in turnover, when the Advocate General delivered his opinion in the *Optigen* case (such that fraudsters perceived that if they could conceal the feature of knowledge and means of knowledge in relation to tracing to fraudulent VAT losses the refund claims of exporting brokers would have to be met), the turnover of the relevant contra-traders rocketed. In what one might sadly refer to as the "golden period", albeit the very



tarnished golden period, of MTIC trading in the first half of 2006, the contra-traders were generating turnover in the hundreds of millions in each VAT period.

30. The combination then of the various facts that all seven contra-traders were in the Malaga cell; that all were plainly organised to perform their roles by some mastermind; that the FCIB evidence demonstrated (as we will describe below) that all the payments were entirely circular (with the money often circulating in part-payments on several occasions to satisfy the purchase price of goods), and when the turnover of the contra-traders was suddenly at the colossal level that it was in the periods relevant to this Appeal, it would be ridiculous to suppose that the contra-traders would ever have acquired the goods sold to International in circumstances where the VAT, following importation, would have been honestly and duly paid. All the surrounding factors that we have mentioned, coupled with the entirely convincing and extensive tracing exercise undertaken by HMRC lead us to conclude with absolute certainty that all of International's deals were properly traced to fraudulent VAT losses.

31. We might make one further point though this is of no direct relevance to the decision in this case in the light of the fact that the decision of the Court of Appeal in the *Fonecomp* case has clearly established that it is perfectly in order for an exporting broker's input claims to be traced to fraudulent defaults in the contra-trader's so-called "dirty" chain. Whilst it is obvious to everyone that the designation of the chain of supply to the exporting broker, such as International in this case, is most inappropriately labelled as "the clean chain", it appears to us that it may be arguable in some circumstances that the exporting broker's input claim can equally be denied on *Kittel* grounds simply by addressing the fraud at the level of the contra-trader itself. Where for instance, as is commonly the case, the fraudulent contra-trader has simply disappeared, there may be no objection to the line of argument that the contra-trader itself is also a fraudulent defaulter, occasioning a VAT loss. In virtually all circumstances the contra-trader will be fully aware that it is claiming to offset against its liability to output tax a claim for input tax that is entirely flawed on *Kittel* grounds, and when the contra-trader may have been insolvent, and may have disappeared such that there has been a loss of VAT, regardless of any failure on the part of HMRC to chase and assess an entity that has disappeared, there may be no objection to a Tribunal declaring that the exporting broker's transactions can equally be traced to a fraudulent default and loss of VAT by looking no further than the contra-trader. We repeat that this aside is of no significance in this case in the light of the clear decision in the *Fonecomp* case.

***The amplification of the nine points referred to in paragraph 11 above material to the conclusion that all of International's transactions had plainly been pre-arranged by some mastermind, regardless of whether International may or may not have known of that, and the amplification of the six of those points that indicate that in fact International must have known of, and been a knowing party to, the fraudulent structuring***

#### ***Points 1 and 2 in relation to the FCIB evidence***

32. In MTIC appeals, it is commonly the case that HMRC has sought to trace the payment steps by analysing the FCIB bank details, particularly those on its Paris server. The reason for doing this is to demonstrate that if the payment chains are circular, with money starting with one company, and ending back with that company after a fairly short interval, it becomes improbable that the mastermind organising the transactions will have relied on mere

coincidence or some form of manipulation to ensure that the exporting broker actually buys and sells, and thus receives and makes payment in the precise way to ensure the circularity. The natural inference is that the exporting broker must have known of the fraudulent planning. It is also commonly the case that HMRC is able to achieve such tracing in only a few of the deals in contention; that with a few assumptions in relation to aggregated payments it is possible that other deals may demonstrate circularity, and it is often the case that further tracing is impossible where for instance some of the parties did not have FCIB accounts.

33. The fairly unusual facts in the present case demonstrate that in 63 of the 84 deals that remain in contention, HMRC sought to trace the payment flows. On account of limited manpower, no effort was made to trace the remainder. Of the 63 deals where tracing was undertaken, all but one demonstrated circularity. In addition to that, in the 62 deals all the payment steps commenced with payments by the Cyprus company called Bilgisel Ticaret (“Bilgisel”), and all the payments reverted back to Bilgisel. In many cases part-payments were made seemingly because Bilgisel did not have sufficient monies on its FCIB account to fund the full payments, and in these cases the money simply commenced a second or a third rotation, once it had flowed back to Bilgisel.

34. In addition to the fact that will be obvious from the evidence material to the findings in the previous paragraph, it was the case not only that all traders in the Malaga cell (including of course those in other deal chains where International was not involved at all) had FCIB accounts, but the payments by many (but never International) were made by the use of the same i.p. address. This demonstrates that the payments on the internet were made either by the use of the same computer or by computers using the same router, regardless of the fact that several of the companies making payments may ostensibly have been based in different countries. The Appellant, in its counsel’s closing submissions, suggested that it was highly significant that International itself never occasioned its payments by using an i.p. address that had been used by any other company in the chains. We do not find this particularly significant. Although several companies in the chains used the same i.p. addresses, there were almost always companies in the chains that did not do so as well as International. The explanation may have been that the same i.p. address was used when one of the companies may have been no more than a manipulated brass plate company with no, or no available, personnel. Furthermore in many MTIC appeals where several companies share i.p. addresses when logging onto the computer to initiate FCIB payments, there are virtually no cases where the exporting broker in the UK has used a shared i.p. address.

***Point 3 in relation to the CD information***

35. The information gleaned from the CD is of only marginal significance, and we do not over stress it.

36. The CD information relates to deal chains in the months preceding early November 2005. The CD records information about several of the steps in deal chains, involving four of the contra-traders amongst the seven relevant to this Appeal. The information never includes full deal chains; it never indicates the identity of exporting brokers, and there is no reference to either International or Limited on the CD. What the CD does demonstrate is, however, the prices, quantities of goods, and the identity of goods in particular deals, and HMRC has been able to trace that in fact deals did occur that matched the information in the

deals. More significantly, the CD contained MSM messages indicating that parties were discussing with whom they were meant to deal with next, and to whom payments should be paid. There are also indications that some of the information contemplated future deals, whilst other referred to a record of past deals. The CD also contained information in relation to the banking, and FCIB account number details of numerous companies.

37. The Respondents' limited claim in relation to the relevance of this information was simply that it demonstrated that the four contra-traders had plainly been involved in fraudulent planned deals back in September to November 2005. It had no bearing on any involvement of either International or Limited in March and April 2006. In the sense that it was anyway perfectly obvious that all seven contra-traders were fraudulently involved in MTIC deals in March and April 2006, and that the Appellant even conceded this, whilst maintaining the possible innocence and ignorance of the planning on the part of International, it is fair to conclude that the CD evidence is merely of some supportive significance. It does not demonstrate anything that is otherwise unclear.

### ***The Malaga cell companies***

38. The Malaga cell evidence was of more significance. It demonstrated that whenever a contra-trading deal involved one of the seven contra-traders referred to in paragraph 26 above, it would inevitably be the case that every slot in the deal chains would be occupied by some other company in the cell. Naturally the mastermind would ring the changes so that it was possible that no deal chain would ever be made up of the same parties, but inevitably every slot in the chain would be occupied by one of the companies in the cell.

39. The cell planning extended of course not just to the so-called "clean chains", resulting in product being sold by the contra-traders to UK exporting brokers such as International, but to the parties to the so-called "dirty chains".

### ***The loans***

40. While the topic referred to at item 6 of the nine issues addressed by paragraph 11 above may well have reduced the need for loan funding or capital on the part of International, it was always the case of course in MTIC transactions that pending the recovery of reclaimed input tax from HMRC, the exporting broker suffered a cash flow disadvantage, simply because while he expected to make profits following the VAT repayment, pending that repayment the VAT-exclusive price at which it would have exported would have been less than the VAT-inclusive price paid to its own domestic supplier. Capital or loan funding or supplier credit was therefore often required.

41. We were told that in a meeting with HMRC, Mr. Kriton Cicopalus had said, in answer to a question about third party loans to International, that there had been no such loans, but that loan funding had only been injected by employees and family and that all of it had been repaid. This must have been a lie, and a very material lie, because the FCIB evidence demonstrates that several very major loans were advanced to International generally, if not always, funded by Bilgisel, and indeed injected almost immediately before International needed to make some payment in accordance with the deal steps.

42. The evidence demonstrated that between 4 August 2005 and 17 January 2006, International had received seven payments from a Dubai-based company called Sirius FZE,

totalling £4,680,000, described as “*Loan Agreement*” or “*Investment Agreement*”, with £5,391,221 being repaid to Sirius FZE between 9 November 2005 and 9 March 2006. Possibly the excess amount repaid represented interest at a seemingly very high rate, equally possibly thus sharing International’s gross profit. We asked whether deductions had been claimed for interest for Corporation Tax purposes, but understood that those responsible for VAT affairs at HMRC had ignored direct tax implications.

43. More relevantly to the period of the Appeal, between 20 April 2006 and 23 June 2006, Bilgisel advanced monies to a company called Peripheral Trading Company Limited (“Peripheral”) enabling the latter to lend £11,875,000 to International, under the heading “*Investment Agreement*”. These payments were immediately applied in making payments for stock with, as regards much of the money, the money reverting back to Bilgisel within 45 minutes of it being advanced. Five payments totalling £6.3 million were then made by International to Peripheral on 8 May, labelled as “*Inv Repay*”, but no record of any repayment of the remaining £5,575,000 has been found. Nor was there any evidence of the lender calling for repayment.

44. While it might be thought that loans made on and after 20 April 2006 would have little to do with International’s March and April deals, it will shortly be noted that stock deliveries occurred well after deal documentation, and payments were also made well after goods were delivered. Accordingly there is every reason to suppose that the loans referred to in the previous paragraph related to the payment flows in relation to the March and April deals, and that the failure to repay substantial amounts of the debt resulted from the extended verification of the March and April repayment claims and the eventual refusal to meet those claims.

45. We will deal below with our response to the Appellant’s suggestion as to why the loans were entirely innocent and normal. In the meantime we simply record the following two observations. First, Mr. Kriton Cicopalus’s statement that there had been no third party loans constituted a highly material lie. Secondly the various features that the loans were funded by Bigisel, that appeared to be at the centre of the hub in the Malaga cell; actually advanced by a wholly “third party” company; that most of the loans immediately funded payments for stock, and that the monies immediately reverted to Bilgisel are all very strongly indicative that International would have been fully aware of all the relevant circumstances and the obvious inferences to be drawn from these facts.

### ***The delays***

46. It is invariably contended in MTIC appeals that the mobile phone market was a fast moving market where prices might move daily such that it was essential to deliver stock immediately that deals were agreed. Commonly payments were then made as soon as the stock had been received by the exporting broker’s foreign customer.

47. As we recorded in item 6 in paragraph 11 above, in the present case there were almost always inexplicable delays following the completion of deal documentation and before the delivery of stock, and then further delays, following delivery, in the making of payments. There are five material observations to make in this regard.

48. The first two are that these delays seemed entirely uncommercial, and secondly International never offered any explanation for the delays.

49. The third observation is that absolutely no reference was made in the documentation to the fact that there would be these delays, and indeed insofar as there were any material terms about periods of credit or dates when buyers should inspect goods, they all assumed immediate delivery and virtually immediate payment. Nevertheless the fourth point is that everybody appeared to realise that the delays were part of the planning, such that nobody asked where the goods that they had contracted to buy were, when deliveries were long delayed, and more relevantly still the contra-traders and International appeared not to press for payment once the goods had been delivered.

50. The fifth point is merely speculation on our part and is the suggestion that the only cogent explanation for the delays would appear to be that they will often have delayed the date when payments had to be made until after the date when it might have been expected that HMRC would have met input tax repayment claims. In this regard, the delays would have shortened or possibly altogether eliminated the “VAT gap point”, whereunder the exporting broker inherently contracted to pay a greater VAT-inclusive sum to its supplier than the VAT-exclusive sum receivable from the foreign customer. This is why we referred to this feature when dealing with the subject of loan funding.

51. The point in the previous paragraph is not based on any evidence. The clear facts that remain are the four points addressed in paragraphs 48 and 49 above.

#### *IMEI numbers*

52. We attach very little significance to the following point.

53. Notwithstanding HMRC’s endeavours to persuade phone traders to record IMEI numbers, International failed to do so in relation to its purchases from contra-traders, but did record some numbers in relation to the purchases traced directly to fraudulent defaults, i.e. the deals in relation to which the appeal was withdrawn.

54. We attach little importance to the failure to record IMEI numbers in relation to the product purchased from contra-traders. The point of recording the numbers when HMRC’s Nemesis data base of IMEI numbers was not available to traders may have seemed pointless. In any event this failure has little bearing on factors that suggested actual knowledge of the connection to fraudulent deals with which we are concerned. It is true that there were oddities in the IMEI numbers that were checked in relation to the non-contra deals. Some related to phones that had previously been lost or stolen. One block of numbers related to a type of phone that differed from the phones actually being dealt in, leading to the supposition that somebody had simply obtained a list of IMEI numbers, rather than obtaining them by scanning the actual phones dealt in.

55. We accept that if we were addressing the fall-back issue of whether International ought to have known of the connection of its deals to fraudulent losses, the slightly cavalier attitude in relation to IMEI checks may have been of some significance. But we consider this issue to be relatively insignificant in the context of our analysis as to whether International must in fact have known of the connection of its deals to fraudulent losses.

#### *Limited’s role*

56. By contrast the significance of the fact that, in the relevant period, Limited undertook 164 “buffer” deals, and indeed deals that involved purchases from and sales to other companies in the Malaga cell, is the single most decisive fact in relation to this Appeal.

57. Anticipating the most significant of the reasons for our decision that International must have known of its involvement in fraudulent deals, we start with the observation that the Appellant has anyway conceded that all the contra-trader transactions were obviously planned by some mastermind, with all the parties, excepting International, being knowing and guilty parties to that planning. In contrast it is suggested that International may have been wholly ignorant of the planning, but it might have been approached simultaneously by the supplying contra-trader and the foreign customer with offers and requests that happened to match, such that it was lured innocently into the desired circle of transactions without being aware of the overall fraudulent planning. Whilst we consider that suggestion relatively preposterous, certainly when there were 84 deals, plus circularity, plus concealed loan funding, it really cannot be suggested, when Limited performed the role of buffer company in UK to UK transactions, all within the same Malaga cell, that Limited could also have been an innocent dupe on the same basis. Were it suggested that both Limited and the exporting broker to which it sold had both been innocent, there could not then have been fraudulent traders either side of both Limited and the exporting broker to which it sold, so that it would have been impossible for both companies (Limited and its exporting broker) to be duped simultaneously, and so impossible for the circle to be completed. Were Limited, as a fairly trivial buffer company, alone to be claimed to be innocent, there would have been absolutely no purpose in using Limited as a broker in the Malaga cell deals because the complications of arranging to have knowing fraudsters either side of Limited’s relatively insignificant role would have been ridiculous.

58. We thus conclude with absolute certainty that Limited’s role must have involved a knowing participation in fraudulent deals, and when Limited and International were associated companies, it is inconceivable that Limited could have been a knowing (but fairly irrelevant) party to fraudulent deals, with International nevertheless sustaining and maintaining its innocence.

#### ***The fraudulent Dutch freight forwarder***

59. The evidence demonstrated that a considerable number of deals undertaken by Malaga cell companies were sent to European Malaga cell customers that used the relevant fraudulent Dutch freight forwarder. In relation to those deals, documentation and CMRs were signed to record the receipt of goods when in fact no goods had been received. The limited claim on the part of the Respondents was that HMRC could therefore not know where the relevant product had gone. This observation on the part of the Respondents made little sense because if the product had existed, and had been delivered to the wrong entity, surely there would have been documentation dealing with the fact that an intending acquirer had not received the goods that it expected to receive, and that it had contracted to purchase. There was no mention at any stage of that sort of error and rectification of that sort of error.

60. The fairly obvious conclusion appears to be that, in the case where documents were dealt with but no goods had arrived, one must presume that there were never in reality goods at all. This does not of itself suggest that International would necessarily have known of this fact, though had it not done so, it must follow that the Inspection Report obtained by it

would have been fraudulent. The point of possibly more significance is that if the goods had not existed in at least some of the deals, this would have fitted neatly into the uncommercial feature of arranging for the delays between documentation and “delivery” (i.e. fictitious delivery if there were no goods) and between fictitious delivery and payment. For those delays would have been of considerable significance in reducing or eliminating the cash flow cost of the VAT gap, and if there were no goods anyway, the possible losses incurred in leaving actual stock (for instance mobile phones that would progressively be likely to be falling in value) lying around in warehouses for extended periods would have disappeared.

***The contentions advanced in closing submissions by the Appellant’s counsel.***

61. As we indicated, we will now deal on a point by point basis with each of the claims advanced on behalf of the Appellant in support of the proposition that we should allow the Appeal and we will follow each point by our reasons for rejecting the contention.

62. It was first contended that the Respondents had not pleaded fraud on the part of International, and had not indicated the particular circumstances by reference to which a conclusion that International had been a knowing party to fraud might be inferred. It was suggested that the latter requirement would only be met if emails or other documents had been found that implicated International in the fraudulent planning and in the absence of that there were no indicated circumstances from which fraud might be inferred.

63. We consider it to be absolutely clear that the Respondents treated a claim of actual knowledge on the part of International as the primary basis of their challenge in this case. We are also clear that the Respondents listed the factors on the basis of which fraud might be inferred, or rather on the basis of which there could be no other inference than knowing participation. To our knowledge there has never been an MTIC appeal in which any compromising email or other documentation proved decisive. There have been cases where MSM messaging has been significant but in the great majority of appeals, there is a total absence of any emails, faxes in relation to negotiations, and other documentation on the basis of which findings of knowing participation might be founded. In reality conclusions in relation to knowing participation will always be based on irresistible inferences from the circumstances of the case.

64. The second point was that several references in the closing submissions suggested that there had been “*a wholesale failure on the part of the tax authorities to prevent those intent on fraud from introducing goods into the UK market and failing to account for VAT on those goods.*” More particularly it was suggested that HMRC had been aware of the vast and suspicious turnover on the part of numerous companies, notably some of the seven contra-traders in the Malaga cell, and that because HMRC with all their resources could not prove fraud or stop the activities of these companies, how could International, with its relatively insignificant resources, and far less knowledge of the overall situation, be expected to detect fraud. While it may be the case that the attack on MTIC fraud did not represent HMRC’s “greatest hour”, arguments along these lines may be of some merit in relation to cases where the issue is whether the challenged trader ought to have known of the connection of its transactions to fraud. In cases, however, where the basis of our decision is that for other reasons International must actually have known of the fraudulent connection, complaints about tardiness on the part of HMRC are completely irrelevant.

65. It is also worth noting that HMRC were only aware of contra-trading activity, and only commenced the practice of extended verification in about early 2006, such that criticisms of HMRC's astuteness in challenging MTIC fraud may thus be somewhat misplaced.

66. The third point made is that there is a major difference in the proof required to prove knowledge of connection to fraudulent losses in the case of transactions involving contra-traders, as opposed to those involving direct chains, through buffers, to fraudulent defaults in the one and only supply chain.

67. We disagree. In the case of direct, straight line, claims, the exporting broker may well purchase from a buffer company that may have considerable genuine business, and that will always, of course, pay the trivial amount of VAT on its margin. There will usually be numerous steps and deals before reaching the actual defaulter. By contrast in the contra-trading situation, the exporting broker will often have bought directly from the fraudulent contra-trader, and thus have actual immediate contact with the company whose turnover will be vast, and that will be performing a slightly complex role in very materially assisting in the perpetration of the fraud. In addition, of course, all inferences of actual knowledge on the part of the exporting broker are bound always to result from inferences from various factors, most or all of which will have nothing to do with due diligence in relation either to the remote defaulter in straight line deals or the contra-trader in contra-trading deals. In this Appeal we are basing our conclusions in relation to actual knowledge on what we consider to be irresistible inferences derived from various surrounding circumstances, and we consider the claim that the level of proof somehow differs in contra-trading deals as against straight line defaults to be irrelevant.

68. A related question is posed for us in paragraph 12 of the Appellant's closing submissions. We are asked "*If there is no such evidence [i.e. direct contact with the contra-trader and the clean chain broker] but merely evidence of **unexceptional trading**, then how could the inference properly be drawn that the clean chain broker was aware that a trader to which it was connected was manipulating its trading so as to avoid the need to make an input reclaim.*" Our answer to that question is very much along the lines of the response given in the previous paragraph, and the reasoning underlying our decision that we will give shortly. In passing we do not remotely accept that the role of any MTIC trader can be described as that of "unexceptional trading". We will refrain from listing numerous reasons for that presently irrelevant observation.

69. In paragraph 14 of the closing submissions, the Appellant criticises HMRC for International's participation in fraudulent transactions, asserting that its deals were with the same parties and on the same terms as earlier deals that had previously been scrutinised by HMRC and implicitly accepted. Beyond the fact that HMRC may have had grave suspicion in relation to the earlier deals as well but had then failed to evolve a strategy to combat the frauds, the point raised is completely irrelevant if we base our conclusion on actual knowledge and we give ample justification for that conclusion.

70. In paragraph 30 of the closing submissions the extraordinary question is posed to us when it is said: "*The question which requires answering is what do the companies (i.e. exporting brokers) gain for the risk which they knowingly take? It is not clear that there is any gain beyond the commercial gain which was no more than could be expected in any export transaction.*"



71. We find this question quite extraordinary. Exporting brokers made substantial profits in transactions that generally fell into their laps, that involved no provision of added value, and that then involved nothing other than the preparation of fairly poor documentation, and generally no sight of the product dealt in at all. When it was assumed that VAT would be refunded after the Advocate General's opinion in *Optigen*, and by March 2006 the ECJ's actual decision in that case, it seems more realistic to suggest that exporting brokers were expecting to make large and fraudulent profits in transactions, with the risk of non-recovery of VAT being regarded as modest in the light of the recent failures to challenge on the part of HMRC, and the outcome of the *Optigen* case. The suggestion that equivalent profits were always made in export deals, with International of course knowing that Limited made trivial profits in domestic deals, is wholly unrealistic. In truth the phones would have been transferred to a UK buyer by the European exporter to the contra-trader at a considerably lower price than the price at which the phones would be returning to Europe days later (in transactions where there were no artificial delays) at an uplifted price, and there was no commercial reason why this profit, or indeed any profit in export deals of any sort might be regularly anticipated.

72. The final claim advanced by the Appellant's counsel relates to the provision of loans. Beyond the fact that the paragraph glosses over the fact that Mr. Kriton Cicopalus lied about the existence of such loans (perhaps he did so advisedly because they are highly significant), the claim in relation to the loans was as follows:

*"35. The evidence relating to loans is not probative of a knowing connection to fraud. It is unsurprising that a trading company requires capital with which to trade particularly when the company has had its input reclaims denied and is starved of capital. It is equally unsurprising that loans are offered by companies who know the market and are connected with other traders in the same market. Is it in any sense illegitimate or dodgy for a company to borrow or to seek investment? It should be noted that the loans were introduced to the Appellant by a law firm Anglo Legal."*

73. Our observations on this extraordinary paragraph are as follows.

74. In order to advance International's claim of innocence, it must be implicit in the counsel's claim above that International thought that loans, in fact made by Peripheral and funded by Bilgisel, had in fact been made by some *bona fide* trader prepared to advance credit to International. When the loans were advanced generally to fund payments in respect of invoices which, but for the loans, could doubtless not have been paid in accordance with the planner's strategy, it seems inconceivable that International could have thought that some innocent angel from heaven would have lent in these circumstances and at that opportune moment.

75. We are also asked to believe that when a trader has cash flow problems through denial of input recoveries in a trade sector heavily involved in fraud, International might have thought that some innocent trader in the same market would be interested in providing credit, seemingly to a competitor, without any documentation that was ever shown to HMRC, and in circumstances where objectively it was entirely possible, as in fact appears to have occurred, that about half of the monies advanced would never be repaid.

76. Finally we note the statement that the loans were introduced by a law firm. We understand that some were advanced from a law firm's client account, so that while they may have been "introduced" by the law firm, they were certainly advanced by some unknown client. Furthermore no law firm had any involvement in the case of the loans that we referred to in paragraphs 42 and 43 above.

77. We can understand the need on the part of the Appellant's counsel to advance some claim in relation to an innocent explanation for the loans, and for the proposition that they did not render it inconceivable that there was any other explanation for the loans than that they were advanced, and known by International to be advanced, by the mastermind that organised all the transactions. We can equally understand why Mr. Kriton Cicopalus lied about the existence of the highly damaging third party loan funding. Whilst we can understand these actions, we can only conclude that the claim advanced in paragraph 35 of the Appellant's closing submissions is one bordering on the ridiculous and we reject it without hesitation.

### *Our decision*

78. We decide, and the Appellant has anyway conceded, that all of International's deals sourced from one of the contra-traders were traced to fraudulent VAT losses, and we also conclude, as was again conceded, that all of the transactions must have been organised and pre-planned. The only issue therefore is whether on the balance of probability the Respondents have established that International must have known of both these facts, such that we can conclude that International was a knowing participant in the frauds.

79. The Appellant's counsel has advanced theories as to how International might have been lured into its role innocently. The first thing to note therefore is that the Appellant's claims are not based on evidence, or for instance on any claim by a past director or any past employee of International that they now see and appreciate that they had been duped into participating in fraudulent transactions. In the absence of any evidence therefore, we are asked to allow the Appeal on the basis that more weight should be attached to what we can only describe as startlingly implausible theories in contrast to the factors that we will now list that we consider demonstrate that International simply must have known and fully appreciated the nature, and fraudulent nature, of the role that it was performing.

80. The first factor that we address is everything to do with the FCIB tracing. This demonstrates that in the 63 deal chains that were examined, all but one involved circular flows of money, and in many cases double or triple circular flows to discharge particular invoice obligations. When, in addition, the money to fund the circular flows was always advanced by Bilgisel, such that Bilgisel or those behind it must have organised all the steps (in the manner illustrated by the CD evidence), it seems inconceivable that on all 63 or rather 84 occasions, International happened to buy from and sell to the right companies in order to achieve, for the mastermind who organised the transactions, the required circularity. International cannot possibly have identified suppliers and customers on 84 occasions that happened by coincidence to fit the required pattern, and it is equally preposterous to suggest that International could have thought that it was trading honestly, had it simultaneously been approached by a supplier with stock and a customer requiring identical stock. When the models and numbers of phones traded, and the deals involving memory sticks and CPUs involved countless different products being dealt in, it is inconceivable that International

might have thought it normal that on 84 occasions it happened to receive the right offers of supply and orders for stock, all from *bona fide* traders.

81. We would have concluded that International must have known of the connection of its deals to fraudulent losses simply on the basis of the evidence in relation to the FCIB evidence alone. There are, however, other more compelling indications all to the same effect.

82. We have accepted Mr. Humphries' evidence in relation to the Malaga cell, and to the fact that the mastermind behind the Malaga cell companies had access to a list numerous companies available to fulfil each of the roles required in order to effect all the required deals in both chains of transactions. We consider it inconceivable that one company amongst all those companies that must have been fully conversant with the fraud can have been "outside" the cell, and only swept into 84 transactions by cunning deceit.

83. The loans, about which Mr. Kriton Cicopalus lied to HMRC, were very significant. The loans that we referred to in paragraph 42 above appear to have commanded a high interest rate, since vastly more was returned to the lender than was advanced. This appears entirely consistent with the MTIC reality that in substance it was the funder that took much of the broker exporter's profit, and since the broker exporter would in practice be unable to repay the loans if HMRC failed to repay input tax, it would be the funder that took the risk. Equally in relation to the loans advanced by Peripheral, they were advanced to enable International to make payments for product that would be recirculated immediately to Bilgisel, so that absent the loans (and the appreciation that they would indeed be advanced) International would have entered into transactions that it would be unable to complete. The total absence of any loan documentation being shown to HMRC and the feature that no documentary evidence ever given to HMRC during the enquiries ever suggested that the lender had pressed in any way to recover about £5 million of outstanding debt, all admit of no other conclusion than that all parties must have known that the loans were advanced by the mastermind behind planned transactions to enable all the pre-planned steps to be accomplished.

84. The delays between contractual documentation and delivery of product and then between delivery and payment are strongly indicative of MTIC fraud, and they cannot be explained without the acceptance that every party knew that they were going to occur. We can see that, particularly if no goods actually existed in some of the deals, the delays would greatly have lessened or possibly eliminated the broker exporter's cash flow cost in funding the VAT gap. We cannot say that that was indeed the explanation for the delays though no other seems obvious. What we can and do say is that the delays were wholly uncommercial in a fast moving market; the delays were in conflict with some of the contract terms; they were never mentioned or contemplated in the contractual documentation; no customer ever appeared to question where its product was and no supplier appeared to ask why it was waiting for up to two months to receive payment. Plainly every party, and that very much includes International because it was essentially International that sat on goods and failed to instruct the freight forwarder to despatch them, simply must have known that these inexplicable and uncommercial delays were an integral part of the fraudulent planning.

85. We regard item 8 in paragraph 11 above, namely the fact that Limited acted as a buffer in 164 Malaga cell deals, to be the single most damaging fact in relation to the theory

advanced on behalf of the Appellant that International might have been duped by the parties either side of it in the deal chains to buy and sell in the manner required.

86. We consider that when the mastermind behind the Malaga transactions had numerous companies available to fulfil the less crucial roles of the buffer companies in MTIC transactions, the mastermind cannot have used Limited as a buffer if it was going to have to ensure that suppliers to it and customers from it somehow duped Limited into participating in 164 Malaga cell deals. Limited simply must have known that it was performing a play-acting role that was of marginal significance in relation to fraudulent deals, and once Limited must have known that this was so, it is preposterous to suggest that International, dealing with all the same parties, would not equally have been fully aware of the fraudulent reality of the transactions.

87. Our decision is that, to a far higher standard of proof than the mere balance of probability, International must have known of the connection of its deals to fraudulent VAT losses, and that it was a knowing participant in the frauds. We were asked by the Appellant's counsel not to identify the individual whose guilty knowledge must be attributed to the company, and we readily concede that, although we are only familiar with the names of two individuals who had any role to play in International and Limited, we of course were given no evidence of any sort as to which individuals dealt with the deals. All that we do do is to repeat the point made in paragraph 14 above to the effect that when the pattern of dealing pervaded the entire trading pattern of both Limited and International, the guilty individual must have been either a director or an employee of the required seniority or someone acting on the required delegated authority to have overall conduct of the business and we have no hesitation in saying that the guilty knowledge of that unknown person or those persons must obviously be attributed to International.

88. We dismiss the Appeal.

### *Costs*

89. The Respondents applied for an award of costs that we now grant. We grant the Respondents their costs on the ordinary basis, and dispute between the parties as to the quantum of recoverable costs to be referred to the costs judge of the senior courts' costs office.

### *Right of Appeal*

90. This document contains full findings of fact and reasons for the decision. Any party dissatisfied with this decision has a right to apply for permission to appeal against it pursuant to Rule 39 of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009. The application must be received by this Tribunal not later than 56 days after this decision is sent to that party. The parties are referred to "Guidance to accompany a Decision from the First-tier Tribunal (Tax Chamber)" which accompanies and forms part of this decision notice.

**HOWARD M. NOWLAN  
TRIBUNAL JUDGE**

**RELEASE DATE: 14 July 2015**