



# DAML case study 2

## FURLOUGH FRAUD (NOTE ALL DETAILS ARE FICTITIOUS)

Name of company: XYZ Limited

Company number: 1234567

VAT Number: 0123456789

Director: John Jones

Director's address: 12 Acacia Avenue  
Cheltenham  
GL32 5SS

Date of Birth: 20 January 1985

W: XYZsoftware.co.uk

T: 01452 123 456

Consent required: Yes

**XXS99XX**  
**XXTEUKXX**

GH LLP provides accounts preparation, general business support and corporation tax services to a limited company client (XYZ Ltd) concerned with software development. The client was a referral from a known intermediary. The company had a short but credible trading history.

In order to facilitate the payment of corporation tax we opened a designated client money account for the company.

After a year of our initial engagement, the client approached us regarding making an R&D claim application in respect of a project relating to the development of a software application that could confirm whether digital images of human faces used for personal identity verification were genuine or computer-generated simulated images.

We advised the client as to HMRC's guidelines for R&D claims and what expenditure might qualify as R&D for the purpose of a claim. The client put together a report to demonstrate the R&D work undertaken during the year including details of staff involved, hours spent on the project and employee costs. We reviewed the report to advise on whether it was likely to meet HMRC's information needs.

The R&D claim formed part of the company's tax computation which we submitted as normal.

After submitting the tax return, we identified the company name on an HMRC list of those having claimed furlough monies. Further enquiries caused us to suspect that the staff who were supposed to have been working on the R&D project had been recorded as being on furlough and therefore would not have been entitled to work for the company or spend the time on R&D

activities that had been reported to us. In the meantime, before we could take any action, HMRC made an R&D refund into our Firm's client account. We suspect the company may have made fraudulent furlough claims.

We suspect XYZ Ltd of fraud and tax evasion. We seek a defence against money laundering to pay the refund to XYZ Ltd.