

**Penalty imposed under the Money Laundering Regulations 2003  
James Paul (Car Sales) Ltd**

The first ever appeal to be heard by the VAT & Duties Tribunal under the Money Laundering Regulations recently took place. It concerned a company which dealt in high quality second hand cars. The 2003 regulations came into effect for high value dealers on 1 April 2004 and at the time encompassed traders who were involved in accepting a total cash payment of €15,000 or more, and who are not otherwise regulated e.g. by ICAEW or The Law Society.

During a routine VAT inspection which showed that the trader was in full compliance with all VAT procedural requirements and had accounted for and paid all VAT due in good time, one of the visiting assurance officers raised the question of cash receipts and the fact that the car dealer should be registered under the Money Laundering Regulation. Although the Tribunal Chairman had sympathy with the Appellant who had claimed that they had not been aware of the full extent of the money laundering regulations and their requirements under it, the Tribunal found that it was entirely appropriate that HMRC should impose a penalty because the company failed to notice the obligation to register even for the occasional cash transaction and did not respond properly to initial contact from HMRC on this particular matter.

The Tribunal ruled that a penalty was appropriate and whilst HMRC had rebated their initial penalty of £5,000 to £1,000 the Tribunal accepted that there was strong mitigating factors and reduced the penalty to £500 penalty on the Appellant.

This could be the first of many cases under the Money Laundering Regulations, traders dealing in cash should be aware of the money laundering regulations and their requirement to register under them, and whilst a £500 penalty is not a crippling amount, the costs and time involved with a Tribunal hearing are better avoided.