

I Richard Julian Clive Allen make the following statement of facts which come from my personal knowledge.

1. I have worked for ten years in the import and export trade and over twenty years in the music industry (in artist management, A&R, manufacturing, journalism and online retail). Recently I have worked to highlight online VAT fraud that harms legitimate tax paying retailers in the UK.
2. The background to all of this is as follows. In 2007 my online mail order operation of 13 years failed because of the abusive use of an import VAT exemption by retailers operating through the Channel Islands. Those Channel Island retailers exported from the UK and then reimported to the UK distributed entertainment products (CDs/DVDs). The purpose of this exercise was to obtain an exemption from import VAT called Low Value Consignment Relief (“LVCR”) and, thereby, enable those CDs and DVDs to be sold in the UK without VAT having to be charged at an unassailable competitive advantage
3. As a UK business which had to charge VAT I struggled to compete. I tried, via several routes, to put pressure on the UK Government to stop this trade. I formed and became a spokesperson for a campaign group called Retailers Against VAT Abuse Schemes (“RAVAS”). Nothing I did seemed to generate any action until, eventually, I made a complaint to the EU Commission who threatened the UK with infraction proceedings. In response to this, in 2012, HMRC closed the trade. But all of this was, as I have said, too late for my own business which closed because I could not compete with those who did not have to pay VAT.
4. Meanwhile, in 2015, one of the members of RAVAS alerted me to a website called VATfraud.org. The website contained details of another form of VAT abuse that involved non-EU sellers on Amazon and eBay selling goods from UK warehouses without charging VAT, in breach of UK and EU law.
5. I contacted the operator of the website and he, I, and a colleague prepared a report on the ongoing VAT fraud that was taking place on both Amazon and eBay. We personally handed this report to the Commission and distributed it to the UK media before also handing it personally to Financial Secretary to The Treasury David Gauke and Chancellor George Osborne.

6. The VAT fraud issue had major media coverage including the front page of the FT, coverage in The Guardian and a Radio 4 investigation which was broadcast on the 2nd of November 2015.
7. On the 10th of November 2015, a hand-written letter was put through the letter box of my front door. I attach a copy as Appendix One. It was from a Mr Guy Westhead who, it turned out, lived in the same village as me. Mr Westhead signed himself "Deputy Director, Customs Transformation" and said in his letter said he was a senior civil servant in HMRC. I later learned that Mr Westhead was a key adviser to senior ministers on VAT issues. He was awarded an OBE for services to HMRC in 2006. I attach as Appendix Two a screengrab of him sitting behind David Gauke on the 14th of January 2016 during a debate on VAT Evasion by internet retailers in Westminster Hall initiated by Chris Heaton Harris MP with whom VATFraud.org and RAVAS had been in contact.
8. The letter stated that he had seen the report that we had given to the Chancellor and that he wanted to meet with me to better understand the issues. This letter led to various email exchanges and then a meeting at HMRC's offices on 17 November 2015.
9. At this point I should say that it is generally my habit to record important conversations with people. The technology to do so is straightforward and, if you have a background in the industry, cheap. I recorded the meeting I had in HMRC's offices.
10. From my point of view the meeting was not especially productive. I did not feel we had made much progress and on 2 December 2015 I wrote to Mr Westhead saying so.
11. On 9 December 2015, I received another email from Mr Westhead: "I am deliberately writing this from my non-work email," he said. I attach a copy of his email as Appendix Three, together with my reply. He said:

"I will need to send you an official reply next week but on reflection I could meet locally on an unofficial non-attributable basis. I don't have a lot to say but I do believe there are some messages that I could usefully pass to you unofficially."

“Are you available at either 11.30 or 12 on Friday or Saturday and we could meet locally in either a cafe or even pub. Let me know. If that doesn't work for you I am sure I could find an alternative time next week.”

12. We subsequently arranged to meet, and then met, at the ‘Jack and Alice’ Café in Gerrards Cross. Once again, I recorded that conversation.

13. During that conversation we had the following exchange:

“**GW:** No, no. Exactly, exactly. It can't be allowed to continue. We can continue this conversation as needs be. We've had a good exchange. It's good background. We've got the press release coming next week so you can decide what you want to do on the back of that. The various options are there with ministers. I will have to send you a boring official letter next week and you'll think “God that doesn't align very well with what he said” Be careful what you say to ministers in letters and to not refer to our conversation as that would clearly be unhelpful

“**RA:** What worries me is that ministers have some kind of agenda to not annoy Amazon. If Amazon does something illegal Amazon has to be punished in my view. In America they (Amazon) tried things like “that's it we are not building a warehouse in your State” and all this sort of stuff...

“**GW:** I've heard of that. I've heard from the Treasury; the Treasury didn't want us to be too hard on Amazon, but I think that was “yet”.

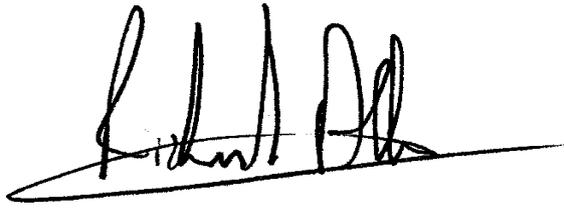
“**RA:** Because its VAT Evasion I don't think the Treasury has a say in that. Going back to that Italian case they can't start handing out amnesties because it's politically convenient. You have to pursue them.

“**HMRC:** We'll pursue them.... don't worry... “

14. As can be seen, Mr Westhead stated that the Treasury had instructed HMRC not to “be too hard on Amazon”. I regarded Mr Westhead's comment as confirmation that the Government was asking HMRC not to enforce the law. This chimed entirely with my previous experience of dealing with the Government in relation to the Channel Islands.

15. At the time of writing this witness statement Mr Westhead is currently on secondment from HMRC to GKN Freight Services and is working on Customs issues.

I believe that the facts in this statement are true.

A handwritten signature in black ink, appearing to read 'Richard Allen', with a long horizontal flourish underneath.

Signed Richard Allen

29 November 2017