

UK Authorities turn to British expatriates in Dubai on the hunt for financial wrongdoing

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References are now being made to Dubai being the modern-day Costa Del Crime. Individuals believed to have perpetrated tax fraud are now buying large amounts of property in the UAE's most famous emirate.

HM Revenue and Customs (HMRC) has made it clear that Dubai was having goods routed to it as part of complex carousel tax fraud arrangements as far back as 2005. In carousel fraud, a British company imports high-value goods VAT-free, sells them to a UK company with VAT added, collects the VAT but never pays it to HMRC. The same goods are resold on a number of occasions through a network of companies, with a company eventually reclaiming VAT – that was never paid - from HMRC.

The people behind such frauds were attracted to Dubai because its banks were not bound by the strict money laundering reporting restrictions in place in the UK. Dubai also does not have the means by which the authorities can freeze assets believed to have been gained through wrongdoing.

The authorities in the UK have now closed a number of VAT fraud loopholes. And their attention is turning increasingly to patterns of investment in Dubai.

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But while such attention is understandable, it may have implications for many people who have never had any kind of involvement in fraud – or any other type of business crime. There will be many people – from many different countries – who have legitimately earned money which they have then invested in Dubai. Dubai has marketed itself extensively as a place to enjoy and invest in for more than 20 years. As a result, large amounts of money have been spent there by people with no involvement in wrongdoing.

Any intense scrutiny by UK authorities of investment in Dubai could well see many entirely innocent people having to account for their wealth. There are approximately a quarter of a million UK expatriates in Dubai. And it should go without saying that virtually all of them have no criminal connections. And yet they may well have to account for their wealth and investments if the UK authorities come knocking.

So what should they do? The simple answer is be proactive. The more detailed answer is take expert legal advice on how to protect their assets. Such advice is not the type likely to be administered by the type of solicitor who handles the more routine family legal matters. It has to be sought from those with expertise in financial and white collar crime, who can ensure the right steps are taken to prevent the authorities gaining the right to seize a person's assets.

If anyone reading this thinks that sounds alarmist, think again. We are now in an era where the authorities in the UK and many, many other countries are increasingly on the front foot when it comes to both identifying the proceeds of crime and attempting to recover them. A combination of greater international cooperation between law enforcement agencies, political support for such action and an enhanced awareness of the cross-border, multinational nature of a lot of white-collar crime has made it increasingly likely that the movement of the proceeds of crime will be tracked from country to country.

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The authorities now also have extensive powers to take a person's assets if they believe them to be the proceeds of crime. Part 5 of the Proceeds of Crime Act 2002 (POCA) gives the authorities the power to issue proceedings against any person thought to hold property obtained through unlawful conduct. As such proceedings are a civil matter, the person who faces losing their assets does not even have to have been convicted of a criminal offence: their assets can be taken if it is decided that, on the balance of probabilities, those assets are (or were bought with) the proceeds of crime.

This is a legal approach that has, quite rightly, been described as draconian. It can be used to put many people in an unenviable position – which is why many in Dubai may need to act now to ensure they are not unwitting targets of POCA.

The UK government now also has unexplained wealth orders (UWO's) which came into effect at the end of January. By using a UWO, the authorities can freeze and recover the property of an individual who cannot explain why they own assets worth more than their income and who cannot prove they acquired them legally.

There is little doubt that UWO's will make it much easier for the authorities to target those they suspect of handling the proceeds of crime. But the authorities do not get it right all of the time. And that could mean many innocent people becoming caught up in the rush by the authorities to track down ill-gotten gains in Dubai. Once again, specialist help will be a necessity for anyone who is the subject of a UWO or who fears they may be about to become the subject of one.

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The authorities, it seems, have Dubai in their sights and seizing the proceeds of crime on their agenda. This could well see many innocent people having to explain how they acquired their assets and even having to fight to keep hold of them. Such a fight cannot be left until it is too late. The authorities are unlikely to be particularly slow or considerate if they suspect someone's Dubai home (or any other asset) is the proceeds of crime. And whether they have jumped to the wrong conclusion will be irrelevant. There will be many living in Dubai quite contentedly, in legally-acquired homes, who may well need to seek help in the very near future in order to retain what is rightfully theirs.

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