Loan Charge All-Party Parliamentary Group

Survey of People facing the Loan Charge 2021

Survey Results and Report

May 2021

This Survey was compiled, researched and written by the Loan Charge APPG. The Loan Charge APPG Secretariat is staffed and funded by the Loan Charge Action Group.

Loan Charge APPG – Survey of People Facing the Loan Charge

Executive Summary

The Loan Charge APPG conducted a survey in April 2021 of people facing the Loan Charge to evaluate the affordability of the Loan Charge and the impact of it when, as currently is the case, HMRC demand it this year.

Between 16 April 2021 and 24 April 2021, 1,109 people participated in the survey, of which 78% have a Loan Charge liability - 11% are uncertain and 11% have 'settled'.

The three key findings from the survey

1. **That the Loan Charge is patently unaffordable for the vast majority – which is thousands of people.** Most people facing the Loan Charge simply cannot pay, whether in one go or on a monthly basis and HMRC seeking to collect it and enforcing, as planned will have devasting consequences for many, with thousands of people projected to go bankrupt, to have to sell their home and with many people unable to work and reliant on state benefits as a result.

2. **It is clear that people were mis-sold the schemes, as they were never given any sense of the risk of HMRC open enquiries or their seeking to close them down.** People were given the impression that the schemes were entirely compliant with tax law and that there was nothing to worry about, even though advisers and promoters knew that Government and HMRC wanted to stop the operation of schemes and that the direction of travel politically was that they would do so.

3. **Many people facing the Loan Charge have also lost income due to the off-payroll rules roll-out and the Covid-19 pandemic** (and lack of Covid-19 support from Government).

Key Statistics

Affordability/Financial reality of the Loan Charge

- 75% of respondents say bankruptcy will be inevitable to them if HMRC enforces the loan charge, with 84% saying that this will directly impact their future work prospects.
- More than three-quarters (77%) of respondents are endangered of relying on State benefits because of their loan charge situation, with 38% expecting immediate dependence on benefits and the remainder foreseeing this closer to retirement.
- More than half (55%) of respondents expect having to sell their primary residence and/or having to release their equity (63%).
- More than eight in ten (82%) would need to borrow substantial amounts to repay the loan charge and eight in ten (70%) would need to use their pension to either pay the LC specifically or debt incurred as a result of the loan charge.

- An overwhelming majority (88%) would not be able to afford a Time to Pay (TTP) arrangement of less than 3 years and would require an individual arrangement with HMRC.
- If respondents were asked to repay the loan charge in installments, almost half (46%) of the respondents would see a net income reduction of up to 50%, 29% would see a reduction between 50-100% and a substantial 25% of respondents would see their net monthly income reduced by more than 100%.

The promotion/selling (mis-selling) of schemes

- An overwhelming majority of respondents (99%) were told that the arrangements were legitimate / compliant when they entered those schemes.
- Only a tiny minority of people had the risks to them explained either partially (6%) or fully (1%) whereas a vast majority (93%) did not have the risks explained to them at all.

Loss of income from the Covid-19 pandemic and the IR35 off-payroll rules

- A large majority (72%) of respondents indicated that their monthly income will be impacted by the roll-out of the Off-payroll rules.
- Of those impacted, a large proportion (73%) have or will experience an income reduction by up to 50%. The remainder (13%) have or will see an income reduction between 50% and up to 100% and another 11% have lost their work entirely.
- 22% of respondents have lost their job completely as a result of the Covid Pandemic with 25% of those experiencing a drop of income between 50% and 100%
- 73% of participants impacted by Covid-19 have not received Government support.

Introduction

The Loan Charge APPG conducted a survey in April 2021 of people facing the Loan Charge to evaluate the affordability of the Loan Charge and the impact of it when, as currently is the case, HMRC demand it this year.

1,109 participants took part in the survey between 16 April and 24 April 2021, with 866 participants confirming they were subject to the Loan Charge and a further 119 stating that they remained uncertain (a total of 985). The other 124 indicated they had agreed settlement with HMRC and are not subject to the Loan Charge.

Survey Purpose and Methodology

The survey was of people subject to the Loan Charge for all or part of their liability. The focus of the survey was therefore on those individuals who either have not settled or agreed settlement terms with HMRC prior to 30 September 2020. This survey did not address other financial impacts to individuals, including Small to Medium Business owners (SMBs), payment of Accelerated Payment Notices (APNs), settlement arrangements already in place with HMRC or loan recalls from Trustees.

The Loan Charge APPG survey was made available to the public through the APPG website and other organisations, including the Loan Charge Action Group who assisted by distributing the survey to their own members. The survey was further disseminated using social media.

Whilst the focus of the survey was on the participant's Loan Charge liability, the research does also address the additional impacts of the ongoing Covid-19 pandemic and the recent Off-Payroll changes on those individuals subject to the Loan Charge.

The Financial Reality of the Loan Charge for individuals facing it

The responses to the survey clearly show that the Loan Charge is simply unaffordable for most people facing it, which is thousands of people, according to HMRC's own figures. Most people facing the Loan Charge simply cannot pay, whether in one go or on a monthly basis. The planned HMRC collection and enforcement will have devasting consequences for many, with thousands of people projected to go bankrupt, to have to sell their home and with many people unable to work and reliant on state benefits as a result.

The key responses in terms of impact are as follows:

- 64% (633/985) would become instantly bankrupt if HMRC demand the Loan Charge 'liability' is enforced in one full payment.
- 48% (478/985) would or will need to sell their homes.
- 68% (668/985) will rely on state benefits either immediately or towards their retirement if made to pay the Loan Charge.

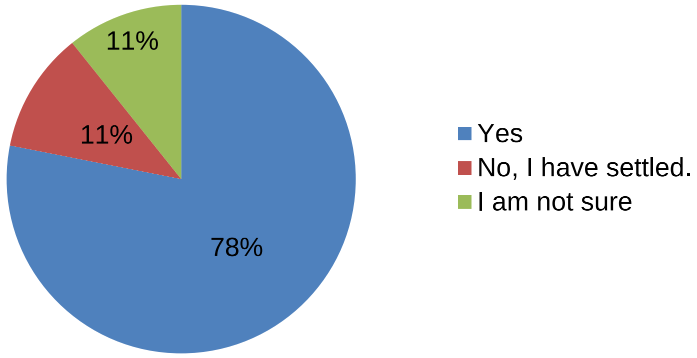
The sums being demanded by HMRC are unreasonable but more importantly, difficult and in some cases logically impossible for people to meet. 22% of respondents (219/985) are expected to <u>pay over 100% of their net monthly income</u> in monthly instalments.

Many, indeed the majority of people facing the Loan Charge participants are financially further drained due to the Covid-19 pandemic and the impact of the recently introduced but long planned roll-out of the Off-Payroll rules to the private sector.

- 38% of participants have suffered a drop in income as a result of the covid pandemic, 22% of those have lost their jobs completely, 27% have suffered a loss of income of between 50 and 100% of their previous monthly earnings.
- 73% (271/373) of participants impacted by Covid-19 have not received Government support.
- 46% of participants are also subject to the IR35 Off-Payroll regulations in the private sector.

Overview of responses

1. Are you subject to the Loan Charge?



78 % (866/1,109)	Yes
11 % (124/1,109)	No, I have settled
11 % (119/1,109)	I am not sure

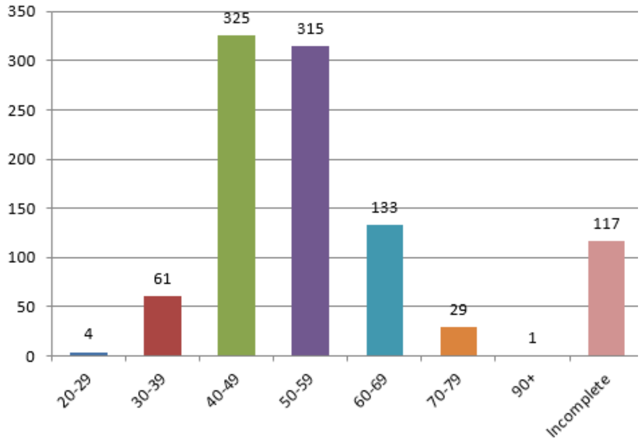
Out of 1,109 participants, 78% are subject to the Loan Charge. Only 11% have arranged settlement terms with HMRC and an additional 11% are not sure whether they are subject to the Loan Charge or not. Those who answered, 'no, I have settled' were not asked further questions as the survey focused specifically on the impact of the Loan Charge. Therefore, the total for the remainder of the survey will be 985, which include those who answered 'yes' or 'I am not sure' for Question 1.[1]

Based on the qualitative data in Question 28, there are a variety of factors that have left participants uncertain, largely centred on communication issues from HMRC. These include:

- HMRC broke off communication with them prior to, or after, the 30 September 2020 deadline.
- HMRC refused to answer questions or provided unclear information which did not help the participant to understand or clarify their situation.
- Participants took out loans prior to 9 December 2010 and remain unclear as to where they stand because HMRC have not clearly communicated with them.
- Promoters continue to reassure clients that they are not subject to the Loan Charge.
- Participants have paid off the loans, yet HMRC insist they are still subject to the Loan Charge.

1 Out of the 985 participants, 117 left the survey early and their answers were logged as incomplete for Questions 2-28. It is possible that participants abandoned the survey because they were uncomfortable answering private questions about their financial affairs. Based on the qualitative data in Question 28, participants reported that they occasionally struggled to answer questions because they wanted to answer accurately and were uncomfortable speculating based on their understanding of their situation at the time. Participants did not want to imagine what their liability might be - they wanted to know to answer the question. Whilst some persevered, others may not have, hence the incomplete responses.

2. What is your age ?[2]

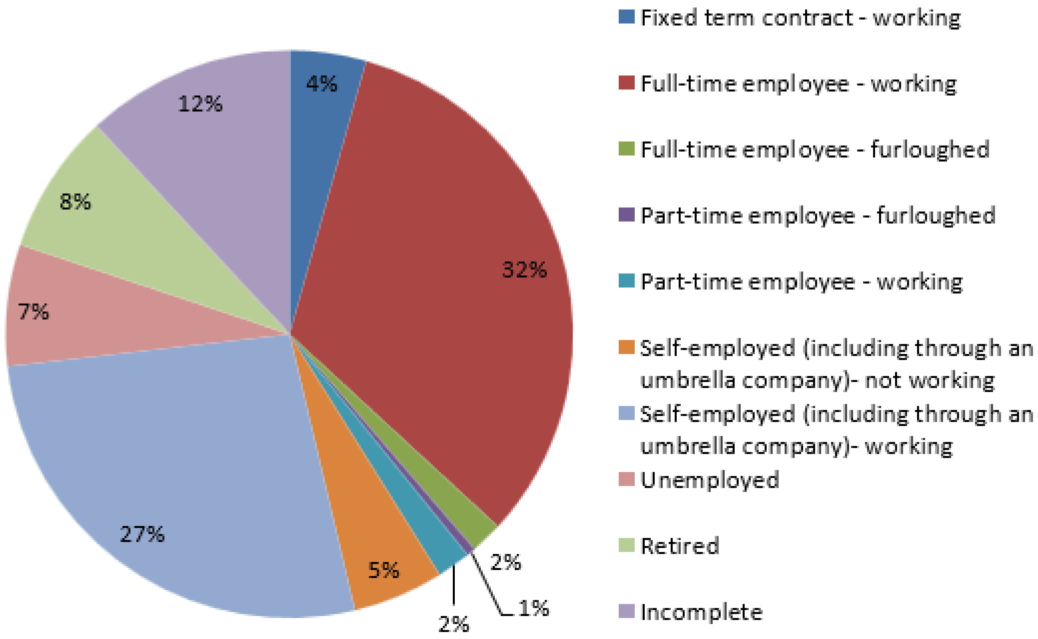


0.4% (4/985)	20-29
6% (61/985)	30-39
33% (325/985)	40-49
32% (315/985)	50-59
14% (133/985)	60-69
3% (29/985)	70-79
0% (0/985)	80-89
0.1% (1/985)	90+
12% (117/985)	Incomplete

Later in the report, there is an examination of the impact of the Loan Charge on different age groups.

2 117 participants did not complete the survey after they had started it (termed an 'abandoned survey'). This might be as it focused on financial liability which people consider a personal matter. Since the questionnaire required participants to answer 27 out of 29 questions, participants may have chosen to abandon the survey rather than reveal what they consider personal information. Other explanations for not filling out the survey can be gleaned from the qualitative data from Question 28, and one reason why participants may have abandoned the survey is because they want to be able to answer these questions honestly - which requires *knowing*, not speculating, what their liability amounts to. People reported that they felt anxious with some of the survey questions because HMRC have not communicated with them and they felt they could not provide an accurate answer, even though the questions asked participants to answer the questions to their best of their ability based on their situation

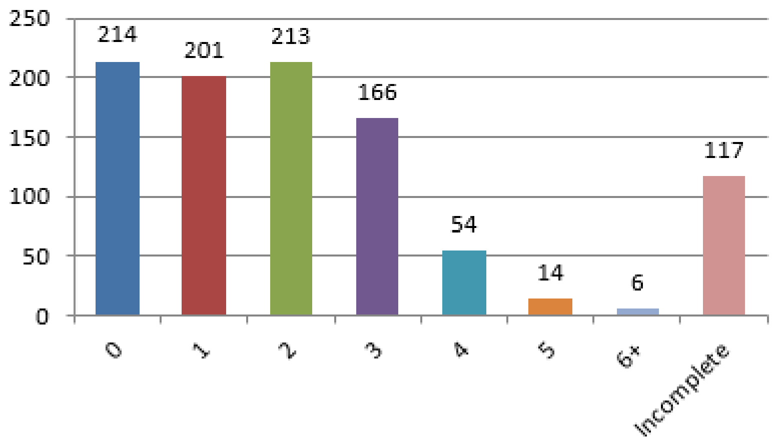
3. How would you identify your current employment situation?



27% (265/985)	Self-employed (including through an umbrella company) - working
5% (51/985)	Self-employed (including through an umbrella company) - not working
32% (320/985)	Full-time employee - working
2% (18/985)	Full-time employee - furloughed
4% (43/985)	Fixed term contract - working
2% (19/985)	Part-time employee - working
1% (5/985)	Part-time employee - furloughed
7% (68/985)	Unemployed
8% (79/985)	Retired
12% (117/985)	Incomplete

This question focused on participant's current employment situation. From the qualitative data in Questions 25, 26 and 28, they report that they have moved to either 'full-time' or 'part-time' employees because of the rollout of the IR35 Off-Payroll regulations to the private sector. In addition to those 8% (79/985) who have now retired, 7% (68/985) are currently unemployed due to a variety of contributory factors, such as loss of a role/employment due to the changes in contracting regulations, illness, or are currently between contracts. In theory, those who are unemployed may find work again (dependent on their health) – however, both groups will find it increasingly difficult to pay the Loan Charge when their income is limited or indeed non-existent.

4. **How many dependants do you have (dependants may consist of children under the age of 18, a spouse, elderly parents, an adult child or sibling you are caring for, or others)?**

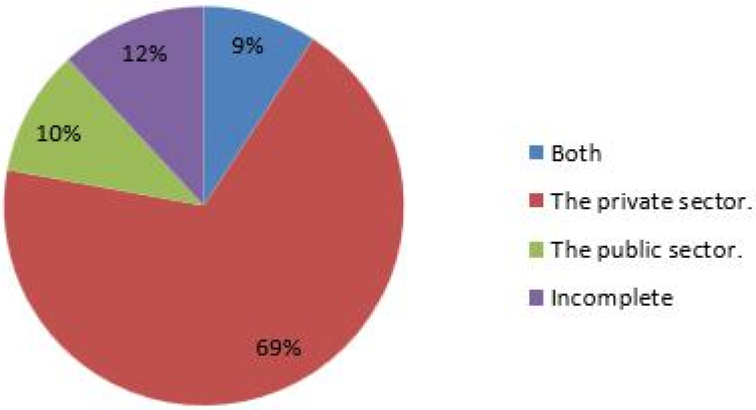


22% (214/985)	0 dependants
20% (201/985)	1 dependant
22% (213/985)	2 dependants
17% (166/985)	3 dependants
5% (54/985)	4 dependants
1% (14/985)	5 dependants
1% (6/985)	6 dependants
12% (117/985)	Incomplete

HMRC's Loan Charge statistics have focused on the specific individuals involved without acknowledging the wider impact on families. This statistical breakdown indicates that 66% of affected individuals have dependants who are (either directly or indirectly) impacted by HMRC's Loan Charge and may also be experiencing issues relating to their physical, mental, emotional and social well-being. In particular, those writing qualitative responses to Question 28 note that their relationships have broken down or that they have divorced (or are currently in proceedings) and no longer see their children – all as a consequence of this policy.

Retrospective tax policies which demand more than 50% of one's net monthly income for decades will impact households that are providing care for children, elderly relatives and disabled or terminally ill family members. Those with dependants will likely be in the age ranges from 20-69 (838/985) – 85% of participants - but can include those in their 70s and 80s who are providing care for a spouse, child(ren) or grandchild(ren). The immense stress caused by ongoing financial insecurity has a high probability of being passed onto those children and elderly relations that are being cared for, thereby directly impacting dependants who will also experience depression, anxiety and suicidal tendencies because of the imposition of the Loan Charge on their own extended families.

5. When you were using a scheme(s) that is / are subject to the Loan Charge, were you working in...[3]



10% (101/985)	The public sector
69% (676/985)	The private sector
9% (91/985)	Both
12% (117/985)	Incomplete

69% of participants involved in one of more loan arrangement(s) worked within the private sector, while 10% were solely public sector workers and 9% were involved across both. Whilst loan arrangements seem to predominantly involve those working in the private sector, it should be noted that 19% of participants were involved and working within the public sector.

3 As the survey was only available for a very limited period, it is highly likely that it did not reach all those impacted by the Loan Charge.

6. What sector(s) did you work in when you utilised an arrangement(s) that is / are subject to the Loan Charge?[4]

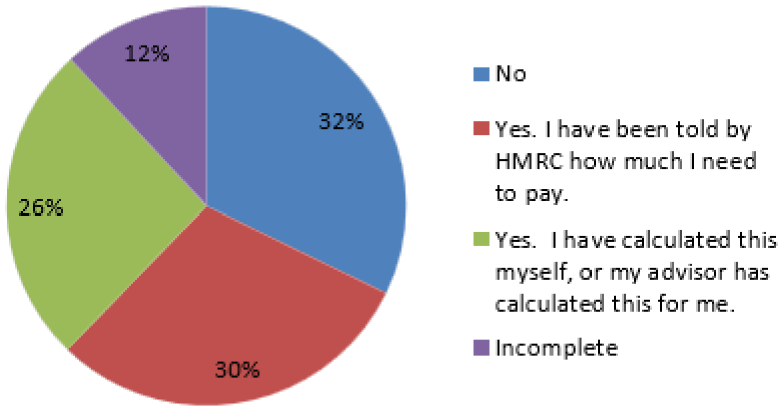
30% (299/985)	Information Technology
30% (297/985)	Financial Services
12% (117/985)	Oil / Gas
9% (88/985)	Other
7% (69/985)	Engineering
6% (60/985)	Telecoms
6% (58/985)	Health Services
5% (52/985)	Central Government
4% (44/985)	Construction
3% (32/985)	Insurance and Risk Retail
2% (24/985)	Local Government
1.4% (14/985)	Aviation
1.4% (14/985)	Accounting
1.4% (14/985)	Film and Media
1.3% (13/985)	Automotive
1% (9/985)	Education
0.6% (6/985)	Dentistry
0.4% (4/985)	Social Work
0.4% (4/985)	Health and Safety
0.2% (2/985)	Haulage
0.2% (2/985)	Chiropractic
0.1% (1/985)	Cleaning
12% (117/985)	Incomplete

The above is a breakdown of those sectors in which survey participants were working at the time they used a loan arrangement. Participants were allowed to choose multiple answers which reflected that many individuals were involved in a variety / combination of sectors. A notable example would be an IT contractor, who could work in various public or private sectors such as NHS, banking or haulage and over a twenty-year period.

Alternatively, participants may have made radical career changes and this is another reason for HMRC to exercise caution when determining the affordability of a participant's Loan Charge 'liability'. It is quite probable that they are now no longer earning the same amount of pay (due to IR35, Covid-19, etc.), so whatever HMRC might deem to be due as a Loan Charge 'debt', it is imperative that any change in circumstance and income must be taken into account.

4 Participants were offered the opportunity to make several choices, in order to account for those who may have changed sectors or careers over a twenty-year time span. Please note that the percentages do not add up to 100 because respondents could therefore choose more than one option.

7. Do you know your Loan Charge bill?

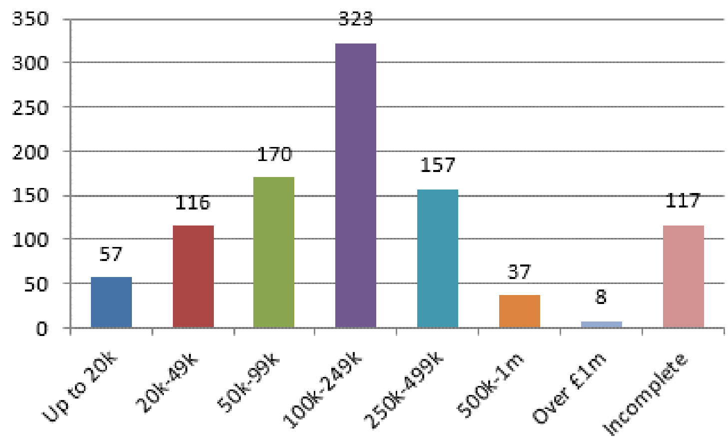


26% (255/985)	Yes. I have calculated this myself, or my adviser has calculated this for me
30% (296/985)	Yes. I have been told by HMRC how much I need to pay
32% (317/985)	No
12% (117/985)	Incomplete

HMRC have only informed 30% (296/985) of participants directly as to what their Loan Charge 'liability' amounts to (based on their calculations). 58% (572/985) either still do not know or have had to calculate this on their own or with additional help from a tax professional. These results raise further concerns about HMRC's inconsistent and infrequent communications. Participants should *surely* have been told by HMRC by now as to their Loan Charge 'liability' more than seven months after the 30 September deadline[5]. This situation also highlights the frustration and anxiety which participants experience when attempting to communicate with HMRC because the organisation (or relevant department) fails to contact participants or answer their questions in a timely manner. As a direct consequence of this people have been denied the opportunity to settle (should they so wish) and forced into paying the Loan Charge.

5 There is a possibility that participants have confused their 'settlement' calculation with the amount due under the Loan Charge. If the latter is indeed the case, this means that the percentage of people whom HMRC have informed regarding their Loan Charge 'liability' is actually less than the 30% stated herein.

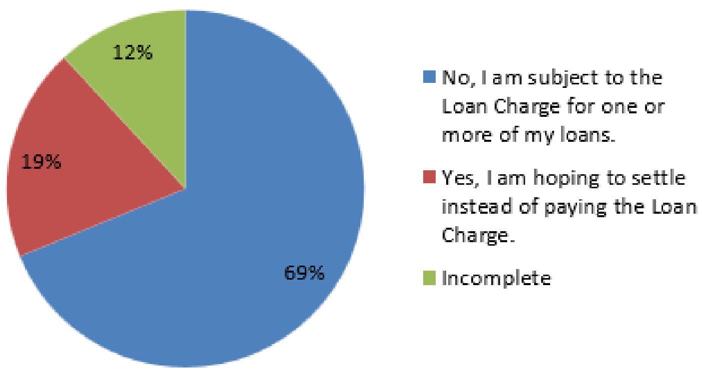
8. Please indicate your Loan Charge 'liability' (or estimated Loan Charge liability, if not known) within one of the following ranges.



6% (57/985)	Up to 20K
12% (116/985)	20-49K
17% (170/985)	50-99k
33% (323/985)	100-249K
16% (157/985)	250-499K
4% (37/985)	500K-1m
1% (8/985)	Over 1m
12% (117/985)	Incomplete

21% (202/985) of participants are being asked to pay a sum well beyond the average mortgage (or more), with 33% (323/985) asked to pay between £100,000 and £249,000. 71% (695/985) of affected individuals are liable for over £50,000 and 1% (8/985) have a demand for 'over £1m.' These amounts are equivalent to (and mostly exceed) a full year(s) wage in these instances, and HMRC is asking participants to pay most of their 'liability' immediately or within a limited time frame. This is especially disconcerting considering that participants report they received only very small income increases from using a loan-based scheme compared to that they would have received whilst using a limited company. The 'excess' would have been taken by the promoters / trusts.

9. Are you still trying to settle on pre-30 September 2020 terms in order to avoid paying the Loan Charge?

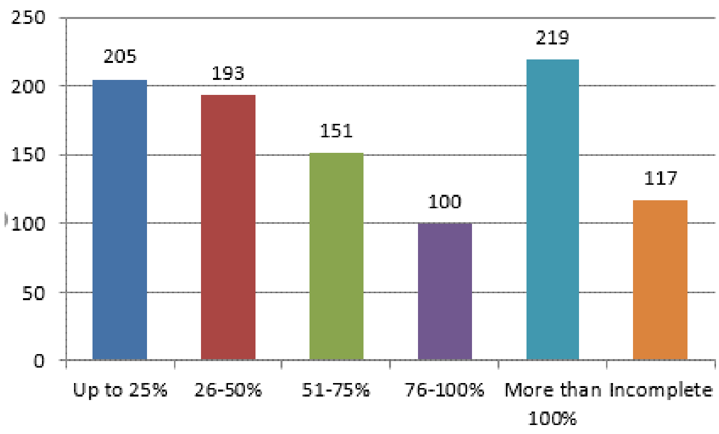


19% (190/985)	Yes, I am hoping to settle instead of paying the Loan Charge
69% (678/985)	No, I am subject to the Loan Charge for one or more of my loans
12% (117/985)	Incomplete

In theory, *all* those who have not settled prior to 30 September 2020 should be subject to the Loan Charge. 69% (678/985) have confirmed that is indeed the case here. However, 19% (190/985) are still hoping that HMRC will allow them to settle instead of paying the Loan Charge. This includes those who marked in Question 1 that they *are* subject to the Loan Charge or are uncertain as to whether they are or not. It is possible that these participants are not clear regarding the technical difference between Loan Charge 'settlement' and the actual Loan Charge itself.[6]

6 HMRC have failed to conclude settlements within the published timelines to avoid the Loan Charge, leaving individuals unclear as to their position.

10. If you are or were to pay the Loan Charge in instalments, how much of your net monthly income (income after tax) is HMRC asking you to pay?



21% (205/985)	Up to 25%
20% (193/985)	26-50%
15% (151/985)	51-75%
10% (100/985)	76-100%
22% (219/985)	More than 100%
12% (117/985)	Incomplete

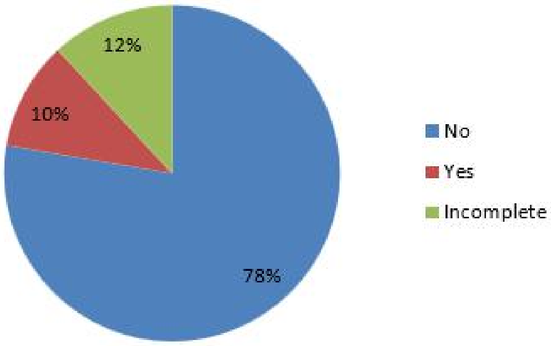
Question 10 was strategically worded so that participants, regardless of whether HMRC had told them their Loan Charge 'liability' or not - or understood their situation fully - could estimate the exposure based on their personal situation as they understand it at the time of taking the survey. Given that everyone's situation is unique, we cannot speculate that these ranges are affordable for one individual or another. It would be biased and indeed unethical to presume that any one of these might be considered as a validation or measure of affordability, or something that the participant could bear financially without a lifetime of debt.

It was not within the scope of this survey to investigate the conditions of any Loan Charge agreements between participants and HMRC. What we do know is that HMRC has the discretion to consider what is affordable after a participant's monthly net income and bills / debt are taken into consideration.

What the results do clearly evidence, however, is that 22% (219/985) of participants would be required to pay over 100% of their income and this statistic includes four individuals who have previously been contacted by HMRC to inform them of their Loan Charge 'liability'.

An additional 25% (251/985) would be forced to reduce their income anywhere between 50% and 100% in order to pay the Loan Charge. HMRC have informed 74 out of those 251 as to what their Loan Charge 'liability' amounts to in total - surely it is nothing less than punitive for HMRC to *knowingly* ask participants for more than 50% (let alone over 100%) of their income whilst at the same time realising the only way participants can pay is through accumulating lifelong debts and raiding pensions which they have worked for years to save? This places participants and their families in a precarious position where they are unable to save and thus even more susceptible to the ongoing threat of bankruptcy – in essence, a life of poverty.

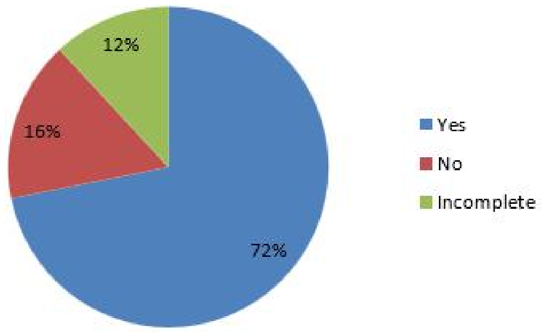
11. If you were to arrange a TTP agreement over 3 years for your Loan Charge liability, could you afford the monthly payments that HMRC require in order to pay the Loan Charge?



10% (103/985)	Yes
78% (765/985)	No
12% (117/985)	Incomplete

Even if HMRC were to offer participants a TTP (Time-To-Pay) agreement for their Loan Charge exposure, 78% would still not be able to pay their full Loan Charge ‘liability’ within that time frame and it would be impossible for those who have been asked for over 100% of their income to comply (as detailed in Question 10). Those that could potentially afford a TTP arrangement would do so at the expense of their pension, home and any prior investments, leaving them susceptible to a reliance on State benefits either immediately or towards retirement. Hence, offering such arrangements as a means of ‘helping’ those who are victims of the Loan Charge is farcical. For the majority, HMRC is only delaying a participant’s inevitable descent into bankruptcy. At best, a TTP arrangement offers a minority of participants the unenviable opportunity to attempt to manage their lifelong debt, or a life that may be debt free but wholly reliant on State benefits.

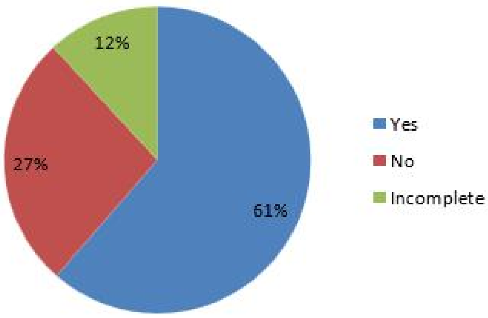
12. Would you/will you need to borrow money to pay the Loan Charge?



72% (708/985) Yes
16% (160/985) No
12% (117/985) Incomplete

The reliance on debt to pay for an item (whether it be a home, a vehicle or indeed tax) is surely additional proof that the Loan Charge is unaffordable for 72% (708/985) of participants. A maximum of 16% (160/985) do not need to borrow and perhaps *cannot* borrow - as 101 out of the 160 are above the age of 50 - but will collectively call upon pensions, homes or other safeguard investments to help avoid taking on a tax 'debt'. Again, due to the age ranges, participants are unlikely to recover financially in time for their retirement and will be reliant on state benefits. Those between the ages of 30-50 (39%) will simply be working to pay a lifelong tax debt either directly or indirectly to HMRC, without hope of saving for a pension or even providing for their family.

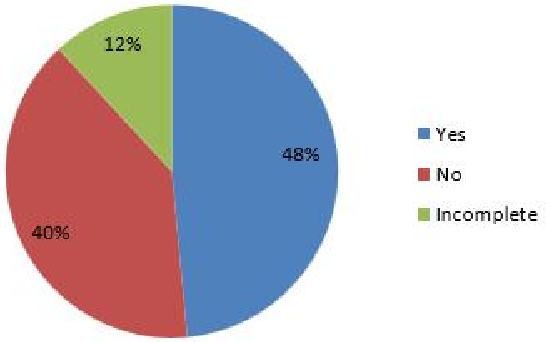
13. Would you / will you need to use your pension to either pay the Loan Charge specifically, or pay any debt incurred as a result of paying the Loan Charge?



61% (605/985)	Yes
27% (263/985)	No
12% (117/985)	Incomplete

61% (605/985) will need to access their existing pension funds to pay the Loan Charge or any other associated debt taken on to try to pay the Loan Charge. 27% (263/985) indicate they will not, because they are *already* utilising their pension and will need to resort to other investments based on the qualitative responses in Question 28. Other participants who responded with a 'no' have done so because they will have to evaluate other options or investments (such as selling their home, releasing equity etc.) or simply do not have a pension upon which to rely anyway. Therefore, 27% (263/985) is the *maximum* who 'might' be able to pay without using pension funds but does not offer any proof that the Loan Charge is affordable for those who answered 'no' to Question 13.

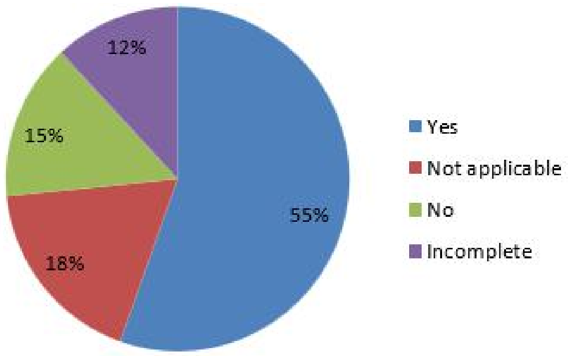
14. Would you / will you need to sell your primary home to pay the Loan Charge?



48% (478/985)	Yes
40% (390/985)	No
12% (117/985)	Incomplete

48% (478/985) of participants indicated that they would need to sell their primary home to pay the Loan Charge with 40% (390/985) answering that they do not need to do so. Those who answered 'no' may include those who need to remortgage to release equity, those who do not own a home and those who have already sold their home due to the Loan Charge.[7]

15. Would you / will you need to release equity from your home to pay the Loan Charge?

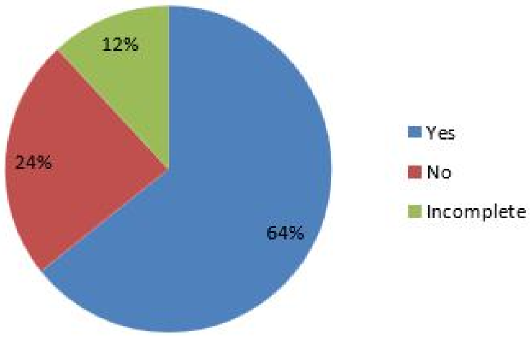


55% (546/985)	Yes
18% (177/985)	Not applicable
15% (145/985)	No
12% (117/985)	Incomplete

This may be a more accurate indication of home ownership amongst participants with 546 (55%) stating they would need to release equity from their home to pay the Loan Charge. Releasing equity means they will either sell their home (see Question 14), or find another means of freeing up money to pay the Loan Charge, such as remortgaging (if that option is available).

7 The survey does not adequately address the upheaval caused to those who would need to find new rental accommodation(s) and endure the stress of relocating their family because they can no longer afford to rent their current home.

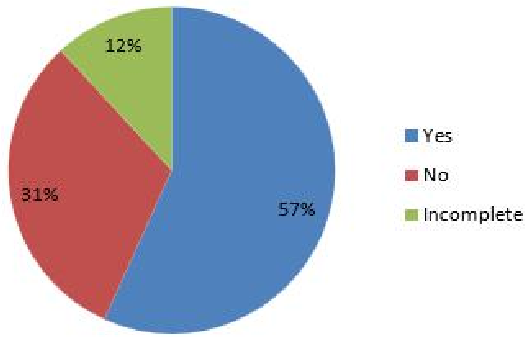
16. If HMRC insist on the full Loan Charge in one go and enforce it, will bankruptcy be inevitable for you?



64% (633/985)	Yes
24% (235/985)	No
12% (117/985)	Incomplete

64% (633/985) of participants will be made bankrupt as a direct result of the Loan Charge if HMRC insist on enforcing payment in full with immediate effect. Those who marked 'no' (235/985) indicate that they will rely on their pension(s) and investments and as a consequence be dependent on state benefits either immediately or towards their retirement. Others who marked 'no' indicated that they have another household earner that can support them through the bankruptcy.

17. Will you have to go bankrupt as a direct result of the Loan Charge?



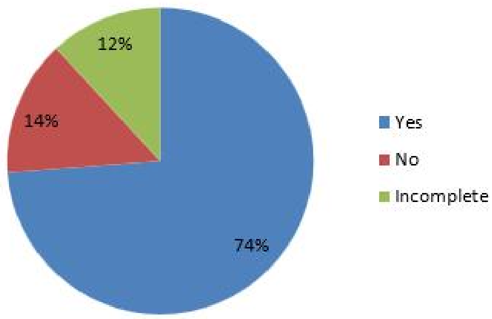
57% (559/985)	Yes
31% (309/985)	No
12% (117/985)	Incomplete

57% of participants reveal they will go bankrupt as a direct result of the Loan Charge. 31% will not because they are utilising pensions, investments, relying on state benefits, selling their home, selling other assets or have another household earner is able to help burden the costs**.**

This is one example in which the Loan Charge financially impacts the additional household earner as they are working to furnish and pay the debt of another family member. This situation should also highlight those who are sole income earners in a household, particularly single parents with dependants, and whom are likely to face additional hardship as a result of bankruptcy.

From the qualitative data received, there is also an optimistic sentiment that participants can hope to avoid bankruptcy *if* they are able to remain employed at the same level of income they are currently receiving.

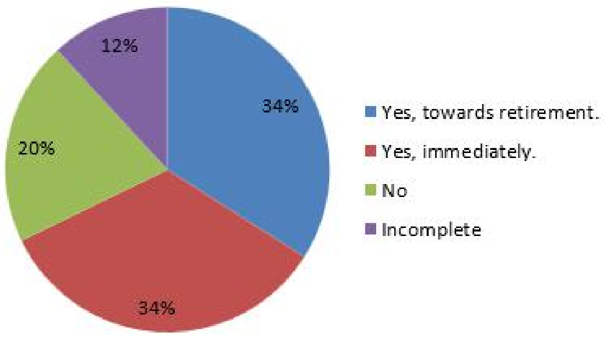
18. If you do go bankrupt, will this impact your future work prospects?



74% (727/985)	Yes
14% (141/985)	No
12% (117/985)	Incomplete

Participants who responded to this question answered regardless of whether they were in any imminent danger of bankruptcy or job loss. If their situation changes, 74% are in employment sectors in which bankruptcy would be detrimental to their future careers. Out of the 57% (559/985) in Question 17 that said they would go bankrupt, 91% (507/559) will lose their livelihood solely because of the Loan Charge.

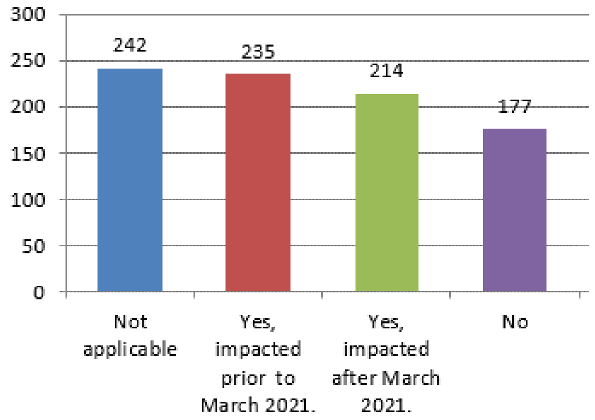
19. Are you in danger of relying on State benefits because of your Loan Charge situation?



34% (333/985)	Yes, immediately
34% (335/985)	Yes, towards retirement
20% (200/985)	No
12% (117/985)	Incomplete

Participants' responses reveal a total of 68% will be reliant on State benefits either immediately or towards their retirement because of HMRC Loan Charge enforcement. Referring to the age ranges, 82% are between the ages of 40 and 69, with an additional 3% over 70. Hence, participants are not able to plan for their retirement or put in place a financial strategy for their long-term care for assisted living at home or in a retirement home. This will potentially result in successive generations of retirees that are reliant on state funding for their care. There are also additional hardships which come with ageing, as participants report in the qualitative data that they or a family member are suffering terminal or lifelong illnesses such as cancer, which worsens the already precarious nature of their financial situation. Hence, those who are over 40 may have their work options interrupted or cut short as they attempt to care for either themselves or family members impacted by a debilitating illness.

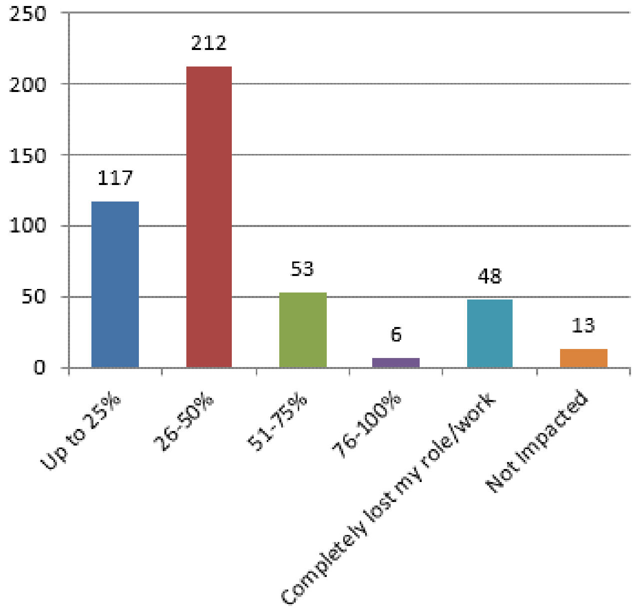
20. Has, or will, the forthcoming rollout of the IR35 Off-Payroll rules to the private sector impact(ed) your monthly income?



24% (235/985)	Yes - I was impacted prior to March 2021
22% (214/985)	Yes - I am or will be impacted after March 2021
18% (177/985)	No
24% (242/985)	Not applicable
12% (117/985)	Incomplete

46% of participants impacted by the Loan Charge are also subject to the IR35 Off-Payroll regulations now implemented within the private sector. Therefore, in addition to facing HMRC's Loan Charge, participant's incomes are further decreased as revealed in Question 21.

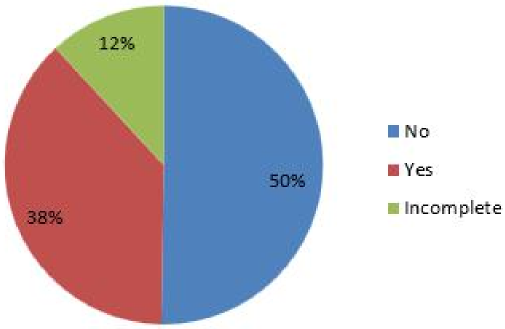
21. If you are or were impacted by the rollout of the IR35 Off-Payroll rules to the private sector, what is the decrease in your monthly net income (specifically as a result of the IR35 Off-Payroll regulations)?



26% (117/449)	Up to 25%
47% (212/449)	26-50%
12% (53/449)	51-75%
1% (6/449)	76-100%
11% (48/449)	I have lost my role/work completely
3% (13/449)	Not impacted by the rollout of the IR35 Off-Payroll rules to the private sector

Out of the 449 individuals impacted by the IR35 Off-Payroll regulations now in the private sector, 47% have been (or will soon be) subject to a 26-50% reduction in their net monthly income that will likely be permanent due to the rollout of these rules. 26% are expecting to lose (or have already lost) up to 25% of their net monthly income, with an additional 13% subject to a decrease of 50% or more. 11% have lost their role or work completely due to the regulatory changes now in force.

22. Is your monthly income impacted by the current Covid-19 crisis?

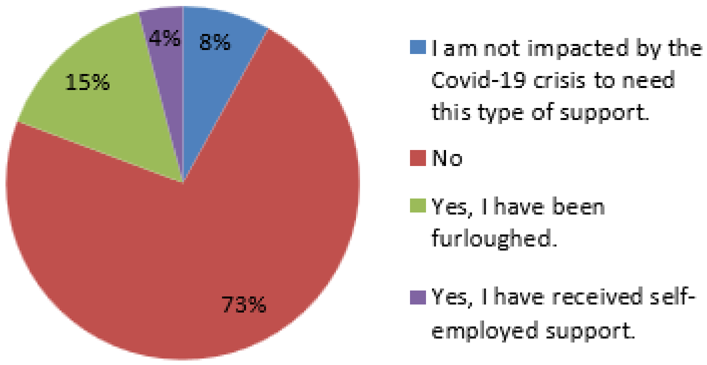


38% (373/985)	Yes
50% (495/985)	No
12% (117/985)	Incomplete

Given that the majority of participants are in roles within sectors that allow working from home, only 38% have had their monthly income impacted by the Covid-19 crisis. Nonetheless, this still equates to a large proportion of people – thousands of people

Those who are retired report (in the open answer responses to Question 28) that they have been able to financially weather the pandemic more successfully than others because (for now) they have their pension to help them.

23. Have you been able to access Government Covid-19 support?

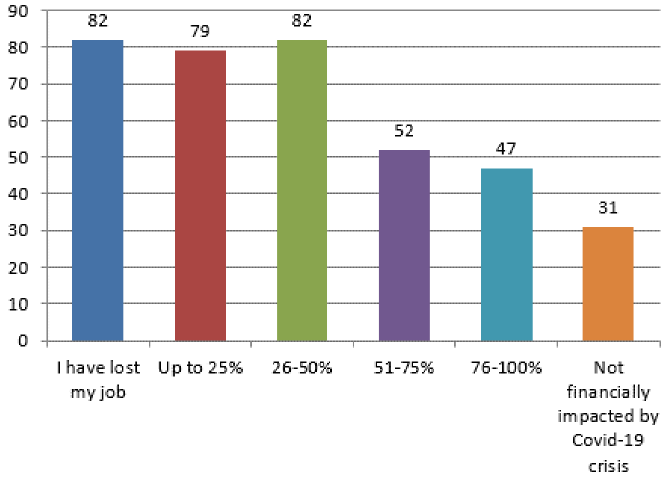


15% (57/373)	Yes - I have been furloughed
4% (15/373)	Yes - I have received self-employed support
73% (271/373)	No
8% (30/373)	I am not impacted by the Covid-19 crisis to need this type of support

These statistics take into consideration those participants who marked ‘yes’ in Question 22 (373/985). 15% of those 373 have been furloughed and an additional 4% received self-employed support. 8% were not impacted by the crisis and thus did not require financial support.

73% were not eligible for financial support, so would have accumulated additional debt or used any available savings. Even if the lockdown were to be eased from tomorrow, 73% of those impacted would struggle to regain financial stability after many months without an income.

24. If you are impacted by the current Covid-19 crisis, what is your decrease in total monthly income (specifically as a result of the Covid-19 pandemic)?



22% (82/373) I have lost my job
21% (79/373) Up to 25%
22% (82/373) 26-50%
14% (52/373) 51-75%
13% (47/373) 76-100%
8% (31/373) I am not financially impacted by the current Covid-19 crisis

Out of the 373 participants who are impacted by the Covid-19 pandemic, 22% have lost their jobs with an additional 27% losing more than 50% of their income.

The 22% (82 individuals) of this group who have lost their jobs exposes and highlights the increased vulnerability that the disposable workforce faces during times of hardship. Contractors are often already disadvantaged in comparison to those who are permanent as they will not receive any employee benefits, pension contributions or access to employment tribunals. Those who have lost their jobs will be living off their hard-earned savings and any state benefits which they might be eligible to receive (if they chose to apply).

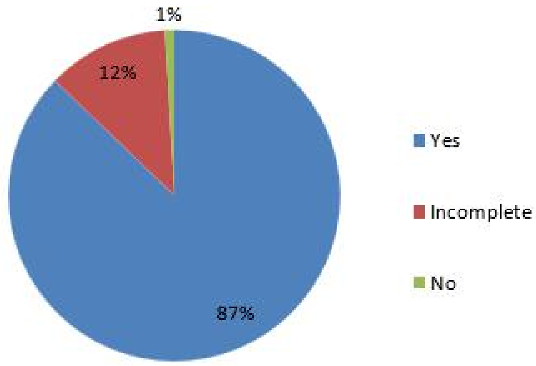
25. If your monthly income has decreased as a result of Covid-19 and/or IR35 Off-Payroll rules, what is the overall reduction?

Out of the 985 participants impacted by HMRC's Loan Charge, 228 indicated that their income was adversely impacted by both the IR35 Off-Payroll regulations and Covid-19.

Some have disclosed that they have lost work, or not had an income for over four months to nearly a whole year. Contracts have been cancelled and where possible, participants have been surviving on the saved income that they normally reserve for times when they are between contracts. Thus, some have seen a decrease of nearly 100% of their pay or have suffered the loss of work completely.

This offers a moment of reflection, in that households with more than one earner may be able to help ease the burden imposed by one or more of the hardships which participants face. However, the ability of *any* household to weather these crises and cope with all three - Loan Charge, Covid-19 and IR35 - is unlikely. Out of the 228 participants impacted by the pandemic and the recent IR35 regulations within the private sector, 88% (201/228) will need to take on debt to pay the Loan Charge. 92% (210/228) are in danger of relying solely on State benefits, 92% (211/228) are also in danger of having to sell their home and 95% will need to access their pension to pay the Loan Charge - that is *without* the additional burden of Covid-19 and IR35 impacting their current financial security and earning capacity. Participants are struggling to merely maintain their current situation, either by using (and spending) their saved earnings or taking on further debt as a result of Covid-19 and IR35 – it is obvious that the Loan Charge would cripple this segment of the population if enforced.

26. Were you told that the arrangements were legitimate / compliant when you entered the scheme(s)?



87% (859/985)	Yes
1% (9/985)	No[8]
12% (117/985)	Incomplete

87% (859/985) of participants were told that these arrangements were legitimate and compliant when they entered the scheme(s). Those who marked 'no' interpreted the question differently. Based on the responses from Questions 27 and 28, either the legality / compliance issue was not discussed at all (with some participants having been signed up to such arrangements without even their knowledge) or the tax professional involved was considered a trusted source of knowledge and authority and his advice not questioned. In other words, the reputation and status of the tax professional was proof enough of the legitimacy of the arrangement because the participant, in all good faith, did not believe their accountant, employer or agency would act with anything other than the highest standards of probity and integrity.

If 'yes', what was the exact phrasing used?

Again, there are a few points to note regarding the social dynamics of entering into these arrangements (which were included in responses to Question 28). Participants were concerned about using a limited company arrangement (in order to avoid any potential mistakes which might be queried by HMRC) and also wanted to avoid the inevitable paperwork and stress that running a limited company entails. In many cases, participants were desperate for work, some starting off in their contracting career and were rightly trusting the advice of tax professionals and agencies to ensure they remained compliant with employment laws (i.e. IR35) and tax laws. Perhaps more significantly, many tax professionals insisted that these arrangements were necessary in order to remain fully compliant with IR35 and were a perfectly legal alternative to using a limited company.

8 A 'no' response means that participants took, at face value and in good faith, the validity of the arrangements as *legal* and subsequently compliant, by nature of the professionals providing the advice. In other words, the legality and compliance issue did not arise, nor did they necessarily question the arrangements because their trusted accountant was involved or the established reputation of an institution such as KPMG was considered to be above reproach and legitimately engaged with HMRC. In some cases, participants were not even informed they were in these arrangements and in these instances, it is possible that participants might choose 'no' as an appropriate way to answer the question.

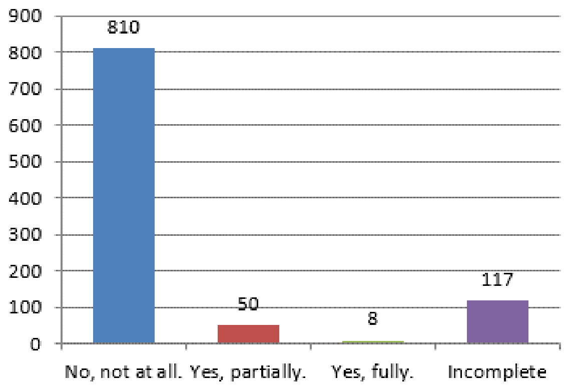
While participants provide some insight into their reasons for entering an arrangement, rarely (if ever) do they involve financial gain. In fact, from the qualitative data submitted, participants stated that the 'gains' participants enjoyed were negligible and they received an almost equivalent income to that of a limited company solution, which reinforced the assurances of their advisers.

Finally, it is very important to highlight the relational dynamics between participants and tax professionals at the time, which was comparable to the relationship between a patient and doctor – much like a doctor who tells you that a particular type of medicine is needed for your ailment, participants took the tax professionals' word at face value. In the same way that patients readily accept the authority of the doctor, participants were unlikely to question the arrangements in detail (if at all), because they simply did not have sufficient knowledge to critique, challenge or question their legitimacy when the whole tax system is so complex and impenetrable to the average worker. Doctors are trusted to 'do no harm' and participants at the time thought exactly the same of the tax and employment bodies with whom they were involved.

Participants' primary motivations were to secure the contract / role and to do so quickly and legitimately. They were intent on ensuring compliance with both employment and tax law, which is another reason why they trusted those professionals (as experts in their field) to guide them safely through the process. The huge irony here is that the affected individual's dependency on and trust of these tax and employment professionals for safe, assured and compliant tax and employment advice leads us to the conclusion that these are in fact the very same people who have caused such harm by involving participants in these solutions (which HMRC disingenuously claim they were *always* clear about) and who profited either directly through fees or indirectly through referrals for signing contractors up to these services.

It was therefore commonplace to see tax professionals and employment agencies using the same descriptions for these products - QC approved, HMRC compliant, IR35 compliant. For any criticism to be directed at participants for daring to trust in these knowledgeable, expert professionals only adds insult to injury, when the vast majority (if not all) of Loan Charge victims only engaged in these schemes in order to fulfil their role as law-abiding citizens and workers. Indeed, the unexpected consequences of these decisions have become life-changing, with individuals feeling criminalised by HMRC and victimised by the tax and employment industries who mis-sold these arrangements as both legal and compliant.

27. Were the risks explained to you when you entered the scheme(s), including that at some point you would inevitably be subject to HMRC enquiries?



1% (8/985)	Yes, fully[9]
5% (50/985)	Yes, partially
82% (810/985)	No, not at all
12% (117/985)	Incomplete

82% of participants were never told that these arrangements had any associated 'risks'.

8 people (1%) indicated they were 'fully aware' of any perceived risks. However, based on the qualitative data, any explanation of these apparent risks stated that tax legislation is *always* prospective, that promoters would go to tribunal to defend the arrangement and individuals would have access to the courts to defend themselves. Again, one needs to bear in mind that just because the risks were supposedly 'stated', it does not mean that participants understood them. What they did understand is that the arrangements were HMRC approved, causing the participant to interpret those risks as negligible. If one reads a warning on a prescription bottle for paracetamol, the risks are indeed there but considered so small or trivial that individuals do not tend to take notice. Also, for some, regardless of the risks and the degree to which they understood them, the only way to secure employment was to sign up or to remain unemployed.

Those participants who marked 'yes, partially' may have been told there were 'risks', but also that those overseeing the arrangements would always work with HMRC to ensure continued and ongoing compliance when legislation changed. Others were reassured that, despite any potential or perceived risks, the fact that the promoters worked collaboratively with HMRC and QCs completely legitimised these arrangements as acceptable (and legal) payroll solutions.

9 This is a question which needs further qualitative data to legitimately ascertain how participants interpreted the question and to understand what they mean by 'risks' and 'yes, fully (explained)' rather than assuming that the participant was fully aware because of a quantitative answer choice. The qualitative data repeatedly points out that participants, knowing their limitations with understanding tax law, unsurprisingly trusted the sales advice. It also makes the researcher wonder whether the risks are explained in similar fashion to the online gambling industry where there are warnings, but those warnings are small and drowned by the 'positive' aspects of the services being offered? Needless to say, the qualitative data suggests that participants may have been warned, but those warnings were overshadowed by other 'positive' factors or caveats that were designed to make the participant feel at ease. Most notably, participants note that promoters, in some instances, discussed risks of an enquiry but then emphasised how closely they worked with HMRC to ensure they were compliant or that their own staff were former HMRC employees.

If promoters did ever state that HMRC may (or would) open enquires into one's tax affairs, they also reiterated there were legal defences and strategies in place to put the participant at ease. Promoters and employers misrepresented this risk with assurances that if (or when) HMRC open enquiries as a 'quality check', they informed participants that they would always handle such enquiries on their behalf. Indeed, and with clear reference to another source of serious complaint regarding HMRC's inaction and incompetence on this subject, HMRC would send out letters with very little detail and then fail to follow up on them for years, thus giving further credence to the promoter's claim that this was all part of the 'normal' process.

28. Is there anything else you would like to add that this survey has not addressed?

Given the specific focus on the Loan Charge and affordability, participants were offered the opportunity to add anything which the survey had not addressed or to expand on their own answers within the survey. Some individuals provided more detail regarding how they became involved with promoters and discussed their concerns about the loan recalls. Others took the time to describe the financial, mental, physical, social and emotional toll the Loan Charge is taking on themselves and their families. Participants are egalitarian in their concern for others and are distressed that these types of arrangements remain active in the public domain - they do not want others to suffer the same misfortune as them and feel a deep sense of empathy with those in a similar situation. Participants are angry, distressed and are forced to deal with an HMRC who consistently fail to communicate with them in a timely, honest and transparent manner. This results in participants feeling victimised by both the tax professionals selling loan arrangements as well as HMRC as the tax 'arm' of the Government. Notwithstanding these many concerns, the themes presented in Question 28 are broken down into the following broad categories: Communication, Mis-selling, Self-identity and Well-being, and Erosion of Trust.

- Retrospective legislation is morally wrong and should be made illegal.
- Participants feel criminalised.
- Participants feel victimised by HMRC who do not communicate with them or answer their questions.
- Participants feel victimised by the tax professionals and employment industries who mis-sold their services and products as legal and compliant with HMRC and employment laws.
- Mental, physical and emotional distress; depression, anxiety and suicidal tendencies. In this survey, 23 participants indicate suicidal ideation, some of which have already or will take their life as a direct consequence of facing the Loan Charge.
- Manifestation of physical illness as a direct result of the stress the Loan Charge is causing.
- Relationship breakdown leading to divorce.
- IR35 Off-Payroll regulation is directly impacting incomes.
- Participants are unable to pay HMRC's Loan Charge demands without accruing an amount of debt which will last a lifetime.
- Gratitude towards the LC APPG and other organisations for their continued help in attempting to solve this issue.
- Mistrust of HMRC, tax and employment industry and Government – no faith or belief that they will act fairly or legally and concerned that this immense burden will be passed on to family members.
- Social responsibility - participants are upset that these schemes continue to proliferate and operate, leaving others vulnerable to the same misfortune they are forced to endure.

- Social and political responsibility to stop retrospective tax legislation because it is undemocratic, unjust and demonstrates that nobody has certainty in their tax affairs.
- Unfair that HMRC are forcing those who disclosed to pay while others remain ‘off radar’.
- Participants feel HMRC change the goal posts - retrospective policies enacted on their request, as well as changing advice or rolling back on agreements involving settlement terms and Loan Charge-related matters.
- HMRC are not directing those with ‘liability’ under £20,000 to groups such as Tax Aid.
- Concerns regarding how agencies and end-clients engaged in their own form of tax avoidance to save on costs by recommending or insisting that workers used these arrangements. The employer (and employment industries) mitigated their exposure to avoid paying Employers NI, holiday/sick pay and other employee benefits, and profited considerably at the expense of participants.
- Issues with double taxation between countries where the participant worked abroad or was recruited via offshore clients who have different tax arrangements and agreements between themselves and the UK.

Breakdown of affordability between age groups:

Ages 20-29

Those between the ages 20-29 are all subject to the Loan Charge and worked in the private and public sector during the time of their involvement. This group have numerous dependants, thus there are more people affected (and not just the participant) who will face the financial implications of the Loan Charge. Their liability ranges from ‘up to 20K’ to 99K. Three individuals have a liability that would require 50% to 100% (or above) to pay the Loan Charge in instalments and could not bear the costs of the charge, even with a three-year TTP agreement if one was to be offered. All will need to borrow money and utilise their pension (if they have one). In addition, three would need to sell their primary home and thereby release equity from the property to pay HMRC. If HMRC were to demand that the Loan Charge be paid in full with immediate effect, then all of them would become bankrupt. Three will go bankrupt as a direct result of the Loan Charge, but if they do fall into bankruptcy, then all of them will have their work prospects impacted. Three of the four will need to rely on State benefits immediately. So if the Loan Charge is enforced, it will clearly cause serious hardship.

In addition to the Loan Charge, this age range is also impacted by the IR35 Off-Payroll reforms to the private sector. One has lost their role completely whilst the others have seen a 50% or more reduction in their net monthly income. Two out of the four are impacted by the Covid-19 pandemic. Three have not been able to access Government Covid-19 support and one does not need this type of support. Those in this age range are beginning their employment journey(s), most already have families that are dependent on them and likely have student debts and if not mortgages, renting obligations. The Loan Charge disadvantages this group, as they are unable to have sufficient disposable income to save for a mortgage, retirement and perhaps even for the basic needs of their dependants.

Ages 30-39

Not much changes for those aged 30-39, who may still have student debt, mortgage payments and families to care for. The only difference is they may have had the opportunity to save more of their net monthly income because they have possibly been in work longer than the 20-29 years old group. 44 participants out of the 61 individuals within this age bracket have more than one dependant.

If HMRC were to ask for payments in instalments, 40 would need to pay (up to) 20% to 50% of their income. 21 out of 61 would need to pay over 50% of their net monthly income with 8 (out of these 21) expecting to pay over 100% of their net monthly income. 49 out of the 61 would not be able to afford a three-year Time-To-Pay agreement even if HMRC were to offer one. The 12 who could pay the Loan Charge are still in danger of becoming a debt slave due to the excessive borrowing and the need to remain employed beyond retirement years. Hence, 53 out of the 61 30-39 years old group will need to borrow - if this was a mortgage debt, it would be considered unaffordable. 35 participants would need to access their pensions - of the 26 who said they would not, these may have other investments or may not have a pension to take from anyway. 33 will need to sell their primary home, with 38 needing to release equity (either by selling or remortgaging). If HMRC were to insist on the full Loan Charge payment, 45 participants who are between 30-39 will become bankrupt instantly. Even if they could avoid immediate bankruptcy, 40/61 participants will go bankrupt at some point as a direct result of the Loan Charge, which will result in the risk of 52 losing their livelihood as a result of bankruptcy for any reason that is directly or indirectly related to the Loan Charge. 43 will need to rely on State benefits because of the Loan Charge - 25 immediately and an additional 18 towards retirement.

Like those in the 20-29 age bracket, the 30-39 group are further hit by the IR35 rules and the Covid-19 pandemic. 34 of the 61 have been impacted by the recent rollout of IR35 regulations to the private sector. Out of these 34 participants impacted by IR35, 23 are losing between 25% and 75% of their net monthly income, with three having lost their role completely and not currently working. 32 are impacted by Covid-19, 21/34 have not been able to access Covid-19 support (3 are not impacted so do not need this type of support), 6 participants have lost their job and 9 have lost between 50% and 100% of their income.

Those in their 30s may have a few working years behind them where they have been able to save, assuming the optimum scenario. If they were to go bankrupt, they could (in theory) financially recover. However, the Loan Charge is equivalent to one’s yearly wage or a mortgage payment that HMRC expects to be paid in a very short amount of time. Even those who think they *can* pay HMRC are only capable because they are willing to take on additional debt by borrowing from friends, family and commercial agencies. Those in their 30s are no better off despite their youth - they are simply going to work for longer to pay HMRC before they retire or die.

Ages 40-49

Those between the ages of 40-49 made up 33% of participants who took part in this survey. Of those in their 40s, 279 out of 325 have over one dependant and those dependants are more likely to range from small children to elderly relatives.

HMRC have told 119 individuals in this group how much they need to pay. 259/325 owe over £50,000 with 4/259 owing over £1m. 65 are still hoping to settle. If HMRC were to ask those in their 40s to pay in instalments, they would be asking 170 for over 50% of their income and 80 of them would be asked to pay over 100% of their income. 290/325 could not afford a three-year Time-To-Pay arrangement, and 275/325 would need to borrow regardless of whether they had a three-year TTP arrangement or not. 189/325 will or would need to use their pension - those who responded that they did not (136) may not have a pension to use or would turn to other assets and forms of debt to pay the Loan Charge. 181 will need to sell their primary home, with 223 needing to release equity from their home by selling or remortgaging.

A telling sign of the overly punitive nature of the Loan Charge is that people are forced into bankruptcy immediately, with 245/325 inevitably going bankrupt should HMRC insist on the full Loan Charge demand in one payment. This is a clear indication that instalments are needed for all age groups, most of which would potentially be a lifelong debt for those in their 30s or older. 216 will go bankrupt as a direct result of the Loan Charge - 296 will or would see their careers under threat if they go bankrupt as a direct or indirect consequence of paying HMRC's Loan Charge. Thus, those in their 40s, after a couple of decades of full-time work, would lose most of what they earned or saved, only to find that they are now merely working to pay HMRC. Also, 255/325 will become reliant on State benefits as a result of becoming an HMRC debt slave; 137/255 immediately and an extra 118/255 towards retirement.

The Loan Charge alone is unaffordable for those in their 40s. They also face greater financial insecurity due to the IR35 reforms and the growing probability of age-related illnesses. 193 are impacted by the IR35 Off-Payroll rules in the private sector, resulting in 108 losing between 25% and 75% of their income – yet are still expected to pay the Loan Charge. 25/193 have already lost their role/work. In addition to IR35, 144/325 have experienced a loss of income due to Covid-19, 113/144 have not been able to access Government Covid-19 support (with only 12 not needing this type of support). 67/325 have lost between 25% and 75% of their net monthly income. 174/325 have not been able to receive Government support and 35 have already lost their work or role. A bleak future for those who will see their savings, assets and income go straight to HMRC at the cost of providing for their families and securing a retirement without the need to rely on State benefits.

Ages 50-59

224/315 in this age bracket have more than one dependant. 270 have a liability of between £50,000 and up to and over £1m (3/270). If HMRC were to offer instalments, they would ask 169 to pay over 50% of their net monthly income, with 70/169 being asked (in theory) to pay over 100% of their net monthly income. 285/315 could not pay a theoretical three-year Time-To-Pay agreement even if HMRC were to offer one or make it available. 259 would need to borrow money to pay the Loan Charge, and 233 would need to use their pension. 182 will or would need to sell their primary home, with 193/315 needing to release equity from their home in order to pay any Loan Charge debt. Despite this, 235 would find bankruptcy inevitable if HMRC demand the full Loan Charge payment. 211 report they will go bankrupt as a direct result of the Loan Charge - 281 would lose their job prospects and careers if they were to go bankrupt as a consequence of attempting to pay the Loan Charge. 255 are in danger of relying on State benefits either immediately (137/255) or towards retirement (118/255).

In light of the IR35 and Covid-19 impact, participants' ability to bear the costs of the Loan Charge is impossible without it resulting in bankruptcy or entering into other forms of debt servitude. 173/315 are impacted by the private sector IR35 regulations. 104/173 have had a net monthly income decrease of between 25% and 100% of their income, with 44 participants losing their role altogether. 134/315 of those in this group are impacted by Covid-19; 92 have not been able to access Government Covid-19 support and 11/134 have not needed this type of support.

Those in their 50s have a higher Loan Charge liability than those in younger groups. One possible explanation for this is that they were unfortunate to have established their careers at the point of entering these arrangements and were on a higher pay rate at this time, working (and being paid) via these mechanisms between 1999 and the present. Some within this age group do have assets and pensions that could pay for the Loan Charge, but they remain at risk of going bankrupt immediately or in the future if their current employment prospects end or they need assistance later in life. Like those in their 40s, those who are between 50-59 are seeing all of their savings (if they have any) taken by HMRC at an age where borrowing is no longer an option for them. Considering this age group have (at most) 15 years before they reach retirement, it's simply not enough time to recoup or revisit 30 years of work and investing.

Ages 60-69

133 participants are in their 60s and 81/133 have more than 1 dependant. 110/133 have a liability of £50,000 to over £1million, with 91/133 being asked to pay from 50% to over 100% of their net monthly income (42/133 of which would be asked to pay over 100%). If HMRC offered a three-year TTP agreement, 111/133 could not afford this. 97/133 would need to borrow, 119/133 would need to use their pension, 72/133 would need to sell their primary home, and 77/133 would need to release equity from their property. Bankruptcy would be inevitable for 86/133 if HMRC demands the full Loan Charge payment and enforces it. 73 will go bankrupt as a direct result of the Loan Charge, with 85 having any future work prospects damaged because of bankruptcy. 42 are in danger of going bankrupt immediately and 52 towards retirement. Thus, 94/133 are in danger of relying on State benefits at some point because of the Loan Charge.

44/133 are impacted by IR35 and 26 have seen a reduction of between 25% and 75% of their income. 52/133 are impacted by Covid-19, 36 of which have not been able to access support, with only 4 not impacted and therefore not requiring additional support. 11 of the 52 have lost their jobs and 27 have lost over 50% of their net monthly income due to Covid-19.

Those in their 60s are in an unfortunate situation where their working years are (or are nearly) behind them. They will not be able to borrow to pay the Loan Charge and they will not be able to find an additional 40 years to extend their working life. HMRC will be bankrupting or putting those who have entered (or will soon enter) into retirement directly into poverty and it will be impossible for these individuals to survive without some form of State support.

Ages 70 and above

There were 29 participants in the 70-79 age group, and 1 participant who was over 90. 22/30 have dependants, with 20 of these having a liability of between £50,000 and (over) £1m.

If HMRC were to grant permission for participants to pay in instalments, 15 individuals would lose 50% or more of their net monthly income, with 8/15 asked to pay over 100% of their income. 26 could not bear the Loan Charge if HMRC were to grant a three-year Time-To-Pay agreement. 20 would need to borrow to pay the Loan Charge, 25 would need to use their pension, 11 would need to sell their primary home and 11 would need to release equity from their property. If HMRC were to ask for the full Loan Charge payment, 17 would find bankruptcy inevitable. 15 would go bankrupt as a direct result of the Loan Charge and 8 would have any future work prospects impacted (thereby suggesting that participants in retirement age are still working and may need to work if they do not have an adequate pension). 13 are in danger of relying on State benefits with immediate effect, with 4 more likely to require support later on in their retirement.

No-one in this age range is impacted by the Off-Payroll regulations - 8 are impacted by Covid-19 to the degree that it impacts their net monthly income, 6 have not been able to access Covid-19 support and 2 have been furloughed. 2/8 have lost their job and 5 have lost between 50% and 100% of their pay.

If HMRC is not convinced that these participants are unable to bear the costs of the Loan Charge without risk to their daily lives, then perhaps those in this group will help persuade them. Those in their 70s and above still have caring and financial responsibility for others, but would still be required to pay over 50% of any net monthly income. This is a group that is especially vulnerable financially, as they will never earn enough before their death, and are more vulnerable to degenerative illnesses (related to age) as well as age-related discrimination.

Conclusion

Most participants, in theory, would likely be able to recover their financial footing if Covid-19 alone was impacting them, purely because of the temporary nature of the crisis. However, IR35 Off-Payroll regulations to the private sector are a permanent fixture for those participants remaining within the flexible workforce and as a result, 46% (449/985) will see a permanent reduction in their pay on top of HMRC's Loan Charge demands.

The evidence from the qualitative data shows that the Loan Charge is unaffordable and punitive. HMRC are effectively asking 22% (219/985) to pay over 100% of their net monthly income if they were to pay in instalments; 64% (633/985) are unable to pay if HMRC demand full and immediate payment on their liability and will go bankrupt immediately. Should they do so, those 64% (633/985) would instantly be bankrupted and out of that number, 87% (552/633) will lose their job/role if faced with bankruptcy, further dwindling any remote prospect of meeting their Loan Charge 'liability'. While the selling of the main home and the release of any available equity is not as distinctly demarcated (based on participants' interpretation of the questions), the results nevertheless serve as a useful guide. Respectively, 48% (478/985) would lose their home, whilst 55% (546/985) will need to release equity by either selling or remortgaging. In addition, there is the issue of participants needing to rely on State benefits with 68% (668/985) immediately or towards retirement. In an attempt to pay HMRC, 72% of participants are taking out various forms of debt, but given the age ranges affected and the fact that many of these amounts are equivalent to a larger than average mortgage (or more), it is unlikely that these sums will be paid off in many of the participants' lifetimes.

The affordability issue alone is enough to cause immense stress and anxiety, but HMRC's (in)actions and failures are compounding this by creating a tinderbox of frustration, anger and mistrust. Further research would be needed to investigate why only a small minority (**11%**) of participants have settled, alongside the reasons why HMRC has only communicated to a mere 30% (296/985) of participants the details of their supposed Loan Charge 'liability'. Participants are increasingly disturbed and unsettled that their previous reliance on the tax industry to help them interact with HMRC has now been undermined (particularly given this blatant mis-selling experience), but they can neither go directly to HMRC or trust the tax authority to communicate with them honestly and transparently, as HMRC cuts off those communications, answers their questions illogically or just simply ignores them. Participants cannot make an informed decision and now see no other choice than to be made bankrupt anyway.

Given HMRC's past rhetoric, senior staff and officials appear to either be tin-eared or unsympathetic to the fact that participants were entering into these arrangements out of a desire to remain legally compliant with tax and employment law. The tax and employment industry went to great lengths to sell these arrangements as a legitimate and acceptable solution in order to *ensure* IR35 compliance. Participants were reassured by those advisers and experts, who in a position of authority, confidently assured them that they were in regular contact with HMRC and other legal professions to ensure everything was legal and above board. The accusation that participants joined to avoid tax is unfounded for this population. Participants were engaging in what they were told were legally compliant arrangements and this was reinforced by those colleagues, friends and family who were also involved.

They are therefore now devastated, psychologically as much as they are financially. Considering they are being subjected to this dire injustice from those in a position of authority, such as HMRC, HM Treasury and the Government, policymakers may be wise to consider the consequences of participants completely losing faith in an institution they once respected - particularly when that institution will now force families into a life of debt servitude, taking over 50% of any future income, or imposing an immediate bankruptcy from which they simply cannot recover.

Loan Charge APPG
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