



All-Party Parliamentary Loan Charge & Taxpayer Fairness Group

www.loanchargeappg.co.uk

11th May 2023

Rt. Hon. Jeremy Hunt MP
Chancellor of the Exchequer
11 Downing Street
London
SW1A 2AA

Dear Jeremy,

URGENT – serious concern about the risk following HMRC wave of discovery assessment demands

We are writing to express our serious concern at the wave of demands in the form of discovery assessments issued by HMRC to many people they believe are liable for the Loan Charge.

These demands, that have come without warning, are for very significant and life-changing (and in most cases clearly unaffordable) sums. On top of this, people are facing punitive daily interest additions and penalties, which is making the sums even more unaffordable.

MPs are receiving communications from very distressed constituents who are unable to pay. This has triggered a new mental health crisis; we have already had direct and indirect reports of people reporting suicidal thoughts.

HMRC have had 4 years to issue these discovery assessments, based on what was detailed within the 2018/19 tax returns, yet they are charging backdated interest, which is unfair. HMRC are only delivering these discovery assessments days before their ability to raise such an assessment expires. In some instances the letter is dated 5th April 2023 which is the final date for HMRC to make a discovery.

As is well known, people were advised to use these schemes including by chartered accountants and accredited tax advisers. It is also the case that HMRC failed to warn them not to use these arrangements at the time.

HMRC should also have sought any disputed tax from agencies/employers and failed to do so, so to seek these astronomical demands now is totally unfair. HMRC claim they are seeking tax from the employers first and the discovery assessments refer to the employer (usually the scheme operator) being liable, but then they state that where they cannot recover from the employer, HMRC will seek recovery from the individual.

Co-Chairs: Sammy Wilson MP, Greg Smith MP, Baroness Kramer
Vice-Chairs: Gerald Jones MP, Sarah Olney MP, Dave Doogan MP, Adam Holloway MP

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It is notable that HMRC confirm in their letters *“that the employer should have paid the tax to HMRC”*, which contradicts what HMRC has said previously. According to legislation - and HMRC’s own letters - the employer/scheme operator is clearly required to deduct tax at source and account for it to HMRC in the first instance, yet as we know HMRC failed to collect on the employer in the year the payments were received. If they had done that then the Loan Charge would not be applicable.

What is even worse is that due to the Loan Charge being announced in 2016, but becoming due in 2019, is that the Government in effect gave notice not to individuals who would actually be hit by the Loan Charge, who generally found out some time later, but rather gave notice to the promoters and operators of schemes who of course went into liquidation to avoid any action. Worst of all, HMRC allowed them to do so, rather than preventing the liquidation as they have the power to do. These are all reasons why the current approach of ruthlessly pursuing individual contractors and limited company directors for money they don’t have (and never had) is so grossly unfair.

In reality, HMRC know that most agencies/umbrella companies involved no longer exist. HMRC could and should have acted at the time and then the whole Loan Charge scandal would never have arisen. For HMRC to seek the full amount of disputed tax, including that which should have been paid by employers/scheme operators, is clearly grossly unfair when they failed to act at the time. It is clear that this suits HMRC and is an attempt to cover up their own failures at the time by retrospectively issuing demands, but HMRC are also well aware that people simply cannot pay the bills being issued, which includes tax that employers/scheme operators (who profited hugely) should have paid and demanding it all now from individual contractors and limited company directors is both futile and dangerous. We are deeply concerned at the distress expressed in numerous emails we have received since the discovery assessments arrived, including several people reporting suicidal thoughts or actual suicidal intent.

We are also concerned because the level of these demands mean that many people will have no choice but to sell their home. HMRC have continually given the misleading impression that people will not lose their homes, yet in reality are well aware that this will be inevitable for some. We are aware that HMRC seeks to put charges on people’s homes (and has done so) but for many, with the level of amounts being demanded and with interest being added every day, the only possible way they can pay the debt is by selling their family home – something that HMRC officers have admitted that they realise in conversations with people. This is simply unacceptable.

In one case reported to us, HMRC issued the demand by post, in the dreaded brown envelope, despite having on record that the individual concerned had previously attempted to commit suicide due to the whole situation and that they were only to contact them by email. This is disgraceful and shows the reality of HMRC’s treatment of people, which is markedly different from the rhetoric given to MPs and Select Committees.

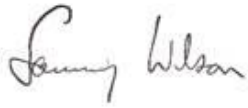
Once again, we urge you and the Prime Minister to listen and to change course and to seek a resolution to the whole situation for all caught up on this nightmare, that does not demand unaffordable sums and put homes and lives at risk, as the current approach so clearly does. We urge you to instruct Treasury Ministers to engage with the group of sector professionals who have proposed such a resolution and to find a way to resolve this whole mess before more lives are ruined and more families are torn apart.

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We look forward to hearing from you.

Yours sincerely,



Sammy Wilson MP
Co-Chair



Greg Smith MP
Co-Chair



Baroness Kramer
Co-Chair

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