



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Ross Thomson MP
House of Commons
London
SW1A 0AA

// March 2019

Derek Ross

Thank you for your question to the Prime Minister on 6 March about the charge on disguised remuneration (DR) loans and the report on time limits that will be published as a result of Section 95 of Finance Act 2019 by March 30th.

I can assure you that the report required by Section 95 of the Finance Act 2019 will consider the impact of the charge on DR loans. This includes taking account of a range of balanced evidence available, including information held by HMRC, previous correspondence on the issue, and the evidence provided by the Loan Charge All Party Parliamentary Group (APPG). As I set out in Parliament when the government accepted the amendment requiring the review, the government is committed to setting out the rationale for its policies as well as their impact, and it is in that spirit which we accepted the amendment.

The government does not agree that the charge should be delayed as it remains the right way to tackle the use of DR avoidance schemes and ensure scheme users pay their fair share. The best option for those individuals who are worried about the introduction of the charge on DR loans is to come forward and speak to HM Revenue and Customs (HMRC) as soon as possible.

The government recognises the charge on DR loans will have a significant impact on some individuals who have used DR schemes, particularly those who used them to avoid the most tax. However, these schemes are contrived arrangements that pay loans in place of ordinary remuneration to avoid income tax and National Insurance contributions. The loans are provided on terms that mean they are unlikely to be repaid, so they are no different to normal income and are, and always were, taxable. Individuals will not face a tax bill to be paid on 5 April 2019. The charge will apply in the 2018/19 tax year and individuals will have until 31 January 2020 to pay their liability in the normal way through the Self-Assessment process. As necessary, HMRC can agree flexible payment terms beyond that point.

HMRC is committed to helping people settle their tax affairs and has put in place arrangements to assist individuals who are impacted by the charge on DR loans. This allows individuals who currently have an income of less than £50,000 and are no longer engaging in tax avoidance to agree a payment plan of up to five years without the need to give HMRC detailed information about their income and assets. HMRC has recently extended this to seven years for individuals whose income is less than £30,000.

Individuals who come forward with a genuine intention to settle before the 5 April 2019 will not be disadvantaged, and can still benefit from the opportunity to settle under the published terms.

HMRC does not want to make anyone bankrupt. Bankruptcy is only ever reached as an absolute last resort, and very few cases ever reach that stage. As I have outlined, HMRC will do all that it can to arrange manageable payment plans for those who wish to settle before the charge takes effect or to pay the tax due on the loan charge.

I hope you find my response helpful in setting out the Government's view, and I appreciate the interest you have taken on the matter.

A handwritten signature in blue ink, consisting of the letters 'me' on the top line and 'mel' on the bottom line, both written in a cursive style.

RT HON MEL STRIDE MP