

Loan Charge Review Announced

Following representations by many MPs including myself on behalf of constituents, the government has announced a further review of the loan charge.

I am reproducing today the letter I have been sent with all the details. As you will see the Treasury say the approach they have adopted towards the loan charge still stays in place, but there are arrangements concerning the Review and concerning payment of tax owing which constituents affected by this charge may like to use.

Dear John

DISGUISED REMUNERATION LOAN CHARGE REVIEW

I am writing to give you an immediate update on the Loan Charge review announced today.

As you will know, the Loan Charge was announced at Budget 2016 and passed into law in Finance Act (No. 2) 2017. It is designed to tackle contrived tax avoidance schemes where a person's income is received as a loan and not repaid.

The Government is clear that such schemes do not work, that wages paid in this way have always been taxable, and that the underlying tax avoidance behaviour is unfair to the 99.8 per cent of taxpayers who did not use these schemes. The Loan Charge was introduced following 20 years of action by HM Revenue & Customs (HMRC) and the Government against these schemes.

There has been a significant amount of misinformation in relation to the Loan Charge, which has caused confusion and anxiety among those affected. However, those affected by the charge have also raised concerns which you will have heard and which the Government has sought to address.

In particular, I wrote to all colleagues on 18 July 2019 to provide an update on new measures to address concerns about the Loan Charge. These measures reflected extensive discussions with professional bodies, independent experts, the official Opposition and colleagues across the House, including members of the Loan Charge All-Party Parliamentary Group. They included confirmation that HMRC will exercise additional flexibility for individuals settling under the published terms who are in genuine hardship.

In addition, HMRC has confirmed that they will not force anyone to sell their main home to pay their debts, and that there is no maximum period over which payment can be made. They also announced simplified payment arrangements for those settling under the published terms. Those settling with income below £50,000 who are no longer involved in tax avoidance may have up to 5 years to pay without providing detailed supporting information, with up to 7 years for those with income below £30,000.

Independent Review of the Loan Charge

Nonetheless, the Government recognises that concerns persist about the Loan Charge.

The Chancellor of the Exchequer has therefore commissioned an independent review to consider the impact of the Loan Charge, focusing on individuals who entered directly into these schemes.

I am delighted that Sir Amyas Morse has agreed to undertake this independent review. As the Comptroller and Auditor General and Chief Executive of the National Audit Office between 2009 and 2019, Sir Amyas is highly respected across the House, and thus well suited to scrutinise this important subject fairly and independently.

The Review will report and provide recommendations to the Chancellor and me by mid-November 2019 so that any individuals affected can have certainty about their next steps in advance of the current 31 January 2020 deadline for individuals to file a 2018-19 Self Assessment return and pay the Loan Charge.

Sir Amyas will specifically consider:

- Whether the Loan Charge, as it applies to individuals who have directly entered into disguised remuneration schemes, is an appropriate response to the tax avoidance behaviour in question; and
- Whether changes announced by the Government in advance of, and since, the Loan Charge came into effect address any legitimate concerns that have been raised about the impact on individuals, including affordability for those affected.

In considering its recommendations, the Review will take into account the impact on wider taxpayer fairness and HMRC's ability to tackle tax avoidance effectively in the future.

The full terms of reference are available at www.gov.uk/government/publications/disguised-remuneration-independent-loan-charge-review.

Your constituents and the Independent Review period

I would be grateful if you could make clear to any constituents raising the subject that, while the Review is under way, the Loan Charge remains in force in line with current legislation.

Individuals should continue to prepare to file a 2018-19 Self Assessment return and pay the Loan Charge by 31 January 2020. However, we do not know what Sir Amyas will recommend and I recognise that naturally some individuals may have concerns about forthcoming deadlines ahead of the Review's conclusion.

As a result, I can confirm that I have agreed with HMRC that those in the process of settling will be able to pause and wait for the outcome of the

Review before deciding whether to proceed. However, individuals who are subject to the Loan Charge but who have not yet settled should still submit an information return to HMRC setting out their loan balance by 30 September 2019.

HMRC have published guidance, which is also available at www.gov.uk/government/publications/disguised-remuneration-independent-loan-charge-review.

Further details on the review will be available shortly.

Jesse Norman MP