Update on the implementation of the loan charge

HMRC has published further details on how it will implement the loan charge to support customers, and has made clear there will not be special settlement terms for the loan charge.

The loan charge applies to loan balances that were outstanding on 5 April 2019 and arose from the use of disguised remuneration tax avoidance schemes where the tax due has not already been settled.

Parliament approved amended legislation for the loan charge, which became law in July 2020. Those affected by the loan charge need to file their 2018 to 2019 Self Assessment tax return by 30 September, including a report of any loan balances subject to the loan charge, and put in place any arrangements they need to pay the charge due on that date.

HMRC has published a guide to how it will implement the loan charge. For those worried about their ability to pay the loan charge, HMRC has set out how its debt management processes work, including detailed examples of how the department agrees time to pay arrangements.

Some customers need to act now to conclude settlement of tax due on disguised remuneration schemes so that they do not have to pay the loan charge.

Customers who are not settling, and therefore become liable to pay the loan charge, will need to pay the charge that is due on 30 September or agree a Time to Pay arrangement with HMRC before then.

Customers should not hold out in the hope that HMRC will offer some special terms for calculating or paying the loan charge. Following an independent review, the government agreed to changes to the loan charge, such as the ability to spread it over 3 years, and these are reflected in the amended law that Parliament passed in July.

HMRC can only settle for an amount that is consistent with the law. HMRC cannot apply a different rate to that provided in legislation and has to be fair to all taxpayers, including those who have already settled their use of disguised remuneration tax avoidance schemes and those who have never used tax avoidance schemes.

For disguised remuneration loans that are not in scope of the loan charge under the amended legislation, HMRC has now published settlement terms. HMRC is also setting out the principles it will adopt on any future settlement terms, which will follow its published Litigation and Settlement Strategy.

For customers who need to pay the loan charge, we will publish our settlement terms for any remaining liabilities that arise from open enquiries into disguised renumeration scheme use in autumn 2020.