HM Treasury

HM Revenue & Customs

# Disguised Remuneration

- **Disguised remuneration schemes are tax avoidance arrangements that seek to avoid income tax and National Insurance contributions.**
- **At Budget 2016 the Government announced a package of changes to ensure disguised remuneration scheme users pay their fair share of tax.**
- **If scheme users choose not to repay the outstanding loan, or agree a settlement with HMRC, they will be liable for the loan charge when it comes into force on 5 April 2019.**
- **HMRC has special arrangements in place to agree manageable and sustainable payment plans for those who settle. Anyone affected should get in touch before 5 April 2019.**

**What is the loan charge?**

1. Disguised remuneration schemes are contrived arrangements that pay loans in place of salary, typically routing the loan through an offshore trust in a low or no tax jurisdiction, with the sole purpose of avoiding income tax and National Insurance contributions. The loans are provided on terms that mean they are not repaid in practice, so they are no different to normal income and are, and always have been, taxable.
2. HMRC has undertaken **extensive compliance activity** against disguised remuneration schemes, and scheme users, since they were first used. This has included opening tens of thousands of enquiries into schemes, introducing targeted anti-avoidance legislation in 2011, and agreeing settlements.
3. Despite this, it was clear by Budget 2016 that these schemes continued to proliferate. That is why legislation was announced in 2016, three years before coming into effect. People who have used loan schemes have a choice. They can either:
    - repay their outstanding loan in full; or
    - agree settlement with HMRC – flexible payment options, potentially over a number of years are available; or
    - pay the loan charge as part of their 2018-19 tax liability through their Self Assessment return. Payment will be due by 31 January 2020 – again, if needed HMRC can explore flexible payment options potentially over a number of years.

**What to do if you're affected, and how to settle to stop the loan charge from applying**

4. HMRC wants to help people settle before the loan charge arises. HMRC has written to more than **40,000 individuals and businesses** who have used loan schemes.
5. Anybody who believes they're affected should get in touch with HMRC before 5 April 2019, even if they think they cannot pay what they owe. You'll need to send some information, so please don't leave it until the last minute.
6. You can contact HMRC through the dedicated **HMRC helpline on 03000 534 226**, email cl.resolution@hmrc.gsi.gov.uk or speak to your usual HMRC contact.

7. HMRC has **a number of ways to help** those who are genuinely unable to make a full payment of tax on time. HMRC carefully considers a customer's ability to pay on a case by case basis and decisions are based on each individual's personal circumstances. There is no maximum period over which payment can be made.
8. HMRC is offering simplified payment arrangements for customers who get in contact by 5 April 2019, provide the relevant information, and who are no longer involved in avoidance.

**Addressing key concerns**

| Concern | Fact |
|---|---|
| The loan charge is a retrospective measure | The loan charge is not retrospective. These schemes were never effective and tax was always due. The charge on DR loans applies a tax charge to outstanding loan balances at 5 April 2019. The Supreme Court unanimously found such schemes were never effective. Its announcement at Budget 2016 provided scheme users with a three-year period to repay their loans, or to agree a settlement with HMRC. |
| What if I can't pay? | Even if you don't think you can afford to pay, the best thing to do is to get in touch with HMRC as soon as possible. It can support people who want to sort out their tax affairs by putting manageable payment plans in place. Those with income below £50,000 who are no longer involved in avoidance can have 5 years to pay without providing detailed supporting information, and those with income below £30,000 can have 7 years. There is no maximum period over which individuals are required to pay the tax due. HMRC will agree the appropriate payment plan for each individual. |
| Is it true that HMRC will force me to sell my home and make me bankrupt? | HMRC will not force anyone to sell their main home to pay their disguised remuneration debts. It will work with individuals to reach sustainable and manageable payment plans wherever possible. HMRC does not want to make anybody bankrupt, with insolvency only ever considered as a last resort. In most cases they will discuss and agree payments over a longer period. |
| What is HMRC doing to tackle promoters offering schemes to 'get round' the loan charge? | HMRC is taking action against the promoters and enablers of tax avoidance schemes. This includes the introduction of a penalty regime for anyone who designs, sells, or otherwise enables the use of a tax avoidance arrangement. HMRC has been investigating over 100 promoters and others involved in marketing tax avoidance, including many who sold DR arrangements, and has dedicated teams in place to challenge them. |
| I was unaware that the scheme was unacceptable / I was forced to use the scheme by my employer. | It's an individual's responsibility to ensure the accuracy of their tax return. People signed up agreeing to be paid partly in salary and mainly through a loan. This would have involved signing agreements, and most people would have been able to see from their payslips that the money was not being taxed. In the majority of cases HMRC will charge no penalties, despite tax having been avoided. |