



HM Treasury

Government response to the Loan Charge Review 2025

November 2025

OFFICIAL

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Ministerial Foreword

Even before taking up my position as Exchequer Secretary, I was struck by the strength of feeling that exists about the loan charge. I felt it as an MP when speaking to my constituents who have been affected by the loan charge, and I have felt it too as a Minister, having met with campaigners and Parliamentary colleagues. It has left me determined to bring closure for people and to draw a line under this difficult issue.

It is clear that some individuals in scope of the loan charge were not properly informed about the risks of entering into disguised remuneration tax avoidance schemes, by individuals who benefit from the abuse of our tax system. I have heard directly about the struggle and anxiety felt by too many people caught up in the loan charge. I want to bring this to an end.

While people may not have fully understood the risks involved in these schemes, following advice from their advisors or employers, it is also undeniable that they received income that was not properly taxed. It is a fundamental principle of the tax system that individuals are responsible for their own tax affairs and have a duty to pay tax that is owed. Ultimately, the people within scope of the Review have a long-standing tax liability that they have a responsibility under UK law to pay.

Since receiving Ray McCann's final report, my objective has been to strike the right balance between ensuring fairness for all taxpayers and maximising the opportunity for people to settle their affairs with HMRC. To give people the opportunity to make the loan charge part of their past, rather than a seemingly un-ending part of their future.

Therefore, today marks the start of the final opportunity to draw a line under this issue and, I hope, for everyone to be able to move forward. It's time for a fresh approach and it is my sincere hope that the decisions I have made, to fairly implement the far-reaching recommendations of the McCann Review, will provide a decisive break from all that is passed. These decisions mean most individuals could see reductions of at least 50% in their outstanding loan charge liabilities, and an estimated 30% of individuals could have these liabilities written off entirely. This will come at a substantial Exchequer cost in the next five years.

I recognise that some individuals in scope of the Review are low earners, with relatively low liabilities that may be a large share of their income or assets. That is why, while the Review proposes a tapered percentage reduction in liabilities to account for promoter fees, I want to go further. Therefore, I have decided to write off the first £5,000 of liabilities in addition to the proposals put forward by Ray McCann.

I acknowledge that the history of the loan charge is controversial, that HMRC has not always got it right in the way it has sought to collect loan charge liabilities, and that it has taken too long to get to this point. The grievance felt towards the loan charge policy and HMRC's administration of it has created a sense of mistrust and discouraged engagement with HMRC.

I am determined to rebuild that trust. HMRC has already taken steps to change its operational approach and will take forward the Review's recommendations to improve its processes further and I will hold HMRC's senior leaders to account to ensure this happens.

This Review is the final chance to resolve this issue through settlement. It represents the Government's attempt to provide a fair route to resolution for those who have not been able to settle with HMRC. In turn, this requires those individuals to now come forward and engage with HMRC in good faith.

Tackling promoters of tax avoidance is a priority for this Government. We will make sure that HMRC has all the powers it needs to take firmer and faster action against those who seek to profit from undermining our tax system. That is why the Government is introducing new powers to close in on promoters of marketed tax avoidance and the other professionals who market or enable tax avoidance schemes. These new powers demonstrate the Government's clear determination to take action against the few remaining promoters by strengthening deterrents and introducing significant additional consequences for promoters who continue to profit from promoting abusive tax schemes.

Finally, I want to thank Ray McCann and his team for their thorough and professional work. They have examined a complex and sensitive issue with care and diligence, reviewing extensive evidence including hundreds of pieces of individual testimony. Their commitment to understanding both the technical and human dimensions of this matter has been exemplary.

It is my sincere hope that this Review, and the decisions announced by the Government today, will provide individuals with a path to resolution so that they can finally put this matter behind them and begin to move forward.

Dan Tomlinson MP

Exchequer Secretary to the Treasury

Introduction

- 1.1 At Budget 2024, the Government committed to a new independent review of the loan charge to help bring the matter to a close for those affected whilst ensuring fairness for all taxpayers. The Review was launched in January 2025 and the Government committed to respond by Budget 2025. The Review has now concluded, and its report has been published alongside this government response.
- 1.2 The loan charge was announced at Budget 2016 and legislated by Parliament in Finance (No.2) Act 2017. The intention of the loan charge was to tackle the historical use of contrived tax avoidance schemes that sought to avoid income tax and National Insurance by disguising income as allegedly non-taxable loans. The charge created a new tax liability by aggregating outstanding disguised remuneration loans and taxing them in the 2018-19 tax year. Whilst the courts have ruled that such schemes do not succeed in avoiding tax—most notably in the 2017 *Rangers* Supreme Court decision—the loan charge faced criticism for bringing amounts into charge even where HMRC had not protected its position by opening an enquiry, and for the way it aggregated outstanding loans within a single tax year.
- 1.3 In September 2019, the previous government commissioned an independent review of the loan charge led by Lord Morse, the former Comptroller and Auditor General. In December 2019, the Government accepted 19 of the 20 recommendations made by that review, making substantial changes to the operation of the loan charge. However, concerns continued to be raised, particularly about how HMRC would resolve the thousands of cases where individuals and employers had not settled their disguised remuneration use or paid the loan charge.
- 1.4 The Government therefore committed at Budget 2024 to a new independent review. In January 2025, the former Exchequer Secretary to the Treasury appointed Ray McCann, former president of the Chartered Institute of Taxation, to lead the Review. The Review was tasked with examining the barriers preventing those subject to the loan charge from reaching resolution with HMRC and recommending ways to support them to settle.
- 1.5 The Review's overarching objectives were to bring the matter to a close for those affected, ensure fairness for all taxpayers, and ensure that appropriate support is in place for those subject to the loan charge.

1.6 The Government is grateful to the reviewer and his team for their thorough examination of this complex issue. It is also grateful to those who engaged with and contributed to the Review. It is clear from the Review's report that these contributions were invaluable to its work.

Review recommendations

1.7 The Review has made nine recommendations. They are summarised in the table below.

1.8 The Government accepts all but one of the Review's recommendations and, in several cases, will go further than recommended. Most significantly, the Government accepts the main recommendation to establish a new settlement opportunity for those with outstanding loan charge liabilities and will legislate in the forthcoming Finance Bill to allow HMRC to administer this.

1.9 This will substantially reduce the outstanding liabilities of people who have yet to settle with HMRC, particularly those with the lowest liabilities (typically those on the lowest incomes), some of whom will see their liabilities removed entirely. Most individuals could see reductions of at least 50% in their outstanding loan charge liabilities, and an estimated 30% of individuals could have these liabilities written off entirely.

1.10 The Government's response to the recommendations is summarised in the table below.

Table 1.A Summary of recommendations made by the Review

Settlement Recommendations			Government Response
1	Introduce a new settlement opportunity for individuals	<i>The Review recommends that HMRC introduce a new settlement opportunity for those who used loan schemes, who have yet to settle their liability.</i>	The Government accepts this recommendation.
2	Suspend part of the liability	<i>Through the new settlement, individuals and HMRC can agree a reduced settlement</i>	The Government accepts this recommendation and will go further. Where the Review recommends suspending an amount, the Government will instead

		<i>amount, with the difference to their current Loan Charge liability suspended. If the terms of the suspension (e.g. continued compliance) are met, the suspended amount should be written off after an agreed period of time.</i>	write off all or part of the liability at the point of settlement.
3	Calculating the suspended liability		
	a) Unstack the tax years	<i>Calculate the tax owed in the years in which the income was earned</i>	The Government accepts this recommendation.
	b) Suspend a proportion to account for promoters' fees	<i>Suspend up to 10% (tapered by income) of gross scheme income per tax year to account for fees paid</i>	The Government accepts this recommendation.
	c) Suspend late payment interest	<i>Suspend late payment interest</i>	The Government accepts this recommendation.
	d) Do not seek to apply penalties	<i>Do not seek to apply penalties, as standard</i>	The Government accepts this recommendation.
	e) Do not collect inheritance tax	<i>Do not seek to claim IHT through this settlement</i>	The Government accepts this recommendation.
	Government adjustments		The Government will also write off the first £5,000 of each individual's liability on

		top of writing off amounts in line with the recommendations above. The maximum write off on what someone owes because of the loan charge will be capped at £70,000, which is equivalent to approximately the 80th percentile of estimated liabilities in the loan charge “individual” population, meaning that more than 80% of individuals within scope of the settlement opportunity will not be affected by the cap.
4	More straightforward payment plans	
	a) Five- and ten-year plans	<i>Allow payment plans of up to five years by default; and up to ten years with HMRC approval.</i> The Government accepts this recommendation and will go further. HMRC will not restrict payment plans to ten years. Where taxpayers require longer to pay their liabilities, HMRC will consider longer payment plans.
	b) A ten-year time limit	<i>Ten years should be the maximum length of payment plan. If an individual cannot afford to pay the liability over ten years, then, as a backstop, the remainder could be suspended.</i> The Government does not accept this recommendation. The Government believes that this recommendation would lead to unnecessary, potentially protracted, engagement between HMRC and taxpayers over payment plans and would not support the objective to draw a line under the issue. However, the Government commits to ensuring the existing process for taxpayers who cannot afford to pay is made clearer.

5	Individuals on only State Pension/Universal Credit	<i>Where, in a very small minority of cases, there is no reasonable prospect of recovering much of the liability due to the economic circumstances, take an exceptional approach.</i>	The Government accepts this recommendation.
6	Improved time to pay for businesses	<i>Where liabilities are settled with employers rather than the employees, do not disallow any corporation tax deduction, and as with individuals, do not apply penalties or IHT, and ensure sufficient time to pay is available.</i>	The Government accepts this recommendation and will go further. Employers will be able to access the same settlement terms as employees.
Supplementary Recommendations			Government Response
7	Improve DOTAS notifications	<i>Replace the current notification system with a clear certificate promoters must provide to taxpayers making clear the scheme is tax avoidance. Consider criminal offences for failure to provide it.</i>	The Government accepts this recommendation.

8	Prohibit promoters from providing additional tax services	<i>Avoid conflicts of interest by prohibiting those promoting tax schemes (or linked entities) providing further tax advice, including doing self-assessment returns, for the same individual.</i>	The Government accepts this recommendation.
9	Improve customer communication	<i>Improve HMRC correspondence with customers, by reducing the use of templates not more specific to the circumstance and considering certain clauses within contract settlements that have proven prohibitive to resolution.</i>	The Government accepts this recommendation.

1.11 This Government response explains these decisions in further detail, including where the Government has chosen to go beyond what was recommended and its rationale for rejecting one of the proposals.

1.12 Finally, this response sets out next steps across four key areas. For taxpayers, it will provide further detail on next steps for the new settlement opportunity; for HMRC, it will outline changes made in light of the Review and where further improvements will be made; it reiterates the Government's plan for closing in on promoters; and it outlines further detail about the Government's commitment to transparency following the Review's conclusion.

1.13 The reviewer and his team have engaged extensively with stakeholders to provide a clear path forward on this long-running and complex issue. The Government is confident that the new settlement opportunity offers a fair resolution for those with outstanding loan charge liabilities. Through implementing these recommendations, the Government aims to draw this matter to

a close in a manner that balances the real concerns of those in scope with its broader responsibilities to the Exchequer and the wider public.

Chapter 2 - Settlement recommendations

- 2.1 The Review concludes that the existing settlement terms will not persuade a sufficient number of people who have yet to settle their liabilities with HMRC to do so voluntarily. The Review considers that this is because of the sense of hostility and grievance felt towards the loan charge policy and HMRC's administration of it, which has created a sense of mistrust and discouraged engagement with HMRC.
- 2.2 The Government deeply regrets this position and fully accepts the Review's conclusions in this respect. The Review makes six recommendations to establish a new settlement opportunity to encourage people to settle their cases with HMRC voluntarily before HMRC moves to resolution under the existing loan charge legislation. The Government accepts all but one of the Review's recommendations.
- 2.3 This chapter sets out the Government's response to those recommendations.

Recommendation 1

"The Review recommends that HMRC introduce a new settlement opportunity for those who used loan schemes, who have yet to settle their liability."

- 2.4 The Review recommends that the Government introduces a new settlement opportunity for individuals yet to settle their loan charge liabilities.
- 2.5 The Government accepts this recommendation. It will legislate in the forthcoming Finance Bill to give HMRC the power to administer a new settlement opportunity to help bring this matter to a close. In line with the Review's terms of reference, the new settlement opportunity will be open to individuals and employers who have not yet settled and paid their outstanding loan charge liabilities. It will apply both to the outstanding liabilities arising as a result of the loan charge and the related underlying tax liabilities that exist separate to the loan charge. This reflects the Review's conclusion that the loan charge was an extraordinary piece of Government policy, which requires an exceptional response.

- 2.6 Where individuals have both loan charge liabilities and disguised remuneration liabilities that are not subject to the loan charge, they will need to settle all of their disguised remuneration avoidance with HMRC in order to access the settlement opportunity. Only the liabilities that are within scope of the loan charge will benefit from the concessions available under the settlement opportunity.
- 2.7 The Government remains committed to closing the tax gap by bearing down on tax avoidance and ensuring that everyone pays their fair share. However, the Government accepts the Review's finding that the loan charge was an extraordinary piece of legislation that treated those within its scope uniquely compared with other taxpayers. In accepting the Review's recommendations, the Government aims to address this issue and the unfairness felt by individuals, thereby reducing the barriers to settlement.
- 2.8 For this reason, the settlement opportunity will not apply to other tax avoidance schemes that are not within scope of the loan charge. In those cases, HMRC will continue to work with taxpayers to resolve their cases in line with existing legislation and case law. The Government recognises that some of the people who used other avoidance schemes will owe large amounts of tax. HMRC is committed to working sensitively and pragmatically with taxpayers to reach settlement. This includes by offering flexible payment terms where people need more time to pay their liabilities.
- 2.9 As set out below, recommendation 6 suggests a different approach should be taken where employers settle. In practice, the Government does not think it is feasible to distinguish between the "individual" and "employer" populations when designing this settlement opportunity. These populations are diverse and many in the "employer" population will in practice be in similar circumstances to those in the "individual" population. The Government will therefore go further than the Review and proceed on the basis that tax liabilities will be calculated in the same way regardless of whether they are settled by an individual or employer. This will ensure fairness across the population of those in scope of the Review and help bring this matter to a close more swiftly.

Recommendation 2

"Through the new settlement, individuals and HMRC can agree a reduced settlement amount, with the difference to their current Loan Charge liability suspended. If the terms of the

suspension (e.g. continued compliance) are met, the suspended amount should be written off after an agreed period of time.”

- 2.10 The Review recommends that, as part of the settlement opportunity, a proportion of the liability should be suspended. The suspension would be conditional on the taxpayer providing sufficient and accurate information to HMRC about their scheme usage. Any deliberate misrepresentation of an individual's usage or means would void any settlement under this opportunity. It would also be conditional on the taxpayer meeting certain conditions going forward.
- 2.11 The Review suggests that the suspension period should be the length of any instalment arrangement plus one year, with a minimum of three years. Where the taxpayer meets the terms of the suspension, the suspended amount would be written off at the conclusion of the suspension period.
- 2.12 The Government has considered this recommendation carefully and recognises the intended benefits of the approach. However, suspending a portion of the liability would leave taxpayers lacking certainty about their final liability for many years after reaching settlement with HMRC, with tax potentially being brought back into charge up to 11 years after settlement. The Government does not agree that this would help individuals to move on and draw a line under the issue. The Government has therefore decided to go further than the Review's recommendation. Rather than suspending a proportion of the liability, it will write it off entirely at the point of settlement. This will provide certainty and finality for taxpayers.

Recommendation 3

“The recommendations below, taken together, calculate a new settlement amount. The difference between that and the current Loan Charge liability is the suspended element.”

- 2.13 The Review makes a number of recommendations about how the tax liability should be calculated for the new settlement opportunity. As set out above, the Government will not suspend these amounts but will write them off at the point of settlement.

Recommendation 3a

“Unstack the tax years, and calculate the tax owed in the years in which the earnings were received”

- 2.14 The loan charge adds together all outstanding disguised remuneration loans at 5 April 2019 and taxes them as income in the 2018-19 tax year. The Review concludes that this aspect of the loan charge design was unprecedented and unfair on those on lower incomes who may not otherwise have been liable to the higher or additional rate of income tax.
- 2.15 The Review recommends that instead an individual's tax liability should be calculated by reference to the years in which the disguised remuneration loans were received. That is, the loans should be 'unstacked' and taxed as they would have been in each year of scheme use, providing individuals with the benefit of any unused personal allowance and rate bands in those years.
- 2.16 Following the announcement of the loan charge at Budget 2016, individuals had three years to engage with HMRC to settle their disguised remuneration use, receiving the benefit of the personal allowance and tax rates applicable in each year.
- 2.17 The Government accepts that the 'stacking' aspect of the loan charge policy design was unique and that it could result in individuals paying more than if they came forward and settled their underlying avoidance use. The 'stacking' aspect of the loan charge was intended to encourage individuals to settle before the loan charge crystallised on 5 April 2019. The Government believes it did not achieve this aim in as many cases as was anticipated at the time. As a result, some individuals now face higher liabilities that may represent a barrier to settlement.
- 2.18 The Government therefore accepts the Review's recommendation, and the new settlement opportunity will calculate the tax liabilities of those in scope in this way. Unstacking the loans in this way removes a key feature of the loan charge.

Recommendation 3b

“Suspend a proportion of the principal to account for promoter fees”

- 2.19 The Review heard that individuals paid fees to scheme promoters in order to access disguised remuneration schemes. The Review finds that these fees were typically between 18% and 20% of an individual's total contract value and that individuals could have believed that a portion of these fees were being paid

to HMRC in tax. The Review concludes that, had the schemes actually worked, these fees would have reduced the benefit of the avoidance for those on lower incomes.

2.20 The Review therefore recommends calculating a percentage of the principal amount to account for approximately half of the fees assumed to have been paid to promoters to access the scheme. This amount would then be deducted from the outstanding tax liability. The Review recommends the following deductions:

- 10% of an individual's gross loan scheme income in the year of scheme use for the first £50,000 of gross income; and
- 5% of an individual's gross loan scheme income in the year of scheme use for income between £50,000 and £150,000
- No further amount is suspended on annual income above £150,000.

2.21 It is a fundamental principle of the tax system that individuals are responsible for their own tax affairs. The Government does not believe that it is sufficient to rely on claims of tax compliance in marketing material. However, the Government understands the Review's position that those on lower incomes would have benefited less from the use of disguised remuneration. It also recognises the Review's intention to encourage more people to come forward and resolve their avoidance with HMRC by reducing the barriers that are preventing it. On this basis, the Government accepts this recommendation.

Recommendation 3c

"Suspend late payment interest."

2.22 The Review concludes that the delay in resolving disguised remuneration enquiries is largely the result of flaws in the loan charge's design and HMRC's approach to settlement. Whilst supporting the fundamental principle that interest should be charged where tax is paid late, the Review recommends, in this instance, suspending any late payment interest that has accrued to the point of settlement.

2.23 The Government accepts the Review's conclusion that the time it has taken for HMRC to resolve cases has contributed to the accrual of late payment interest charges. The Government also accepts that at times in the past HMRC's customer service standards have fallen short in some cases and that this acted as a barrier to those seeking to resolve their avoidance use with

HMRC. The Government welcomes the Review's recognition that HMRC has taken steps to improve its operational approach, and that few of the individuals the Review spoke to were critical of the HMRC caseworkers they had engaged with.

2.24 However, the Government believes that there have also been other contributing factors. In many cases, delays in resolving cases have been the result of taxpayers exercising their rights to appeal HMRC decisions, including to the independent tax tribunal and courts. It is right that taxpayers are able to access these routes of appeal but in these cases, both HMRC and the taxpayer are required to wait until litigation is concluded before cases can move to resolution.

2.25 The Government also notes the Review's finding that '[v]ery many individuals are "keeping their head down"', rather than actively engaging with HMRC. The Government accepts the Review's conclusion that the design of the loan charge policy and the unfairness felt by individuals is a driver of this lack of engagement. The Government also recognises the stress that large tax bills can cause. Where taxpayers have engaged with HMRC, HMRC has worked with the taxpayer to move their cases to resolution. Between Budget 2016 and 31 March 2024, HMRC agreed just over 25,000 settlements with employers and individuals on their use of disguised remuneration schemes (all schemes, not just those in scope of the loan charge), bringing into charge around £4.2 billion.

2.26 The Government accepts that many of the enquiries into disguised remuneration use have been open for a long time and, as a result, some individuals have accrued substantial late payment interest on the unpaid tax. In order to remove the barrier that these charges pose to settlement, the Government will accept this recommendation in full. As set out above, the Government will go further and will write off, rather than suspend, these amounts.

Recommendation 3d

"Do not seek to apply penalties"

2.27 The Review concludes that despite criticism on social media of HMRC imposing penalties on those liable to the loan charge, it saw little evidence of this being the case. However, for the benefit of removing all doubt, the Review recommends that HMRC should not seek to apply penalties as part of the settlement offer unless there is clear evidence of egregious behaviour.

2.28 The Government accepts this recommendation.

Recommendation 3e

“Do not collect Inheritance Tax”

2.29 The Review notes that many of the schemes it considered involved an offshore trust as part of the arrangements. The Review concludes that there is confusion about when inheritance tax (IHT) charges had arisen. It also noted the sense of unfairness that individuals feel when having to account for both income tax and NICs on the income, as well as IHT arising on the trust. The Review suggests that this has served as a barrier to settlement, citing the lack of understanding about, what is on the face of it for many, a complex tax matter.

2.30 The loan charge does not impose an IHT liability. However, some disguised remuneration schemes used a trust as a third party to remunerate individuals and therefore IHT charges have arisen in some cases. These are often not reported to HMRC. The Review recommends that IHT should not be charged as part of any new settlement opportunity.

2.31 The Government accepts this recommendation. Any IHT charges that have arisen solely as a result of the use of a trust in the relevant disguised remuneration arrangements will be written off as part of the settlement. This will only apply to charges that have already arisen. It will not provide an exemption for future charges that arise where funds continue to be held in a trust after settlement. Any IHT amounts written off will not be considered as having contributed to the £70,000 cap (see below).

Government adjustments

2.32 In accepting the principle behind these recommendations, the Government believes it is particularly important to support those with smaller liabilities, who are typically on the lowest incomes. The Government will therefore go further. In addition to the Review’s recommendations set out above, it will also provide an additional £5,000 deduction from the principal amount for everyone in scope of the Review. This supports those with the least means and removes those with the smallest liabilities from the charge entirely. HMRC estimates that approximately 10,000 individuals (roughly 30% of individuals in scope of the Review) could have their loan charge liability removed as a result of this measure.

- 2.33 One of the objectives of the Review required by the terms of reference was to ensure fairness for all taxpayers. This required the Review to consider fairness from the perspective of individuals with loan charge liabilities seeking resolution. It also required any recommendations to be fair to the vast majority of taxpayers who never used avoidance schemes.
- 2.34 Whilst the Government believes that the proposed settlement opportunity represents a fair outcome for individuals with loan charge liabilities, it is concerned that, for those with the highest liabilities, it would provide outcomes that would not be fair to the wider taxpaying population. In particular, HMRC has identified a number of cases within scope of the Review where the outstanding liabilities are in excess of £1 million and where the individuals involved could benefit from having hundreds of thousands or even millions in unpaid tax written off.
- 2.35 HMRC data shows that in the largest cases within scope of the Review, individuals avoided more than £5 million of tax through disguised remuneration use and would see substantial reductions in their liabilities. The Government does not believe that this would meet the requirement of ensuring fairness for all taxpayers.
- 2.36 The Government will therefore cap the maximum amount that can be written off on what someone owes because of the loan charge under the settlement opportunity at £70,000. This is equivalent to approximately the 80th percentile of estimated liabilities in the loan charge “individual” population, which means that more than 80% of individuals within scope of the settlement opportunity will not be affected by the cap.
- 2.37 The Review’s report provides five illustrative examples to demonstrate the potential impact of their recommendations on what individuals in different circumstances would owe (*Table 2, p. 64*). Three of the Review’s five examples would be entirely unaffected by the cap. In fact, the individuals involved would be better off under the Government’s response due to the £5,000 deduction. These include the following examples:
- Someone whose annual income was £25,000 during their two years of scheme use between 2013 and 2014, and who now owes £6,796 (which puts them roughly in the 25th percentile of individuals’ liabilities). Where the Review’s recommendations provide a 59% discount, they would instead have their liability written off.
 - Someone whose annual income was £30,000 during their three years of scheme use between 2013 and 2015, and who now owes £21,422 (which is around the median liability for individuals).

Where the Review's recommendations provide a 66% reduction, they would instead receive an 89% reduction.

- Someone whose annual income was £38,000 during their four years of scheme use between 2012 and 2015, and who now owes £54,190 (which puts them roughly in the 75th percentile of individuals' liabilities). Where the Review's recommendations provide a 69% reduction, they would instead receive a 78% reduction.

2.38 The examples affected by the cap would be:

- Someone whose annual income was £100,000 during their three years of scheme use between 2013 and 2015, and who now owes £149,975 (which puts them roughly in the 94th percentile of individuals' liabilities). Where the Review's recommendations provide a 48% reduction, they would instead receive a 47% reduction.
- Someone whose annual income was £200,000 during their three years of scheme use between 2013 and 2015, and who now owes £316,390 (which puts them roughly in the 98th percentile of individuals' liabilities). Where the Review's recommendations provide a 31% reduction, they would instead receive a 22% reduction.

2.39 As suggested by these illustrative examples, individuals who are most affected by the cap will have typically been higher earners. The Government notes the Review's finding that the tax advantages would have been clearer to higher earners and that they would have had greater ability to obtain independent tax advice. As a result, they would have had greater opportunity to recognise the compliance issues with disguised remuneration schemes. The Government therefore believes that imposing an upper limit on the write off available under the settlement opportunity strikes the right balance in ensuring fairness for all taxpayers.

2.40 HMRC has also identified within the population in scope of the Review's recommendations a number of promoters of disguised remuneration schemes who made use of their own schemes to avoid tax on their own incomes. The Government believes that it would be entirely wrong for these people to benefit from this settlement opportunity. The Government will therefore legislate to ensure that promoters are excluded and are instead required to settle their liabilities in full.

Recommendation 4

2.41 The Review sets out that recommendations 1-3 will determine a fair settlement based on the individual's scheme use and the extenuating circumstances set out in the wider report. Where this amount is still too large for an individual to pay it in one go, the Review makes two further recommendations relating to payment plans.

Recommendation 4a

"Five and ten-year payment plans"

2.42 The Review recommends that individuals with liabilities that remain significant relative to income or assets, even after the proposed reductions, should be permitted to settle amounts through an instalment plan. The Review recommends that instalment plans of up to five years are accepted automatically, while plans exceeding five years, up to a maximum of ten years, require HMRC approval. Forward interest will apply to all arrangements in line with standard HMRC practice, and taxpayers must provide accurate financial information when seeking extended terms.

2.43 The Government accepts this recommendation. Where a taxpayer is unable to pay their tax liability in full immediately, HMRC will agree a payment arrangement tailored to their ability to pay. Where a taxpayer needs up to five years to pay, HMRC will agree to this without asking for further information. Where a taxpayer needs more than five years to pay, HMRC will work with them to agree an arrangement that reflects what they can reasonably afford. HMRC will go further than the Review's recommendation and will not impose a fixed limit on the duration of such arrangements.

Recommendation 4b

"Ten years should be the maximum length of payment plan. If an individual cannot afford to pay the liability over ten years, then, as a backstop, the remainder could be suspended"

2.44 The Review recommends that the maximum duration for a payment plan should be ten years. The Review further

recommends that if, after ten years, the liability has not been paid, any remaining amount should be written off.

- 2.45 The Review suggests that the process of agreeing a payment plan could be streamlined to reduce the need for HMRC scrutiny. Where a taxpayer needs more than ten years to pay, the Review suggests that HMRC would need to apply greater oversight to ensure that taxpayers had provided honest information.
- 2.46 The Government does not accept this recommendation. Writing off unpaid liabilities after ten years would lead to time-consuming wrangling over what is or is not affordable for taxpayers, increasing stress and frustration, rather than drawing matters to a close. Rather than allowing for a streamlined process, accepting this recommendation would require HMRC to apply greater scrutiny when agreeing payment plans, making the process longer and more intrusive for taxpayers. Instead of allowing people to draw a line under their scheme use, this recommendation could encourage longer payment plans and prolonged engagement with HMRC.
- 2.47 The Government also notes the Review's view that only a very small number of people would not be able to pay their liabilities within ten years. As set out above, the Government is going further than the Review's recommendations by providing for an additional £5,000 reduction in liabilities. As a result, it is likely that even fewer people than the Review anticipates will require payment plans of longer than ten years.
- 2.48 As set out above, HMRC will work with taxpayers to agree flexible, tailored payment plans where people need time to pay their liabilities. Recommendation 5 (below) outlines HMRC's process where people are unable to pay their full liability.

Recommendation 5

"Where, in a very small minority of cases, there is no reasonable prospect of recovering much of the liability due to the economic circumstances, take an exceptional approach"

- 2.49 The Review finds that a small number of people who used disguised remuneration are now reliant solely on the state pension or universal credit. The Review recommends that where there is no reasonable prospect of recovering the tax debt, due to the economic circumstances of the taxpayer, the Government should take the exceptional approach of writing off all or most of their liabilities.

2.50 The Government accepts this recommendation. As the Review notes, HMRC already has a process in place to support taxpayers where their economic situation means they are unable to pay their debts. HMRC will continue to manage the situations the Review sets out in line with its existing processes for considering sub-standard offers where taxpayers lack the income and assets to settle a debt in full.

2.51 However, the Government recognises that some of the tax professionals the Review spoke to considered these processes to lack transparency. In order for HMRC to consider a sub-standard offer, taxpayers must engage with HMRC in an open and transparent way. Without engagement from the taxpayer, HMRC cannot consider a sub-standard offer. HMRC works with the taxpayer to consider their income, expenditure, asset and liability position in order to determine whether a sub-standard offer can be accepted.

2.52 Where HMRC cannot accept a sub-standard offer, it gives the taxpayer reasons and offers suggestions for things they can consider in order to increase their offer. HMRC will work with tax bodies that represent low-income taxpayers to ensure that the communication around these processes is made clearer and more accessible for all taxpayers.

Recommendation 6

“Where liabilities are settled with employers rather than the employees, do not disallow any corporation tax deduction, and as with individuals, do not apply penalties or IHT, and ensure sufficient time to pay is available.”

2.53 The Review recommends that different settlement terms should be available to employers.

2.54 As explained above, the Government will ensure that all those in scope of the Review are able to access the same settlement terms. This will ensure fairness across the population in scope of the Review. Flexible payment arrangements will therefore be available to all, and no IHT charge will be included in any settlement. The Government also accepts the recommendation that, where a settlement is agreed at the employer level, then there should be no disallowance of any corporation tax deduction.

Chapter 3 - Supplementary recommendations

- 3.1 As well as recommending a new settlement opportunity, the Review also makes three supplementary recommendations. These recommendations concern the Disclosure of Tax Avoidance Schemes (DOTAS) regime, promoters, and HMRC's communications with taxpayers under enquiry for using avoidance schemes.

Recommendation 7

“Replace the current notification system with a clear certificate promoters must provide to taxpayers making clear the scheme is tax avoidance. Consider criminal offences for failure to provide it”

- 3.2 Where a tax avoidance scheme is disclosed to HMRC under DOTAS, HMRC issues a Scheme Reference Number (SRN) to the promoter of the scheme which the promoter must provide to those who use the scheme.
- 3.3 Promoters who disclose schemes to HMRC must pass on both the SRN and other information to scheme users through a specific form, called the AAG6. For each user that the promoter fails to pass the SRN and the AAG6 on to, a civil penalty of up to £5,000 can be assessed.
- 3.4 The Review recommends that HMRC adapts the SRN process so that the promoter is issued with a much clearer ‘certificate’ that contains the SRN and clear instructions as to the duties imposed on the promoter and the taxpayer. It should also make clear that an SRN is not HMRC approval and that enquiry and litigation may follow.
- 3.5 The Government accepts this recommendation. It will work with external stakeholders to redesign the AAG6 form to ensure that all the points that the Review has raised are clearly and unambiguously communicated. Moreover, the Government will consult on criminalising a promoter failing to provide the AAG6.

The Government will engage external stakeholders on these points in the new year.

Recommendation 8

“Avoid conflicts of interest by prohibiting those promoting tax schemes (or linked entities) providing further tax advice, including doing self-assessment returns, for the same individual”

- 3.6 The Review recommends that the promoters of tax avoidance schemes (and associated entities) should be prohibited from offering, where they promote a scheme, tax return services and HMRC enquiry defence services to those clients.
- 3.7 The Government accepts this recommendation. The Government has already announced plans to introduce mandatory tax adviser registration from May 2026. The statutory provisions for this, introduced in Finance Bill 2025, will prohibit the use of HMRC systems by tax advisers who have outstanding promoter penalties or where there is evidence of other forms of non-compliance with rules against promoting tax avoidance, or where promoters are named by HMRC. This will prevent non-compliant promoters from interacting directly with HMRC on behalf of taxpayers.
- 3.8 Beyond this, HMRC will also consider refusing to deal with any promoter who has a Stop Notice in force against them, including filing returns on behalf of taxpayers or the promoter representing the taxpayer during an HMRC enquiry.

Recommendation 9

“Improve HMRC correspondence with customers, by reducing the use of templates not more specific to the circumstance and considering certain clauses within contract settlements that have proven prohibitive to resolution”

- 3.9 The Review finds that whilst there are benefits to HMRC using template letters to ensure a consistent approach to taxpayers, adaptations may yield better results and reduce frustration for taxpayers.
- 3.10 The Review recommends that HMRC considers its approach to template letters, and whether it would be advantageous to have adapted versions of these better targeted to specific circumstances.

- 3.11 The Review also makes recommendations about the wording of the contracts used to agree settlements. The Review finds that the wording in these contracts is considered routine by tax advisers. It also finds that the wording carries no criminal connotations and does not require the individual signing the contract to “admit guilt”. Nevertheless, the Review reports that a number of people it heard from considered the wording of the contract to represent a barrier to settlement. The Review therefore recommends that HMRC considers whether the wording used in settlement contracts could be made more neutral.
- 3.12 The Government accepts this recommendation. HMRC already engages with representative bodies when designing certain customer communications and guidance. HMRC will engage with the relevant professional bodies to consider how to most effectively communicate with taxpayers and encourage engagement with the new settlement opportunity. This will include proactively collaborating with stakeholders to co-design the letters HMRC will send to invite taxpayers to come forward and settle under the new opportunity.
- 3.13 HMRC will also change the wording of the contracts that taxpayers are required to sign to ensure that it does not act as a barrier to settlement.

Chapter 4 - Next steps

- 4.1 This chapter outlines the next steps across four key areas: taxpayers, HMRC, promoters of tax avoidance, and transparency.

Taxpayers

- 4.2 The Government recognises the Review's intention to encourage more people to come forward and resolve their cases with HMRC by reducing the barriers that are preventing it. It will therefore legislate in the forthcoming Finance Bill to grant HMRC the power to administer a new settlement opportunity for taxpayers within scope.
- 4.3 HMRC will write to taxpayers in scope of the Review to make them aware of the new settlement opportunity from the beginning of next year. It will also publish guidance on GOV.UK, which will provide further detail on the operation of the new settlement opportunity.
- 4.4 After first writing to taxpayers in scope of the Review in early 2026, HMRC will then begin contacting them again, from Spring 2026, to start explaining the settlement opportunity to them in more detail. HMRC will explain what it means for taxpayers based on their specific circumstances.
- 4.5 HMRC will contact taxpayers in stages and all taxpayers in scope will be contacted by the end of the 2027-28 tax year. HMRC will encourage taxpayers who want to settle to contact their named HMRC caseworker proactively, and not to wait for a letter. Taxpayers that contact HMRC will be prioritised for settlement.
- 4.6 The Government is clear that individuals are responsible for their own tax affairs and that tax owed should be paid. These are longstanding and fundamental principles of the tax system. Whilst the Government is accepting recommendations from the Review that, to some extent, test those fundamental principles, it is doing so in recognition of the Review's conclusion that the loan charge was an extraordinary piece of Government policy, necessitating an exceptional response.
- 4.7 The settlement opportunity will be open to approximately 23,000 individuals and 4,000 employers, subject to the loan charge, who have not yet resolved their disguised remuneration use with HMRC. It will also be open to approximately 10,000 individuals and 1,000 employers who have not fully paid their outstanding liabilities to HMRC. HMRC estimates that this will cost

approximately £365 million between the settlement opportunity's launch and 2030-31.

- 4.8 To access the settlement opportunity, taxpayers will need to engage openly and honestly with HMRC, providing the information HMRC needs to establish the new tax liability due under the opportunity. Where individuals or employers choose not to engage with the new settlement opportunity, HMRC will progress their cases under the existing loan charge legislation. In effect, this will mean that those with outstanding loan charge liabilities who do not engage with the new settlement opportunity are likely to face larger tax bills in the future. This is what broader taxpayers would rightly expect from their tax authority.

HMRC

- 4.9 The Review is clear in its findings that the loan charge has substantially damaged trust in HMRC and the wider tax system. The Government agrees entirely with the Review that rebuilding trust in HMRC is central to bringing the loan charge to a conclusion and allowing people with outstanding liabilities to draw a line under this issue and move forward.
- 4.10 HMRC has never required those who participated in these schemes to admit 'guilt'. However, those who used the schemes have not paid the right amount of income tax and NICs on their incomes, and it is HMRC's function as a tax authority to collect the unpaid tax. This process should not, as far as possible, be adversarial, with both HMRC and the taxpayer working together to resolve the outstanding liability. The Review recognises that the wording HMRC uses in its settlement contracts does not carry criminal connotations. However, some people clearly felt that they were being accused of more serious wrongdoing, rather than simply being asked to settle a tax dispute. HMRC will address this going forward and, in line with the Review's recommendation, amend the wording of its contracts.
- 4.11 HMRC accepts that its customer service standards have at times in the past fallen below acceptable standards in some cases. This has damaged trust and made it harder for those who wanted to engage to resolve their enquiries with HMRC to do so. HMRC apologises unreservedly for those instances where it has fallen short. As noted above, the Government welcomes the Review's recognition that HMRC has taken steps to improve its operational approach. HMRC is committed to improving its processes for customers and providing a level of service that meets the standards set out in the HMRC Charter.

- 4.12 To improve the customer experience and to make it easier for those seeking to settle, HMRC has moved to a new operational approach for people with open tax avoidance enquiries. HMRC now provides a dedicated caseworker for each disguised remuneration customer, looking across all of their avoidance use. That caseworker provides a named point of contact and is responsible for considering each customer's position and specific needs; and working with the customer to reach resolution.
- 4.13 HMRC will continue to look for ways to improve its processes in light of the Review's findings. This will include implementing all of the supplementary recommendations. It will also include working more closely with representative bodies and charities, looking for opportunities to co-design its processes so that they work better for taxpayers and HMRC.

Promoters

- 4.14 The Review is clear that HMRC should have done more to challenge disguised remuneration schemes much sooner. In particular, whilst the Review notes HMRC's success in the Supreme Court in *Rangers*, it concludes that the length of time it took for the courts to consider this case left a vacuum during which schemes continued to be marketed.
- 4.15 The Government welcomes the Review's recognition that since the launch of HMRC's 'Don't get caught out' campaign in 2020, HMRC has improved its communication with taxpayers about the risks and warning signs of tax avoidance schemes. HMRC will continue to use mainstream communication channels, including radio and social media advertising, to help taxpayers avoid getting caught up in these schemes.
- 4.16 The Government also welcomes the Review's recognition of the further work that this Government is undertaking to tackle the promoters of tax avoidance and to root out non-compliant umbrella companies from labour supply chains. Stakeholders have told HMRC that these measures will have a substantive impact on those remaining promoters and will help to prevent people getting caught up in disguised remuneration in the future.
- 4.17 Since the loan charge was introduced, HMRC's approach to tackling promoters has become far more robust.
- 4.18 HMRC now deploys a range of legislation and tools to challenge promoters, tackling schemes more quickly and closing them down within months through publishing details of schemes and promoters and issuing stop notices. There is a criminal sanction

where a promoter continues to sell a scheme after receiving a stop notice.

4.19 HMRC is making it harder for promoters to profit from promoting avoidance, in particular by issuing penalties earlier and using joint and several liability notices on directors and shadow directors. These make them personally liable for their companies' debts that are linked to the promotion of tax avoidance schemes.

4.20 But the Government is determined to go further and faster, denying those who seek to profit from non-compliance the time and space to establish their schemes in the market. At Autumn Budget 2024, the Government set out that it would make a step change in the efforts to tackle the small number of promoters who remain and shut down the schemes they promote. It consulted on a series of new measures in Spring 2025, and, as announced at Budget 2025, the Government has decided to introduce legislation in Finance Bill 2025-26 to:

- change the process to issue DOTAS and Disclosure of Tax Avoidance Schemes for VAT (DASVOIT) penalties to allow an Authorised Officer of HMRC to impose penalties instead of the First Tier Tribunal
- prohibit the promotion of avoidance arrangements that have no realistic prospect of success, and introduce a power enabling HMRC to ban promotion of other arrangements that are not likely to succeed through secondary legislation
- introduce a new power to allow HMRC to require businesses to stop providing goods or services to promoters of tax avoidance when used in the promotion of avoidance
- introduce new targeted anti-avoidance information powers to allow HMRC to better investigate marketed tax avoidance and identify the responsible individuals who are behind the promotion
- change HMRC's publication powers to allow HMRC to name legal professionals even where their involvement is limited to the design of tax avoidance schemes

4.21 These changes will have effect from the date of Royal Assent to Finance Bill 2025-26.

4.22 In addition, the Government will publish a consultation in early 2026 on a package of additional measures to impose further consequences on promoters of tax avoidance schemes.

Transparency

- 4.23 The Government is grateful to Ray McCann and his team for looking at this issue in such detail and considering the many different individuals involved and ensuring they have been listened to and considered when formulating the Review's conclusions. The Government hopes that its response to the Review will provide a roadmap to draw the issue to a close for individuals liable to the loan charge.
- 4.24 The Government recognised from the outset that it was crucial to those affected by this issue that the Review was both in reality, and perception, independent. This was the basis on which it appointed an independent reviewer, who is responsible for the Review's findings and its recommendations. He is also responsible for how the Review was conducted and who the Review engaged throughout the process. The reviewer was supported by a secretariat of civil servants, all of whom were recruited from outside of HMRC and the Treasury and had never worked on the loan charge or related issues previously. The Review team were provided a separate office space outside of those two departments to conduct their work in.
- 4.25 Given the level of interest in, and public scrutiny of, this Review and the importance of its independence, the Government also made several commitments in respect of transparency. In particular, the Government committed to publishing the information that it provided to the Review and any factual comments that it made on a draft report.
- 4.26 In the annex of this response, the Government encloses the comments sent to the Review team by officials on the draft report. These comments were limited to factual corrections or clarifications and are published in full.
- 4.27 The Government is collating the communications that it had with the Review throughout the process and will publish this information shortly. This will include information that HMRC provided to the Review in response to its information request, meeting minutes, and email exchanges between members of the Review team and officials from the Treasury and HMRC.

Annex A

In the Terms of Reference, the Government committed to publishing the factual comments that the Treasury and HMRC provided on a draft report from the Review. These have been outlined in the table below (Table 1.B) and show the changes the Review made to the report in light of these comments.

Table 1.B Comments made on the draft report by Treasury and HMRC and the Review's response

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
Straightforward Factual Comments				
4	And, importantly, why have Loan Charge enquiries, in some cases involving amounts that would be rounding errors in many cases, been allowed to just go on and on for a decade or longer with no progress, only for those involved to find that their right of appeal has effectively been removed retrospectively?	<i>Customers have a statutory right of appeal where HMRC issue an enquiry closure notice, including for enquiries related to the Loan Charge.</i>	<i>Effectively italicised, but no change otherwise.</i>	
6	(e.g.): ... HMRC changed tack with the introduction of the Disguised Remuneration (DR) Rules in Part 7A ITEPA 2003.	<i>Government introduces new legislation, not HMRC. HMRC implements the law as passed by Parliament. Features of the policy are decided by government</i>	Having mostly failed to succeed through litigation, in 2010, HMRC Government changed...	<i>Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
	When HMRC did bring in legislative change...	<i>ministers and legislated for by Parliament.</i>	...When HMRC did bring in legislative change finally came ,	
15	Unlike the later contractor settlement opportunity, [for EBTSO] there was no requirement to make voluntary restitution to HMRC for years where HMRC was out of time to open an enquiry.	<i>The Employee Benefit Trust Settlement Opportunity (EBTSO) required voluntary restitution unless both sufficient disclosure had been made and HMRC had not protected the relevant tax year within the statutory time limits (e.g. by opening an enquiry).</i>	The EBTSO had no requirement where a company should voluntarily pay such PAYE and/or NIC that HMRC might contend was due and where the company had disclosed the use of the EBT, but HMRC had not acted on the disclosure, HMRC treated the PAYE and NIC that would otherwise have been due as paid for the purposes of Part 7A whether the PAYE and NIC had in fact been paid or not. In other cases, companies could voluntarily pay the PAYE and/or NIC free of late payment interest in which case any remaining trust fund could be distributed to the employees free of any tax. It was also easier for companies to	New language.

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			satisfy the requirements for “disclosure” under the EBTSO, than it is for individual taxpayers to do so under the restrictive Finance Act 2020 “reasonable disclosure” requirements, introduced following the Morse Review recommendations.	
17,19	Median reported income ‘now’ / Mean reported income ‘now’	<i>Income now and current income are referred to within the report but without being defined. A definition should be included so that it is clear that this is the average income reported to HMRC across the most recent three tax years where data is fully available, rather than what individuals are earning in the current year.</i>	Footnote included at first usage on p17 as follows: Throughout this report, ‘current income’ statistics are calculated from the average income reported to HMRC across the most recent three tax years, where that data is available.	Footnote included to clarify
27	Yet the Loan Charge created a liability – often significant – solely on the individual, despite promoters retaining a substantial portion of any tax advantage.	<i>The Loan Charge did not create a liability solely on the individual. HMRC first seek to collect Loan Charge liabilities from employers</i>	Yet the practical reality appears to many that the Loan Charge created a liability – often significant – solely on the individual, despite promoters	<i>This is about the perception of practical reality. Amend made.</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
	<i>Repeated in following paras.</i>	<i>where they were obligated to operate PAYE.</i>	retaining a substantial portion of any tax advantage.	
35	Some issues in particular stand out. Avoiding the Loan Charge required individuals to pay such tax and NIC as HMRC considered had been avoided whether or not HMRC had an open enquiry or was still in time to make a discovery assessment.	<i>Under both the 2017 and 2020 DR settlement terms, individuals defined as 'employed contractors' in the terms are not required to pay NICs (employee or employer Class 1 NICs).</i>	Some issues in particular stand out. Avoiding the Loan Charge required individuals to pay such tax and NICs as HMRC considered had been avoided, whether or not HMRC had an open enquiry or was still in time to make a discovery assessment.	<i>Amend made.</i>
35	the 2017 agreement not to pursue any residual tax where the Loan Charge was paid in effect meant that the Loan Charge was a de facto alternative to settling on a year-by-year basis	<i>The residual tax decision was taken by HMRC's Commissioners in 2020, not 2017.</i>	In addition, some of the tax advisers the Review met questioned how well advertised and explained the 2017 settlement opportunities had been. In particular some noted the 2020 HMRC commissioners decision and, in particular, that, for all practical purposes, the 2017 agreement not to pursue any residual tax where the Loan Charge was paid, which in effect meant that the Loan Charge was a de facto	

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			alternative to settling on a year-by-year basis.	
37	In a small number of cases the Review asked HMRC, with the individual's permission, to examine individual cases where there appeared to be no DR use.	<i>The Review asked HMRC to look into one case where the individual claimed to have been subject to an enquiry but maintained that they had not used a disguised remuneration scheme. HMRC did not receive the required permission from the individual to lawfully disclose information to the Review and was therefore prevented from providing any information about this case.</i>	In a small number of cases, the Review asked HMRC, with the individual's permission, to examine individual cases, including where there appeared to be no DR use.	<i>There were multiple cases the Review referred onto HMRC; but this tweak makes clear not all of those were in relation to cases of no DR use.</i>
37	The Review agrees that HMRC should charge late payment interest where a taxpayer delays payment of tax due. But, at present, the rules HMRC apply to late payment interest are weighted against taxpayers	<i>Late payment interest is statutory. HMRC does not choose whether or not to charge interest for late payment of tax.</i>	The Review agrees that HMRC should charge late payment interest where a taxpayer delays payment of tax due. But, at present, the rules that statute requires HMRC to apply to late payment interest are weighted against taxpayers and, in the context of the Loan Charge, have acted to create an almost	<i>The Review does not contend the statutory position of LPI, but it is HMRC who apply said rules. Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			insurmountable barrier to settlement.	
38	The simple reality is that, barring some obvious failures, a tax scheme “works” until a Judge decides that it does not.	<i>It is not correct to suggest that a scheme works until such point that a court finds that it does not. If a court finds that a scheme does not work, then that finding does not only apply to future uses. It applies to the scheme based on the law as it was written at the time. The scheme never worked.</i>	The simple reality is that, barring some obvious failures, to most people , a tax scheme appears to “work” until a Judge decides that it does not.	<i>Notwithstanding the declaratory principle that judge’s decisions clarify extant law; the point being made here is about how it’s perceived. Even if it applies in the past, it requires that present decision.</i> <i>Amend made to clarify the perception</i>
40	It seems inescapable that, absent steps taken by Government to ameliorate the potential level of	<i>HMRC’s submission on 16 May explained that Ministers at the time were advised on this point</i>	It seems inescapable that, absent steps taken by Government to ameliorate the	<i>Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
	insolvency in the face of the resulting backlash against the Loan Charge, Ministers would have been faced with the prospect of thousands of insolvent individuals and families that they had not been warned to expect or did not expect.	<i>specifically. Ministers were advised that not all users would be able to settle their liabilities or pay the Loan Charge and that liquidation or bankruptcy was an expected outcome for some of the population that would be liable to the Loan Charge.</i>	potential level of insolvency in the face of the resulting backlash against the Loan Charge, Ministers would have been faced with the prospect of many thousands of insolvent individuals and families that they had not been warned to expect or did not expect.	
50 [now 51]	The extent of this distortion in taxpayer rights is illustrated by the fact that, as originally enacted, the Loan Charge would apply to an employee of Dextra who had an outstanding loan from the Dextra EBT in 2019 despite their tax position having been settled by the courts seventeen years before.	<i>This sentence is incorrect as the LC would not have applied in this example. Where HMRC had opened enquiries into an individual for the tax years they used the scheme, and closed those enquiries with no amendment, the LC would not apply. This approach was known as the closed years concession. Details of this were included in the submission to the Review on 29 May.</i>	The extent of this distortion in taxpayer rights is illustrated by the fact that, as originally enacted and absent the subsequent concession made by HMRC , the Loan Charge legislation would have applied to an employee of Dextra who had an outstanding loan from the Dextra EBT in 2019 despite their tax position having been settled by the courts seventeen years before.	Amend made

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
51	This reflects underlying legislation that is highly complex and an approach by HMRC where it appears to seek to levy every possible liability on those involved so making a settlement seem less and less achievable.	<i>HMRC seeks to assess the correct amount chargeable under the law enacted by Parliament.</i> <i>HMRC provided evidence to the review that a number of decisions have been taken to reduce the amount customers would otherwise pay.</i> <i>HMRC explained at the meeting on 27 February that its operational approach to settlement seeks to put most customers in a position where a s222 charge will not arise. It was also explained that HMRC Commissioners had introduced the residual tax decision to forgo the collection of residual disguised remuneration liabilities in certain circumstances.</i>	This reflects underlying legislation that is highly complex, and transactions that could give rise to multiple types of tax, alongside the relatively low understanding among taxpayers of any concessions HMRC has made. The resulting perception is that HMRC appears to many to be levying every possible liability on those involved, thus making settlement seem less and less achievable.	The point here is the perception of individuals, part of which is due to the complexity of the matter. New text used to clarify.
Straightforward Drafting Corrections				

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
7	The settlement terms offered in 2017-2019 (i.e. to settle before the Loan Charge arose) were never capable of generating the levels of voluntary settlement HMRC hoped for.	<i>The settlement terms were available from 2017 – September 2020.</i>	The settlement terms offered in 2017-20 19 ²⁰	Amend made
10, 67 [now 68]	(e.g.:) The Review is grateful, too, for their commitment to transparency in their communications with us, which means all their submissions will be published alongside this report. The full set of data provided to the Review by HMRC is published alongside this report	<i>The Review should reflect the terms of reference when discussing the government's commitment to publish the evidence provided by departments, namely: "Information provided by HMT and HMRC to the review team and factual comments provided on draft reports will be published after the review has concluded."</i>	The Review is grateful, too, for their commitment to transparency: as agreed in the Terms of Reference, information provided by HMT and HMRC to the review team and factual comments provided on draft reports will be published after the review has concluded." in their communications with us, which means all their submissions will be published alongside this report.	Amend made
17	Of these, only around 12,000 individuals have resolved their scheme use with HMRC...	<i>Clarify that 'of these' refers to the current estimate of c.45,000 in scope of the Loan Charge. As drafted, it could read as of the 'over 60,000'.</i>	Of these c.45,000 , only around	Amend made

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
	Around 7,000 individuals have reached a contract settlement with HMRC.			
17	Footnote 17 [now 19]: More specifically, these are individuals who have at least one unresolved DR usage that can be pursued by HMRC or have had all relevant DR usages resolved (via contract settlement or closure of a compliance intervention or determination of tax) since the Loan Charge arose but have not yet paid in full. It does not include those who reached a contract settlement prior to the Loan Charge arising and have not yet paid in full.	<i>This should be specific that relevant DR usage refers to individuals with at least one unresolved relevant DR usage within scope of the Loan Charge to avoid being read as all DR usages.</i>	More specifically, these are individuals who have at least one unresolved DR usage within scope of the Loan Charge that can be pursued by HMRC or have had all relevant DR usages resolved	Amend made
18	The full set of data provided to the Review by HMRC is published alongside this report; but the table below provides a material insight into the numbers of individuals, their outstanding liabilities and estimated income levels, who have not yet settled their loan scheme usage with HMRC.	<i>The population covered in the table is described as individuals 'who have not yet settled' but it is 'for individuals who have an outstanding Loan Charge liability' as correctly stated above the table itself on p.19 and as defined by the review in footnote 17 on p.17.</i>	The table below provides a material insight into the numbers distribution of individuals with an outstanding Loan Charge liability, including their outstanding liabilities and estimated current income levels, who have not yet settled	Amend made

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			their loan scheme usage with HMRC..	
24	HMRC told the Review that its current approach allows those involved to have as long a period as they want/need	<i>Longer terms are available for those who need them, not where they want them, and there is no maximum term.</i>	as long a period as they want /need	Amend made
33	In 2017, HMRC published its settlement terms for a contractor settlement opportunity	<i>The 2017 settlement terms (November 2017 disguised remuneration settlement terms) were not exclusively for contractors and were available for all DR customers (including employers and employees).</i>	In 2017, HMRC published its settlement terms for a contractor further settlement opportunity	Amend made
55	Some who responded to the Review asserted that a major part of the problem was HMRC's failure to enforce the Agency Regulations.	<i>The Agency Worker Regulations provide the regulatory framework for providing employment protections to agency workers. They're enforced by the Employment Agency Standards Inspectorate, not HMRC.</i> <i>We presume this is intended to refer to the Agency Legislation at Chapter</i>	Some who responded to the Review asserted that a major part of the problem was HMRC's failure to enforce the Agency legislation Regulations. <i>Footnote: Chapter 7 Part 2 Income Taxation (Earnings and Pensions) Act [ITEPA] 2003</i>	Amend made

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
		<i>7, Part 2 ITEPA 2003, which deems income from an agency arrangement to be employment income in certain circumstances.</i>		
Assertions where HMRC did not provide, or were not asked for, evidence				
<i>The judgements below are not informed by HMRC evidence. We would ask that where the Reviewer thinks it would be helpful to inform the reader of this that a relevant clarification can be added in text or in footnote. Where appropriate, this would make clear that the point being made is a result of the Reviewer's judgement following on from the Call for Evidence and other conversations.</i>				
26	Given the number of individuals brought back into scope by the Loan Charge (from whom HMRC would have otherwise had no basis to claim the tax), whatever was collected by way of the Loan Charge could have been seen by Government as something of a windfall rather than ordinary tax receipts, so there was scope to offer better terms to the hardest hit.		Given the number of individuals brought back into scope by the Loan Charge (from whom HMRC may would have otherwise had no basis to claim the tax), whatever was collected by way of the Loan Charge could arguably have been seen by Government as something of a windfall rather than ordinary tax receipts, on which basis there might have been so	<i>Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			there was scope to offer better terms to the hardest hit.	
34	Very few of those involved had access to high quality and truly independent professional advice that was experienced in handling HMRC enquiries of the nature likely required to resolve loan scheme usage through compliance interventions.		Very few of those involved From those the Review spoke to or who sent in evidence, it seems very few had access to high quality and truly independent professional advice that was experienced in handling HMRC enquiries of the nature likely required to resolve loan scheme usage through compliance interventions.	<i>Amend made</i>
36	It seems clear that the majority of those who participated in a loan scheme were not subject to HMRC enquiry for at least some of the years of assessment involved.		A frequent criticism levelled by respondents was the inconsistency in the opening of enquiries. Some respondents had gaps in their tax years where enquiries weren't opened; or enquiries were only opened after several years of scheme use. Individuals made the point that continued use without HMRC action only bolstered their belief that the	<i>Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			scheme was legitimate. Some told the Review that they only received enquiries years after ceasing scheme use. Whilst it seems clear from these individuals' testimony that the majority many of those who participated in a loan scheme were not subject to HMRC enquiry for at least some of the years of assessment involved, HMRC data shared with the previous Morse Review (link in footnote) suggests that this number was nearer 15-20% of users.	
40	Furthermore, the assurances made by the Government simply temporarily eased the anxiety felt by those caught by the Loan Charge as they merely delayed rather than removed the concern over the possible loss of the family home, typically the only asset that the large majority of those in scope of the Loan Charge had.		Furthermore, it seems reasonable to conclude from the testimony provided that the assurances made by the Government simply temporarily eased the anxiety felt by those caught by the Loan Charge as they merely delayed rather than removed the concern over the	<i>Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			possible loss of the family home, typically the only asset that the large majority of those in scope of the Loan Charge told the Review that they had.	
59	Those around the median income or lower were at the greatest risk of being mis-sold, as these individuals were economically no better off, or only slightly so, by using a loan scheme compared to PAYE . Having regard to typical promoter fees, an individual needed to be earning around £50,000 or more for the scheme to be providing any advantage. At or below this level, the deductions would have equated to (or exceeded) the expected deductions under PAYE. However, as income received through the schemes increased, so did the obvious tax advantages over a PAYE arrangement; and higher income also presented a greater ability to obtain independent		Those around the median income or lower were at the greatest risk of being mis-sold, as these individuals were economically no better off, or only slightly so, by using a loan scheme compared to PAYE . Having regard to typical promoter fees, an individual needed to be earning around close to £50,000 for before the scheme to would be providing any significant advantage. At or below this level, the deductions would likely have equated to (or exceeded) the expected deductions under PAYE. However, as income received through the schemes	<i>Amend made</i>

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
	tax advice – both of which ought to place an increased burden on individuals to have realised the likelihood of compliance issues with these schemes. The recommendation therefore tapers the suspension according to the relative tax advantage in each year of scheme use.		increased, so did the obvious tax advantages over a PAYE arrangement; and higher income also presented a greater ability to obtain independent tax advice – both of which ought to place an increased burden on individuals to have realised the likelihood of compliance issues with these schemes. The recommendation therefore tapers the suspension according to the relative tax advantage in each year of scheme use. Footnote: Promoter fees were roughly equivalent to the basic rate of tax, but did not have any personal allowance (though some national insurance was also often avoided). Especially when factoring in the personal allowance, income would need to significantly exceed the	

Pg	31/7 Draft Review Text	HMRC / HMT Comment	New Text from the Review	Review Comment
			higher rate threshold for the 20% rate of deduction offered by the schemes to be beneficial compared to PAYE.	

Annex B

Ahead of sharing the draft report, the Review team asked HMRC analysts to check, via a table, the Review's use of figures provided to the Review by HMRC. We are also publishing that document with HMRC's comments below. As noted above, the information that HMRC provided to the Review in response to its information request, some of which is referred to below, will be published shortly.

Questions asked 11/7/25

Response provided to the Review 18/7/25.

This document has been prepared by His Majesty's Revenue and Customs' Knowledge, Analysis and Intelligence; and Counter Avoidance directorates for submission to the independent review of the Loan Charge. It responds to a request from the Review titled 'For fact check: HMRC numbers'.

The first three columns of the table below are replicated from the Review's request. The fourth and final column is HMRC's response.

Data that we have previously provided to the Review can only be accurately interpreted if it is presented alongside the accompanying caveats and assumptions that HMRC provided at the time. Our comments below are made on that basis.

Table 1.C HMRC analysts' comments on figures shared by the Review

#	Figures Reference	HMRC source and reasoning	HMRC response
1	'... in 2010,[...] the introduction of the Disguised Remuneration (DR) Rules in Part 7A ITEPA 2003. But by this point thousands were already involved in loan schemes. '	Loan Charge (LC) Population: Follow Up Question 10 – Loan Schemes (Information submitted to the Review 26 June 2025)	This is correct, by 2010 thousands were involved in loan schemes (as per definition in note referenced, 'Loan Schemes' defined as schemes that have been classified within the iCA database as DR).
2	'By the time of this announcement [Part 7A in 2010], tens of thousands of individuals were involved in various loan-based tax schemes.'	Loan Charge (LC) Population: Follow Up Question 10 – Loan Schemes (Information submitted to the Review 26 June 2025)	This is incorrect, data has been provided on the number of users per year. This amounts to thousands. We have not provided details of repeat users, and therefore adding together years incorrectly assumes no repeat users.
3	'a large majority of those within HMRC's original estimate in 2017 have yet to settle'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 26 June 2025)	We do not know how the "large majority" is calculated and so are unable to comment at this

#	Figures Reference	HMRC source and reasoning	HMRC response
		Review 7 May 2025)	stage without further context.
4	'HMRC currently estimates there are c.45,000 individuals in scope of the Loan Charge (In 2017, the estimate was up to 50,000. By the time of the Morse Review, the number of individuals in scope (prior to the changes in scope that Review recommended), had been revised up to over 60,000).	45,000 - Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025) 50,000 – TIIN from FA (2) 2017 Over 60,000	This is correct, the numbers quoted are in line with the source data.
5	'only around 12,000 individuals have resolved their scheme use with HMRC either via contract settlement (whether or not they have yet paid in full), a HMRC conclusion that there is no tax to pay, or closure of a compliance intervention with payment in full'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025)	This requires context to confirm. If the figure of 12,000 relates to Groups 2a + 2b + 2c, the population description is incorrect. We consider the population description as worded would also include individuals with contract settlements agreed after the LC arose within

#	Figures Reference	HMRC source and reasoning	HMRC response
			population 1b, in addition to 2a + 2b + 2c.
6	'There are also a further 1,000 from whom any liability could not be collected due to lapsed time limits for HMRC to have opened an enquiry.'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025)	This is incorrect, unless rephrased to say "any LC liability", corresponding to group 2d for this 1,000 population figure.

#	Figures Reference	HMRC source and reasoning	HMRC response
7	'This leaves around 32,000 for whom usages remain unresolved and/or who have outstanding liabilities with no contract settlement in place.'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025)	This requires context to confirm. If the figure of 32,000 corresponds to Group 1, the population description is incorrect. We consider the population definition as worded would exclude individuals with contract settlements agreed after the LC arose, within population 1b. Group 1 includes individuals with unresolved usages and those with resolved usages after the LC arose with outstanding liabilities, including some individuals with contract settlements in place.
8	'C.7,000 have reached a contract settlement with HMRC.'	Email (250609), RE: Loan Charge population estimates	This is incorrect, the number quoted refers to individuals.
9	'The overwhelming majority of these [contract settlements] did so prior to the Loan Charge arising.'	Email (250609), RE: Loan Charge population estimates	This is correct.

#	Figures Reference	HMRC source and reasoning	HMRC response
10	'Only around 800 contract settlements have been agreed since 2019.'	Email (250609), RE: Loan Charge population estimates	This is incorrect. The number quoted refers to individuals who have agreed a contract settlement including the LC, since the LC arose.
11	'HMRC estimating their current total annual compliance resource cost to be around £41 million per year'	250416_5.2. etc	This requires context to confirm, but is correct if this relates to resource cost in respect of any DR avoidance usage, including LC.

#	Figures Reference	HMRC source and reasoning	HMRC response
12	'HMRC estimates the liability of the remaining group of 32,000 (based on the Loan Charge and including late payment interest estimated as being approximately an additional 25%) to be in the region of £1.7 billion. '	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025)	The description of liabilities estimate is not correct for the £1.7 billion estimate for Group 1. As set out in the referenced note (Loan Charge (LC) Population: Individual Distributions Estimates) at paras 11-12, the modelled liabilities for individuals in group 1a include late payment interest estimated at 25%, group 1b liabilities are direct operational estimates. The number stated is for individuals only.
13	'Some are in contract settlements and paying but not fully paid; some will be less far along the customer journey. Some c.23,000 however, appear to be in a situation where there is not, and has not been, any engagement with HMRC leading to meaningful progress towards resolution.'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025)	This is incorrect, 23,000 is the number of customers who have not yet resolved the position with HMRC, we have not provided details of the progress with those individuals as HMRC systems do not allow this.

#	Figures Reference	HMRC source and reasoning	HMRC response
14	'There is a clear divide between some with very high liabilities at the top end and a very large group with much smaller liabilities at the bottom. Almost three-quarters (73%) of the population owe less than £50,000, representing only around 22% of the tax owed. By contrast, the top 1% of individuals with the highest liabilities (£500,000 and over) owe 21% of the overall tax – almost the same as that lowest 73%. The individuals with the top 5% of liabilities owe almost half (44%) of the amount outstanding.'	Loan Charge (LC) Population: Follow Up Question 1 – Crosstabulation (Information submitted to the Review 25 June 2025)	The figures for the top 1% and top 5% groups are incorrect using raw data - we have calculated individuals with top 1% of liabilities (£500,000 and over) to owe around 19% not 22% based on raw data. Similarly, we have calculated individuals with top 5% of liabilities (£170,000 and over) to owe around 38% not 44% based on raw data. Other figures are correct using raw data.
15	'Based on HMRC data, the median current income for individuals with an outstanding liability is £50,000. This is above the national median income of £28,400'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025)	This is incorrect, based on the context provided. The figure of £50,000 correlates to Group 1 which does not include all individuals with outstanding liabilities, as some of these are within Group 2a.

#	Figures Reference	HMRC source and reasoning	HMRC response
16	'the median liability is only £21,000, less than 5 months' income for a median earner in this group'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025)	This requires context to confirm, but broadly correct, we calculate this as slightly over 5 months.
17	'As things stand, approximately 26% of the individuals HMRC includes in its 45,000 estimate will be over 65 within five years and approximately 13% already are. This proportion will increase to approximately 43% within the next ten years'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025)	This is incorrect, the correct statement is '65 or over'.
18	'Over [a] ten-year period, on current estimates, HMRC would spend at least £410m [on compliance resource] if the current impasse were to continue.'	250416_5.2. etc	This requires context to confirm. As per the source document we cost DR including LC related compliance interventions at c.£41m p.a. and LC related compliance interventions at c. £31m p.a.
19	<i>*Table B.1 Individuals, outstanding liabilities and incomes – see below</i> Mean and median liability, income 'now' and years of DR usage for individuals whose liabilities are unresolved, by liability bracket	Loan Charge (LC) Population: Follow Up Question 1 – Crosstabulation (Information submitted to the Review 25 June 2025)	Table content is correct. Table title is incorrect. Data in the table is for Group 1 which includes individuals with unresolved usages and those with resolved usages

#	Figures Reference	HMRC source and reasoning	HMRC response
			after the LC arose with outstanding liabilities, including some individuals with contract settlements in place.
20	'The higher rate threshold in 2019 (when the loan charge stacking occurred) was £46,351. The median salary in 2015 (to take a year in the middle of in-scope years) was £27,600 (ONS Annual Survey of Hours and Earnings: 2015). It is easy to see how, if multiple years at this salary were stacked, it would quickly exceed the higher rate threshold, despite this individual never having annual earnings that would ordinarily be taxed above basic rate'	Median Salary 2015: Annual Survey of Hours and Earnings - Office for National Statistics Thresholds: Tax structure and parameters statistics - GOV.UK	The figures used are correct as per sources.
21	'With a median income of £51,000, the Loan Charge population are above the national average.'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025)	This requires context to confirm, but accurate that the median 'income now' of the LC population is £51,000.

#	Figures Reference	HMRC source and reasoning	HMRC response
22	'More than 25% of those still to settle will be 65 or older (i.e. approaching or at State pension age) in five years' time, and this will exceed 40% in ten years.'e	Individual Distributions Estimates (Information submitted to Review 7 May 2025)	This is incorrect, the 25% and 40% figures relate to the LC starting population, not just those "still to settle"
23	'those for whom usages remain unresolved and/or who have outstanding liabilities with no contract settlement in place have a median liability of £21,000'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025)	This is incorrect, based on the context provided. The figure of £21,000 corresponds to all of Group 1. We consider the statement as worded would exclude individuals with contract settlements agreed after the LC arose, within population 1b.

#	Figures Reference	HMRC source and reasoning	HMRC response
24	'HMRC told the Review that the analysis of costs in 2016 included an assumption of 30-35% non-compliance. Many individuals could afford to settle their liability and did so with the Review hearing that there appeared an initial flurry of settlements.'	Sections 7 and 11 Information Request Email (250609), RE: Loan Charge population estimates	This is incorrect, the figure of 30-35% refers to a nonpayment assumption rather than a non-compliance assumption. We have not provided information on whether individuals could afford to settle their liability, just that they chose to do so, we do not check affordability unless asked to do so by the customer.
25	'HMRC has told the Review that it currently estimates the resource cost of DR compliance as being some £41 million annually and requiring almost 700 HMRC staff at various levels, including five at Senior Civil Service level. Of that, over 75% is deployed on Loan Charge compliance activity. Having regard to the number of contract settlements achieved by HMRC since 2019, Loan Charge compliance appears to be currently running at a loss.'	250416_5.2. etc	This incorrect, the data we provided showed that we have fewer than 5 SCS deployed on this work. As per our comment at 18 above, as per source document we cost DR including LC related compliance interventions at c.£41m pa and LC related compliance interventions at c.

#	Figures Reference	HMRC source and reasoning	HMRC response
			£31m p.a.
26	'HMRC provided the Review with liability estimates that included a 25% late payment interest charge'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025 Review 7 May 2025)	This requires context to confirm. The modelled liabilities for group 1a individuals include late payment interest estimated at 25%.

#	Figures Reference	HMRC source and reasoning	HMRC response
27	'Since 2019, it is likely that HMRC's cost of compliance could be as much as £200m or more and this will increase by £41m a year for each year that the thousands of individual cases remain unresolved.'	250416_5.2. etc	This requires context to confirm. As per our comments at 18 and 25 above, as per source document we cost DR including LC related compliance interventions at c.£41m pa and LC related compliance interventions at c. £31m p.a.
28	'This takes the median current liability (c.£21,000) and the median number of years of use for someone in this liability bracket (3), to construct a case that would equate approximately to the median.'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025) Loan Charge (LC) Population: Follow Up Question 1 – Crosstabulation (Information submitted to the Review 25 June 2025)	This requires context to confirm but is correct for group 1 individuals.

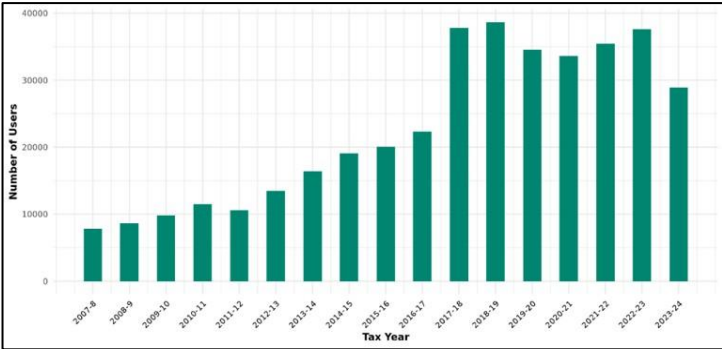
#	Figures Reference	HMRC source and reasoning	HMRC response
29	'Jo Bloggs earned £28,000 per year for three years using a loan scheme in 2013, 2014, 2015 before leaving when they heard about the Loan Charge. They still earned £28,000pa in 2019. In those years, Jo should have paid a total of £18,575.48 in tax. In fact, they paid only £4,681.34 (NMW x 40h x 52 weeks), on the PAYE element of the scheme. Under the Loan Charge, Jo would have had to declare all of their untaxed loan income, on top of their ongoing £28k salary. That means for the 2019 year, they would have declared £71,419.20 of income, with a liability of £21,983.38 arising. They would have otherwise had a liability of £5,579.12 on their salary in that year, so their Loan Charge is £16,404.26, plus late payment interest at the prevailing rate. That is roughly 25%, so their current liability is £20,505.33 (approximate to the median liability of c.£21,000)'	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025) Other assumptions laid out in the example.	We are not able to assure the tax calculations set out in this example as correct, as we don't have sight of the relevant assumptions. However, we can confirm that the approach seems broadly correct with regards to how the Loan Charge operates for some individuals.

#	Figures Reference	HMRC source and reasoning	HMRC response																																																
30	<table><tr><th colspan="4">Numbers used to generate illustrative liability</th><th rowspan="2">Illustrative current liability³⁰</th><th colspan="2">Of which:</th></tr><tr><th>Annual income during scheme use³³</th><th>Years of use³⁴</th><th>Tax due as calculated in years of earning³⁵</th><th>Assumed tax paid³⁶</th><th>Loan Charge³⁷</th><th>Late payment interest³⁸</th></tr><tr><td>£23,000</td><td>2 (2013-2014)</td><td>£9,370.20</td><td>£3,176.54</td><td>£7,742.08 (c. 25th percentile³⁹)</td><td>£6,193.66</td><td>£1,548.42</td></tr><tr><td>£28,000</td><td>3 (2013-2015)</td><td>£18,575.48</td><td>£4,681.34</td><td>£20,505.33 (approx. median⁴⁰)</td><td>£16,404.26</td><td>£4,101.07</td></tr><tr><td>£38,000</td><td>4 (2012-2015)</td><td>£37,973.12</td><td>£6,439.04</td><td>£56,620.08 (c. 75th percentile⁴¹)</td><td>£45,296.06</td><td>£11,324.02</td></tr><tr><td>£100,000</td><td>3 (2013-2015)</td><td>£105,115.68</td><td>£4,681.34</td><td>£155,209.28</td><td>£124,167.42</td><td>£31,041.86</td></tr><tr><td>£200,000</td><td>3 (2013-2015)</td><td>£252,134.88</td><td>£4,681.34</td><td>£328,658.78</td><td>£262,927.02</td><td>£65,731.76</td></tr></table> Liabilities are based on the data on liabilities for individuals who have at least one unresolved DR usage that can be pursued by HMRC or have had all relevant DR usages resolved since the Loan Charge arose but have not yet paid in full.	Numbers used to generate illustrative liability				Illustrative current liability ³⁰	Of which:		Annual income during scheme use ³³	Years of use ³⁴	Tax due as calculated in years of earning ³⁵	Assumed tax paid ³⁶	Loan Charge ³⁷	Late payment interest ³⁸	£23,000	2 (2013-2014)	£9,370.20	£3,176.54	£7,742.08 (c. 25th percentile ³⁹)	£6,193.66	£1,548.42	£28,000	3 (2013-2015)	£18,575.48	£4,681.34	£20,505.33 (approx. median ⁴⁰)	£16,404.26	£4,101.07	£38,000	4 (2012-2015)	£37,973.12	£6,439.04	£56,620.08 (c. 75th percentile ⁴¹)	£45,296.06	£11,324.02	£100,000	3 (2013-2015)	£105,115.68	£4,681.34	£155,209.28	£124,167.42	£31,041.86	£200,000	3 (2013-2015)	£252,134.88	£4,681.34	£328,658.78	£262,927.02	£65,731.76	Loan Charge (LC) Population: Individual Distributions Estimates (Information submitted to the Review 7 May 2025) Loan Charge (LC) Population: Follow Up Question 1 – Crosstabulation (Information submitted to the Review 25 June 2025) 25th and 75th percentiles have been estimated by assuming that liabilities within the relevant bracket that the percentiles fall within are uniformly distributed.	This is broadly correct for the 25th,75th percentiles and median for Group 1 liabilities, and for the split between LC and late payment interest. The estimated liability percentiles for Group 1 based on raw data are as follows (rounded to nearest £1,000): • 25th : £7,000 • Median: £21,000 • 75th : £54,000
Numbers used to generate illustrative liability				Illustrative current liability ³⁰	Of which:																																														
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#	Figures Reference	HMRC source and reasoning	HMRC response
	The examples which map roughly onto the 25th percentile, median, and 75th percentile liabilities use the median years of scheme use for the relevant £10,000 liability bracket. For the £100,000 and £200,000 annual income examples, median years of scheme use for the whole population (three years) have been used. Year referenced means the tax year ending. The tax due is the full tax and national insurance that should have been paid by the individual during the years of scheme use, according to their full income. The tax paid is assuming that the individual in question was paid the National Minimum Wage at the time through PAYE, working 40 hours per week. This calculates the Loan Charge liability by adding the untaxed portion of income from years of scheme use to 2018/19 income (assumed to be the same as during years of scheme use) and subtracting the tax that would ordinarily have been paid on that income in 2018/19. LPI is approximated as 25% of the Loan Charge liability. The estimated 25th percentile liability is £7,600 The estimated median liability is £21,000 The estimated 75th percentile liability is £55,000		

#	Figures Reference	HMRC source and reasoning	HMRC response
31	'HMRC has told the Review that since 2014, non-compliance with DOTAS is estimated as being close to 100% for all forms of disguised remuneration'	250513_Response on DOTAS, Section 9	This is broadly correct, as per our response to question 9.3., this assessment relates to <u>promoter</u> compliance.
32	'HMRC has since significantly upped its efforts to communicate more directly with taxpayers about avoidance, with the "Don't get caught out" campaign, which has been targeted through online and media advertising at taxpayers themselves. HMRC told the Review that this webpage has gained almost 300,000 hits, leading to over 2,600 individuals contacting HMRC to either report, or get help exiting, schemes.'	Sections 7 and 11 Information Request	This is correct.
33	'Only a minority of the current loan schemes cases involve employers.'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025) Loan Charge (LC) Population: Employer Estimates (Information submitted to Independent Loan Charge	This requires context to confirm.

#	Figures Reference	HMRC source and reasoning	HMRC response
		Review 29 May 2025)	
34	'HMRC estimated the level of non-payment of the Loan Charge would be around 30%, which was in line with HMRC estimates for other counter avoidance measures'	Sections 7 and 11 Information Request	This is incorrect, the nonpayment assumption in the 2016 costing is that 30-35% of the yield from the compliant population would be lost due to customers being unable to pay.
35	'Based upon HMRC's 2017 impact estimate the Loan Charge was expected to directly affect around 50,000 individuals.'	50,000 – TIIN from FA (2) 2017	This is correct.
36	'With Rangers continuing through the courts, scheme use continued to be high. In 2010-11, around 12,000 individuals were using a DR scheme and this was rising steadily. Possibly due to the introduction of Part 7A and whilst the promoters regrouped, this dipped slightly to around 11,000 in 2011-12. However, from this point scheme use continued to grow with an estimated 39,000 involved in DR schemes at peak usage in 2018-2019. CHART 1: Number of individuals using DR schemes, 2007-08 to 2023-24	Loan Charge (LC) Population: Follow Up Question 10 – Loan Schemes (Information submitted to the Review 26 June 2025)	This is correct

#	Figures Reference	HMRC source and reasoning	HMRC response
	 Source: HMRC data supplied to the Review n.b. this chart includes all scheme usage, not just those in scope of the Loan Charge. From 2018-19 onwards, HMRC analysis suggests that umbrella scheme use has now become the primary DR scheme used by individuals.		
37	'estimated 50,000 individual cases'		This is incorrect, the data shows 50,000 individuals, 'cases' is not specified.

#	Figures Reference	HMRC source and reasoning	HMRC response
38	'how the Loan Charge would impact some 50,000 individuals'	Refers to HMRC estimates at the time, and so we use the TIIN: TIIN from FA (2) 2017	This is correct.
39	'Some 71% of HMRC's estimated total are yet to settle their liability.'	Loan Charge (LC) Population: Individual Settlement Estimates (Information submitted to the Review 7 May 2025) This is 32,000/45,000	This is incorrect, the 32,000 (Group 1) includes individuals (at 1b) who have agreed a contract settlement, or resolved their relevant DR use via closure of a compliance intervention or determination of tax after the LC arose.

Table B.1 – Individuals, outstanding liabilities and incomes

Table referenced in #19.

Liability bracket	Number of individuals in liability bracket	Liabilities		Current reported income		Years of scheme use	
		Median liability	Mean liability	Median reported income 'now'*	Mean reported income 'now' *	Median no. of known years of DR usage **	Mean no. of known years of DR usage **
£0 - £9,999	10,700	£4,000	£4,000	£40,000	£47,000	2	3
£10,000 - £19,999	4,900	£15,000	£15,000	£48,000	£59,000	3	3
£20,000 - £29,999	3,100	£25,000	£25,000	£48,000	£63,000	3	3
£30,000 - £39,999	3,200	£34,000	£34,000	£59,000	£93,000	3	4
£40,000 - £49,999	1,600	£44,000	£45,000	£55,000	£79,000	4	4
£50,000 - £59,999	1,200	£55,000	£55,000	£57,000	£68,000	4	5
£60,000 - £69,999	1,100	£64,000	£64,000	£63,000	£75,000	5	5
£70,000 - £79,999	800	£75,000	£75,000	£68,000	£84,000	5	5

Liability bracket	Number of individuals in liability bracket	Liabilities		Current reported income		Years of scheme use	
		Median liability	Mean liability	Median reported income 'now'*	Mean reported income 'now' *	Median no. of known years of DR usage **	Mean no. of known years of DR usage **
£80,000 - £89,000	800	£85,000	£85,000	£67,000	£81,000	5	6
£90,000 - £99,000	600	£95,000	£95,000	£66,000	£85,000	6	6
£100,000 - £109,999	600	£105,000	£105,000	£71,000	£98,000	6	6
£110,000 - £119,999	400	£115,000	£115,000	£71,000	£87,000	6	7
£120,000 - £129,999	400	£125,000	£125,000	£66,000	£81,000	7	7
£130,000 - £139,999	400	£134,000	£134,000	£68,000	£88,000	7	7
£140,000 - £149,999	200	£145,000	£145,000	£75,000	£86,000	7	7
£150,000 - £159,999	200	£155,000	£155,000	£67,000	£80,000	8	8

Liability bracket	Number of individuals in liability bracket	Liabilities		Current reported income		Years of scheme use	
		Median liability	Mean liability	Median reported income 'now'*	Mean reported income 'now' *	Median no. of known years of DR usage **	Mean no. of known years of DR usage **
£160,000 - £169,999	200	£164,000	£165,000	£81,000	£84,000	8	8
£170,000 - £179,999	200	£175,000	£175,000	£64,000	£99,000	9	8
£180,000 - £189,999	100	£185,000	£185,000	£86,000	£96,000	9	8
£190,000 - £199,999	100	£196,000	£195,000	£72,000	£93,000	8	8
£200,000 - £299,999	500	£234,000	£238,000	£71,000	£92,000	8	8
£300,000 - £399,999	200	£343,000	£345,000	£83,000	£161,000	7	7
£400,00 - £499,999	200	£452,000	£450,000	£83,000	£120,000	6	6
£500,000 and over	300	£753,000	£1,217,000	£92,000	£159,000	8	8

Liability bracket	Number of individuals in liability bracket	Liabilities		Current reported income		Years of scheme use	
		Median liability	Mean liability	Median reported income 'now'*	Mean reported income 'now' *	Median no. of known years of DR usage **	Mean no. of known years of DR usage **

* For income 'now' estimates: about 8,000 individuals are excluded from this analysis because for the period 2021/22 to 2023/2:

- i. There is no income data for the customer;
- ii. They have an average reported income of £0; or
- iii. They are known to be using avoidance schemes and will have suppressed incomes

** For 'years of DR usage' estimates: about 1,800 individuals are excluded from this analysis where HMRC holds information suggesting that the customer received DR income subject to the LC but has not yet established in which specific years the DR scheme was used.

