HM Revenue & Customs

The loan charge

Briefing pack

Contents

Introduction

Loan schemes, otherwise known as 'disguised remuneration' schemes, are contrived tax avoidance arrangements that seek to avoid Income Tax and National Insurance.

People who use these schemes signed up to have their salary paid as a loan, which is often routed offshore. The loans are provided on terms that mean they are not repaid in practice, so are no different to normal income.

Most people would be able to see from their payslips that the money they receive isn't being taxed. As the House of Lords report published on 4 December 2018 noted, many scheme users who provided evidence to the committee were aware of the loans and had no intention of repaying them.

In 2011 the Government introduced legislation that closed down many of the more than 250 schemes in operation. A number of promoters actively sought to get round the legislation by changing elements of their schemes. And while HMRC offered a number of opportunities for scheme users to settle, fewer than 2,500 did so.

That is why legislation was announced in the 2016 Budget to put the matter beyond doubt once and for all.

People who have used loan schemes have a choice. They can either:

- repay their outstanding loan in full
- agree settlement terms with HMRC - we can explore flexible payment options, potentially over a number of years
- or pay the loan charge as part of their 2018-19 tax liability through their Self Assessment return. Payment will be due by 31 January 2020 - again, if needed we can explore flexible payment options potentially over a number of years.

If scheme users choose not to repay the outstanding loan, or agree a settlement, they will be liable for the loan charge when it comes into force on 5 April 2019. Most scheme users will end up paying more than if they had agreed a settlement, as the outstanding loans are taxed in a single year and therefore risk being taxed at a higher rate. This is why it's firmly in their best interests to come forward and settle now.

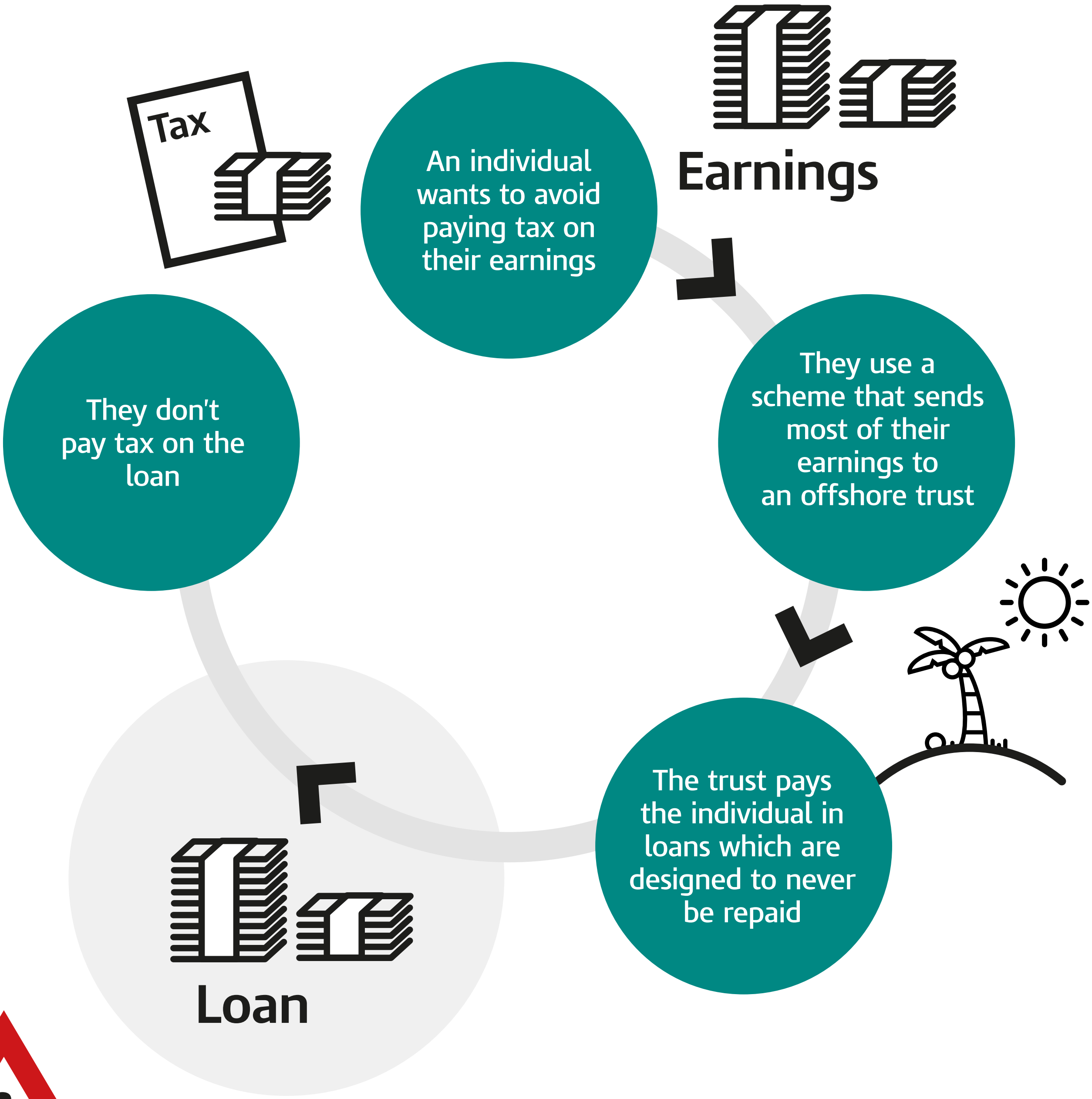
HMRC is offering simplified payment arrangements for anyone who wishes to settle before 5 April and who is no longer involved in tax avoidance, so please get in touch.

People whose current taxable income is less than £50,000 can automatically spread their payments over 5 years, and 7 years if their income is less than £30,000. They can do that without the need to provide detailed supporting information about their income and assets.

Those with an income of £50,000 or more, or who need to pay over a longer period, can also ask for extended payment periods, but will need to provide supporting information. There are no time limits on how long payments can potentially be spread, and each case is considered on individual circumstances.

HMRC's message to anyone affected by the loan charge is to, please, come and talk to us on 03000 534 226.

How typical tax avoidance loan schemes operate



HMRC has never approved tax avoidance schemes

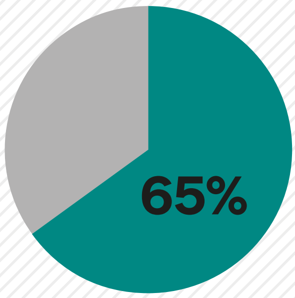
50,000 users are estimated to be affected by the loan charge.

£40,000

75% of individuals have settled for less than this amount.

70%

have used a scheme for two years or more.



Sectors

- **65% work in business services:** IT consultants, financial advisers, and management consultants.
- **Around 3% work in medical services and teaching.**

Scheme use

- **Around half of outstanding loans** were made in the last 7 years.

Avoidance

- **Tax avoidance takes money away from** schools, hospitals and social care.
- **The loan charge** rightly tackles avoidance and ensures people pay their fair share.

Settling

Time

People who settle can pay in instalments over a number of years.

Flexible

There are a range of flexible options, tailored to individual circumstances, for those who may have difficulty paying.

Simple

We've made it easier for anybody who currently earns less than £50,000 to settle.

Case studies

These are examples of typical loan scheme users taken from HMRC's records. Only the names and addresses have been changed. We have deliberately chosen a range of different types of arrangement and income.

Case study 1

Patricia:

48 year-old management consultant from Essex

Total income: **£77,518** in 2014-15 and 2015-16

Income declared: **£26,032** in 2014-15 and 2015-16

Income not taxed: **£51,486** in 2014-15 and 2015-16

Patricia didn't declare this income on her tax returns.

Scheme used

Patricia used a contractor loan scheme for 2 years. The loans were received through a company based in Hong Kong. The scheme wasn't declared under DOTAS.

Total tax avoided:

£10,883

over 2 years. This was made up of Income Tax of £10,354 tax and interest of £529.

Settlement:

Patricia settled her tax affairs in full.

Case study 2

Gurpreet:

54 year-old IT consultant from Bristol

Total income: **£371,600** in 2009-10 and 2010-11

Income declared: **£25,700** in 2009-10 and 2010-11

Income not taxed: **£345,900** in 2009-10 and 2010-11

Scheme used

The scheme Gurpreet used promised take home pay of up to 90%. The loan agreement he signed when he entered into the arrangements meant he became an employee of a partnership resident in the Isle of Man. He received a monthly payslip showing a lower amount of employment income subject to tax and National Insurance as well as a loan amount from which no tax or duties were deducted.

In 2009-10, Gurpreet received average monthly salary of **£1,200** and an average monthly loan amount of **£12,800**. In 2010-11, Gurpreet's average monthly salary was £960 whilst the average monthly loan amount was **£15,900**. He didn't declare or pay tax on the income.

Total tax avoided:

£136,500

Gurpreet used a DOTAS disclosed employment scheme for both years but he didn't declare his loan amounts on his tax returns.

Settlement:

Reached by contract settlement in March 2018. Gurpreet settled for

£154,000

which included £17,500 of interest.

Gurpreet had already paid Accelerated Payment Notices in 2015 so the remaining amount to pay was £78,000. This amount was paid in full by cheque in April 2018.

Case study 3

Beth:

34 year-old social worker from Manchester

Total income: **£36,000**
in 2016-17 and 2017-18

Income declared: **£11,000**
in 2016-17 and 2017-18

Income not taxed: **£25,000**
in 2016-17 and 2017-18

Scheme used

Beth was introduced to a tax avoidance scheme by her recruitment agency. The scheme promised her higher take home pay and her employment contract didn't mention loans. She received a payslip by email that showed she earned average gross monthly salary of **£790**. On the same day she received a separate loan amount for the rest of her income, averaging **£2,100** per month. Beth didn't declare or pay tax on income.

Total tax avoided:

£5,300

Beth used an employment-based scheme for two tax years. She didn't declare her loan amounts on her 2016-17 return and hadn't yet submitted her 2017-18 return when HMRC challenged the arrangements.

Settlement:

Beth was still in time to submit her 2017-18 return, she entered £19,000 of loans as employment income for the year and was taxed accordingly. The remaining £6,000 of loans were settled by way of contract settlement. Tax, student loan payment and interest due on this totalled

£1,500

A flexible payment plan was put in place for Beth. An initial lump sum of £500 is required by 05 April 2019, followed by equal monthly instalments of £55 for 18 months.

Key dates

5 April 2019

Deadline for contacting HMRC and supplying necessary information, as set out in the settlement terms.

15 April 2019

If you were in an employment scheme. Tell the employer you had the loan arrangements with and what your outstanding balance is. This will depend on whether they still exist and are resident in the UK.

19 April 2019

Employers who used loan schemes should calculate the PAYE liability on the loan charge income and make a payment (by post) or by 22 April (online).

20 April 2019

Employers who used loan schemes to report their outstanding loan balance amount to HMRC through Real Time Information.

30 September

All scheme users submit information to HMRC setting out their loan balance, as set out in the settlement terms.

31 January 2020

Scheme users who haven't settled will need to complete a Self Assessment and pay the loan charge. Anyone who has difficulty paying what they owe should contact us to discuss time to pay arrangements.

Further information on the loan charge reporting requirements can be found on GOV.UK

Supporting people affected by the loan charge

What should scheme users do?

HMRC wants to help people settle their loan scheme use. Over the last year we've written to more than 40,000 individuals and businesses who have used loan schemes.

Anybody who believes they're affected should get in touch with us before 5 April 2019, even if they think they have no realistic way of paying what they owe. You'll need to send us some information, so please don't leave it until the last minute.

You can contact us through the dedicated HMRC helpline on **03000 534 226**, email cl.resolution@hmrc.gsi.gov.uk or speak to your usual HMRC contact.

What payment plans can HMRC offer?

Anyone who is worried about being able to pay what they owe should get in touch with HMRC as soon as possible. HMRC has a number of ways to help those who are genuinely unable to make a full payment of tax on time, for example, by arranging payments by instalments. HMRC carefully considers a customer's ability to pay on a case by case basis and decisions are based on each individual's personal circumstances. There is no maximum limit on how long a customer can be given to pay what they owe.

HMRC is offering simplified payment arrangements for customers who get in contact before 5 April 2019 and who are no longer involved in tax avoidance.

If your current taxable income is less than £50,000 you'll automatically be able to spread your payments over five years, or seven years if your current taxable income is less than £30,000. You can do that without the need to provide detailed supporting information about income and assets.

If you have an income of £50,000 or more, or need to pay over a longer period, you can ask for extended payment periods, but will need to provide supporting information.

What if I can't pay?

Even if you don't think you can afford to pay, the best thing to do is to get in touch with us. We can support people who want to sort out their tax affairs by putting manageable work payment plans in place. There's no upper time limit on how long payments can potentially be spread and what we agree will depend on your individual circumstances.

HMRC has a strong track record in helping people pay what they owe in a manageable way. In fact, more than 90% of the arrangements that we agree with customers are completed successfully, showing that they and are responsive to people's needs. In January 2019, we had around 700,000 arrangements covering the full range of our work, worth a total of £2.1 billion.

Is it true that HMRC will force me to sell my home and make me bankrupt?

The most important thing to stress is that HMRC will **not** force anyone to sell their main home to pay their disguised remuneration debts. And we don't want to make anybody bankrupt, with insolvency only ever considered as a last resort. In most cases we will discuss and agree payments over a longer period. Our message to anyone who is worried about this is to, please, contact us as soon as possible.

When would HMRC consider bankruptcy?

The only time we will consider insolvency is where users are either at risk of building up further tax debt, or where they are actively going out of their way to avoid paying what they owe. This won't be the case if you are actively engaging with us to settle your tax debts.

Can I re-mortgage my house to pay my loan charge bill?

In line with our long-standing published guidance, we expect customers who have assets that could be used to raise funds, such as their residence, business premises or life assurance policies, to consider taking out a loan to pay their tax debts. Ultimately this would be a decision for individuals after considering advice from their financial adviser.

What about the strain this is putting on people who are affected?

Facing a large tax bill can be very stressful and the teams working on our settlement line will make sure that vulnerable customers receive suitable support from a dedicated team who can offer extra support. We also direct people to services like Samaritans and Mind who can offer specialist mental health support. Our message to anyone who is worried about their loan charge repayments is to, please, get in touch with us as soon as possible.

What about reports of mental health impacts?

HMRC takes this matter extremely seriously. We know that people are in stressful situations and that various reports have been shared online. HMRC has reached out to campaigners and individuals for more information and urge them to provide it so we can look into these cases. Our message to anyone facing the loan charge is to contact us as soon as possible. Anyone who is feeling stressed or anxious should speak to health care professionals such as the Samaritans.

In addition, we actively review our processes to make sure that we are taking all of the necessary steps. As part of the independent oversight of our work, we will pass information to the Independent Office for Police Conduct where appropriate, as they investigate serious complaints and conduct matters that relate to HMRC.

Practical advice on settling

When do I need to get in touch so I don't have to pay the loan charge?

Scheme users need to have contacted our settlement teams and sent through the necessary information by 5 April 2019. We will accept information that arrives later, provided the postmark is no later than April 5 2019. But our advice is not to leave it that late and please get in touch as soon as possible.

I think the loan charge applies to me but I haven't heard from HMRC

There are many different forms of tax avoidance, including more than 250 different loan schemes. We're confident we've identified the overwhelming majority of users, but it's possible that we haven't reached absolutely everybody.

If you haven't heard from us, and believe that you were paid in the form of a loan at any point since 1999, please contact the dedicated HMRC helpline on **03000 534 226**, email cl.resolution@hmrc.gsi.gov.uk or speak to your usual HMRC contact.

Why is it in my interests to settle rather than pay the loan charge?

The loan charge taxes all loans that remain outstanding at 5 April 2019 in one go, in a single year. Depending on your total income for that year this may mean that more income is charged at the higher or additional rate than if you settle. In addition, certain allowances may be lost, most significantly the personal allowance. For that reason, many scheme users will be better off if they settle.

An example setting out the difference between settling or waiting for the loan charge to come in is set out below.

Joe Smith, business consultant

Joe entered into a loan scheme in 2010 and received £15,000 in loans per year over three years. He also received PAYE income up to the amount of the personal allowance. He didn't pay Income Tax or National Insurance on the loans.

Year	Loan Amount	Settlement	Interest	Total	Indicative Loan Charge
2010-11	£15,000	£3,000	£633	£3,633	
2011-12	£15,000	£3,000	£543	£3,543	
2012-13	£15,000	£3,000	£454	£3,454	
Totals	**£45,000**			**£10,630**	**£14,130**

If Joe settles with HMRC before the loan charge comes in, he will pay a total of £10,630. In this example the tax for each year is charged at the basic rate. If he waits, the loan charge will be £14,130. This is because his £45,000 of loans will be added to his other income for the year, taking him into the higher rate tax band. Joe will also pay the tax due on any other income for that year.

How have you calculated my settlement?

You will need to pay Income Tax on the net amount of the loans that you received and haven't repaid. This will be calculated based on the Income Tax rates and tax bands for the years the loans were made.

You will also need to pay late payment interest for any years where HMRC has an open enquiry into your tax affairs, or where we're within time to open one (this can vary depending on the circumstances and will be either four, six or 20 years). If you are self-employed you'll also need to pay any outstanding National Insurance Contributions.

Depending on your circumstances, particularly where arrangements involve a trust, you may also need to pay Inheritance Tax. This can arise when there is a payment, or disposition, resulting in a loss of value to a trust. More information on this is available on GOV.UK by searching for 'disguised remuneration settlement terms'. We will only charge penalties in exceptional cases.

I contacted HMRC several months ago and I'm still waiting to hear back

We're working through the cases where people have sent us the information we need and are sending out calculations following receipt of settlement packs, in the order they arrived.

If you sent your information through after September you can expect to hear from us by the end of April at the latest.

Nobody will be disadvantaged if they provided the relevant information by 5 April.

What information do I need to send through?

If you're a scheme user you'll need to send us your:

- unique taxpayer reference (UTR)
- National Insurance number
- the amount of loans received in each tax year
- whether you want to claim a benefit in kind offset - for example any tax paid on low interest or interest-free loans - and, if so, how much and for which years
- the name of your employer when you received the loan.

If you're an employer, you'll need to send through:

- your company name and company reference number
- your PAYE reference number
- the amounts and dates that money was paid into the scheme
- details of any Corporation Tax relief claimed on the contributions to the scheme
- whether you want to claim a benefit in kind offset - this could potentially include any National Insurance Contributions paid by the employer, and any Income Tax paid by their employees on the basis that they had received a low or interest-free loan from you. You will need to send us the relevant employee details, the amount and which years it covers.

Where it's known, contractors, employees and employers also need to give us details of the following:

- the date that any trust or similar financial structure related to the scheme was created
- the amount of money paid into it
- whether any assets are held in that trust, other than cash or the loan agreements.

If you're a contractor or self-employed, it's important that you tell us as much as you know about the amounts that you've been paid through the loan schemes you've been involved in. If we find that you've deliberately given HMRC incorrect information we can reopen your case and take other actions, including charging penalties.

What if I don't have all of the information?

We recognise that people who genuinely want to settle may not have all of the relevant information and we'll work with you on that. It might be, for example, that you can send us bank statements instead of a P60.

How long do I have to return my settlement offer?

We normally allow 30 days to return your settlement offer. Please ignore online scare stories about people having much less time than that. This does not mean you have to pay the tax due in 30 days.

What happens if you need more information from me?

We'll be in touch if we need additional information to help clarify your position. We won't apply the loan charge on someone who genuinely wants to settle but is missing a few pieces of paperwork. If we require further information from you, we will tell you when we need them by.

Do I need a deed of release to settle my loan charge?

Absolutely not. You don't need one to settle your loan charge. We're aware that a small number of tax advisers have told their clients they need to have the loan formally written off/released. This isn't the case.

When will I know for sure that you have everything you need?

Everybody who has already provided information should hear from us before the end of April at the latest. If you have not yet provided the information we expect to let you know within four to six weeks of receipt, although this may take a little longer if we have a last-minute rush. Nobody will be disadvantaged if they have provided the relevant information by 5 April.

When do you expect to send all the calculations out by?

At the moment we're taking four to six weeks to turn round the calculations, but this could increase if we see a last-minute rush.

How many packs have you sent out so far?

As of 22 February, HMRC has sent more than 40,000 letters to scheme users and 25,400 settlement packs. More than 15,300 settlement packs have been returned to us, and we've issued around 12,500 calculations.

Can I challenge your calculation of the amount of tax owed?

Our letter to you will contain our calculation of how much tax we believe you owe, based on our assessment of your outstanding loan balance. If you think there is something wrong with our calculation, then you should challenge it before you agree to it. The settlement is an arrangement between HMRC and the scheme user.

Paying the loan charge

What if I choose not to settle my tax affairs?

You will need to do the following if you do not settle before the loan charge arises.

All scheme users who have not agreed a settlement or repaid their loans should:

- Complete and submit an information return to HMRC, setting out their loan balance by 30 September 2019
- Complete and file their 2018-19 self-assessment tax return and pay the loan charge by 31 January 2020. If you have difficulty paying what you owe we can arrange time to pay arrangements based around your circumstances.

In addition, where you were in an employment-based loan scheme and the employer who you had the loan arrangement with still exists and is UK resident:

- Tell them what your outstanding loan balance is by 15 April 2019
- The employer will need to calculate the PAYE liability on that loan charge income, and make payment to HMRC either by 19 April 2019 (by post) or 22 April 2019 (online)
- They will need to report the loan charge amount to HMRC via Real Time Information from 20 April.

Where the relevant employer no longer exists, you do not need to report your outstanding loan balance to an employer.

You will still need to provide the information return to HMRC by 30 September 2019, then file a tax return and pay your loan charge liability by 31 January 2020. Further guidance on reporting on the loan charge can be found on GOV.UK.

Anyone who believes they will have difficulty paying what they owe should contact us to agree a manageable payment plan. What we agree will depend on an individual's circumstances and there's no upper time limit on how long payments can potentially be spread.

Can I appeal against the loan charge decision on my Self Assessment return?

You can appeal a tax decision if you do not agree with it. To find out how, search for tax appeals on GOV.UK.

Will the review of the loan charge change what HMRC is doing?

In line with section 95 of the Finance Act 2019, the Government has agreed to lay a report which will review the effect of changes made to the time limits for recovery or assessment where tax loss arises in relation to offshore tax, and compare these with other legislation including the charge on contractor loans. The report is due to be published before 30 March.

Action against promoters

Promoters offering schemes to 'get round' the loan charge

If something looks too good to be true then it almost certainly is so our advice is firmly to steer clear. HMRC's view is these schemes do not work. People need to think extremely carefully before they enter into any arrangements that claim to get round the loan charge.

Anyone who enters into a new arrangement risks paying even more in promoter's fees while still being liable for the tax due on the original loan. The very best course of action someone can take is to contact HMRC before 5 April.

HMRC work to tackle the promoters who sold tax avoidance schemes

New legislation has been introduced every year since 2014 to help HMRC take on the promoters and enablers of tax avoidance schemes.

Regardless of what they might say publicly, we're using our powers to vigorously challenge major promoters of avoidance schemes. This includes investigations into more than a hundred, including many who sold loan schemes. Dozens have shut down for good as they've found it harder to sell these contrived arrangements.

HMRC has also required high-profile promoters, often through court action, to disclose details of their schemes, enabling us to counter them much earlier.

Since April 2016, more than 20 individuals have been convicted for offences relating to the promotion and marketing of tax avoidance schemes. They have received over 100 years of custodial sentences, with an additional seven years of suspended sentences ordered. Recently, we have taken litigation action against ten individuals or businesses that we consider to be avoidance scheme promoters for failure to disclose under the Disclosure of Tax Avoidance Scheme (DOTAS) regime, with others deciding to disclose to avoid litigation.

New rules allow us to issue penalties up to 100% of the fees earned to anybody who designs, sells, or enables the use of a tax avoidance scheme. Other powers mean promoters can incur a penalty of up to £1 million where they do not provide clear and accurate information to their clients.

We expect any promoter or enabler to warn their clients about the risks of attempting to avoid tax and of HMRC's firm view, and proposed action, in challenging such arrangements. If they don't do this, they may have failed to fulfil their duty to their client and risk penalties of up to £1 million.

Tax avoidance schemes have never been 'HMRC approved'

HMRC has **never** approved tax avoidance schemes. The forms that promoters and employers are required to use make it clear to the recipient that they are 'involved in a Disclosed Tax Avoidance Scheme' and that the scheme is 'not HMRC approved'. Promoters are required to give scheme users the tax avoidance 'Scheme Reference Number (SRN). This doesn't mean the scheme has been 'approved' or that the arrangements work. In fact, scheme users are being put on notice that it is likely HMRC will want to investigate their tax affairs.

HMRC reports misleading adverts used by tax avoidance promoters to the Advertising Standards Authority. We encourage anybody who comes across an advert to make a complaint to them - especially if they've been affected or know the advert is deceptive.

Anyone who believes they have been given poor financial advice, should consider recourse to the Financial Ombudsman or similar body.

Why HMRC can't pursue promoters for the unpaid tax

The law is clear that it's an individual's responsibility to ensure the accuracy of their tax return and to understand the consequences of their decisions. Legally, we're not able to pass your tax and National Insurance Contribution liabilities on to promoters.

Promotion of loan schemes

Anyone who designs, sells, or enables the use of loan schemes will be subject to penalties up to 100% of the fees earned. Promoters who don't provide their clients with clear and accurate information face penalties of up to £1 million.

Responsibility for tax affairs

An individual's responsibility

It's an individual's responsibility to ensure the accuracy of their tax return and to understand the consequences of their decisions.

In this case, people signed up - agreeing to be paid partly in salary (allowing them to make use of the personal allowance and maintain entitlement to contributory benefits) and partly through a loan. This would often have involved signing multiple agreements, and most people would have been able to see from their payslips that the money they received was not being taxed.

As the House of Lords report published on 4 December 2018 noted, many loan scheme users who provided evidence to the committee were aware of the loans, had no intention of repaying them, and had made no provision for doing so.

Many contractors saw these schemes for what they are and steered clear of them.

The majority of the money will come from employers

If the scheme user was taken on as an employee, then the liabilities will fall to the relevant employer in the first instance. This point was established in HMRC's case against Glasgow Rangers where judges ruled that payments made by the club's former owners under the Employee Benefit Trust (EBT) scheme were taxable earnings.

HMRC will only seek a settlement from employees where the tax cannot be reasonably collected from the employer, for example where the employer is no longer in existence or is off-shore.

Since the loan charge was announced, HMRC has agreed settlements on disguised remuneration schemes with employers and individuals worth more than £1 billion. So far, around 85% of the tax secured has come from employers, and less than 15% from individuals.

HMRC warnings about avoidance schemes

HMRC has challenged them and warned against their use in the media, and in publications for the accountancy profession, such as our Spotlight series on GOV.UK.

We have opened tens of thousands of enquiries into schemes starting before 1999, making users and their representatives aware their tax return was under investigation. We introduced legislation to tackle them in 2011 and have won court cases against schemes, advising users that tax is due.

HMRC has also run a number of settlement opportunities, which were widely publicised at the time. We also wrote to thousands of individuals and companies to encourage them to settle - including 40,000 loan scheme users in 2018.

Contractors 'entered loan schemes to meet the IR35 rules'

The off-payroll working rules (known as IR35) were introduced to block disguised employment. Many loan schemes were devised to try to find a way around that, by disguising the income rather than the employment.

Customers who declared their scheme use on their tax returns

While some people did disclose their use of tax avoidance schemes, this was often incomplete, and many others were not fully open about their use. HMRC has opened thousands of enquiries into the use of these schemes as our view is that the arrangements under which the loans are made are, and have always been, taxable.

Detail on the policy

The loan charge is not a retrospective measure

The loan charge is not retrospective as it only taxes outstanding loan balances as of 5 April 2019, which is when they will be treated as income, and taxed accordingly.

Why the Government introduced the loan charge legislation

HMRC's view is that the arrangements under which the loans are made are, and have always been, taxable. This view has been supported by legal rulings, most notably the Supreme Court ruling against Glasgow Rangers football club.

In 2011 the Government introduced legislation that closed down many of the more than 250 schemes in operation. A number of promoters actively sought to get round the legislation by changing elements of their schemes. And while HMRC offered a number of opportunities for scheme users to settle, fewer than 2,500 did so.

By legislating to introduce the loan charge the Government has put the matter beyond doubt once and for all - drawing a line under these schemes and moving people out of tax avoidance.

HMRC is asking loan scheme users to voluntarily pay tax for some years

If a scheme user wants to benefit from HMRC's package of settlement terms, they need to pay the tax due even for years where they argue there is no formal enquiry open or assessment in place. This is known as voluntary restitution.

If, as part of the settlement with HMRC, voluntary restitution is not paid, then the relevant years will be subject to the loan charge. HMRC believes this is fair as part of a balanced settlement package, which includes a number of concessions, such as allowing a deduction for promoter fees and expenses, which could often be denied in individual settlements.

The amount for years covered by voluntary restitution will be calculated according to the tax bands and tax rates at the time the loan was made. Late payment interest will not be levied on them.

Earnings and tax avoided

Tax calculations

Tax is calculated according to your income. For instance, somebody would have to earn more than £250,000 to owe £100,000 in tax. Alternatively they might have earn less but repeatedly used a scheme over many years, as shown in the examples below.

Size of tax bill	Can be reached by:
£700,000	• Earning £817,000 a year in 2013-14 and 2014-15 **£1.63m in total earnings. £630,000 of tax avoided. £70,000 interest payable.** • Earning £641,000 a year in 2004-05 and 2005-06 **£1.28m in total earnings. £500,000 of tax avoided. £200,000 interest payable.** • Earning £165,000 a year between 2005-06 and 2014-15 **£1.65m in total earnings. £565,000 of tax avoided. £135,000 interest payable.**
£350,000	• Earning £421,000 a year in 2013-14 and 2014-15 **£842,000 in total earnings. £320,000 of tax avoided. £30,000 interest payable.** • Earning £331,000 a year in 2004-05 and 2005-06 **£662,000 in total earnings. £250,000 of tax avoided. £100,000 interest payable.** • Earning: £94,000 a year between 2005-06 and 2014-15 **£940,000 in total earnings. £280,000 of tax avoided. £70,000 interest payable.**
£50,000	• Earning: £82,000 a year in 2013-14 and 2014-15 **£164,000 in total earnings. £45,000 of tax avoided. £5,000 interest payable.** • £64,000 a year in 2004-05 and 2005-06 **£128,000 in total earnings. £35,000 of tax avoided. £15,000 interest payable.** • £27,000 a year between 2005-06 and 2014-15 **£270,000 in total earnings. £40,000 of tax avoided. £10,000 interest payable.**

* This is based on 2018-19 tax rates, using a default tax code for somebody who isn't pensionable age and who pays the tax rate in England/Wales. All numbers have been rounded to the nearest £5,000.

Sectors and industries covered by the loan charge

The rules on tax avoidance and disguised remuneration don't single out a specific group or industry, and the sectors covered are set out in the table below.

Business services	65%
Construction	10%
Medical and education	3%
Accountancy	2%
Dentistry	2%
Retail distribution	2%
Other professional and technical services	2%
Social and community services	<2%
Recreational services	<2%
Other financial activities	<2%
Other transport and storage	<2%

Note: figures will not add to 100% due to rounding.

HM Revenue
& Customs