

Please Note: This communication is for informative purposes and may not affect you



HMRC have issued several spotlights recently, aimed at cracking down on specific tax avoidance schemes they become aware of.

HMRC have also recently arrested five men and a woman for promoting fraudulent schemes designed to evade paying the loan charge.

HM Revenue & Customs said it arrested two individuals on May 10 on suspicion of promoting a scheme “designed to get around the loan charge, allowing individuals to evade paying taxes”. In a separate criminal investigation, on May 14 four other people were arrested on suspicion of “using fraudulent methods to circumvent the loan charge and the taxes due” and are “suspected of enabling others to do the same”. All six have been released pending investigation.

Announced in 2016, the loan charge cracked down on loan-based tax avoidance schemes used by tens of thousands of contractors, which HMRC regards as “disguised remuneration” to reduce income tax and national insurance contributions.

People were given until April 2019 to either settle with HMRC, repay the loans or face paying tax on up to 20 years of income in a single tax year. Many are facing six-figure tax bills and fear bankruptcy.

HMRC warned two years ago that some promoters claimed to have created schemes that enabled users to get out of the loan arrangements and avoid the loan charge, in return for a fee.

One example highlighted by the tax authority involved promoters asking individuals to enter into a “bet” with the trust that granted them the loan. The terms of the bet meant the individual was almost certain to win, using the winnings to repay the loan. The tax authority stressed on Friday that such schemes did not work, and that tax evasion was illegal.

“We strongly encourage people not to use loan-busting schemes and methods,” an HMRC spokesman said. “They clearly don’t work and people run the risk of losing more money and being involved in fraud. As we always say — if it looks too good to be true, then it undoubtedly is.”

The arrested include a 54-year-old man from Guildford, a 58-year-old man from Stevenage, a 50-year-old man from Stratford-upon-Avon, a 78-year-old man from south London, a 45-year-old woman from Tonbridge and a 50-year-old man from Sevenoaks.

HMRC officers also seized personal records from business and residential properties in London, Guildford, Stevenage, Stratford-upon-Avon, Sevenoaks and Tonbridge, it said.

The interventions are the latest action in HMRC’s investigation of fraud related to disguised remuneration schemes