

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



### **What has happened?**

As your agency, we want to keep you informed about developments in the market which could impact you.

We would like to bring to your attention a recent announcement by HMRC regarding the use of 'loan schemes' and 'disguised remuneration'.

This change impacts anyone who has used a loan scheme since 6 April 1999, via an umbrella company or otherwise.

In summary:

1. HMRC will **impose a tax charge on 5 April 2019** on any amounts paid by way of loan **if the loan has not been repaid**
2. HMRC will include all payments by way of loan **since 6 April 1999**, which could be through more than one provider
3. HMRC is giving contractors the opportunity to disclose any loan arrangements they have had to them in order to agree a settlement before the tax charge is made on 5 April 2019
4. Contractors are encouraged to provide details to HMRC by 30 September 2018 to give the best chance that settlements can be agreed before the tax charge is applied on 5 April 2019
5. By disclosing details, contractors may be able to avoid interest and penalties being applied over and above the tax and national insurance which is deemed to be due.

View the full announcement in the link below, which also has links to other previous announcements, and further detail regarding how to arrange a settlement with HMRC and the information required.

### **[HMRC issue briefing: disguised remuneration charge on loans](#)**

#### **What does this mean?**

Any payments made by way of loan, which have not therefore been subject to tax or national insurance deductions, will be aggregated to give a total loan amount 'outstanding'. For example, if someone received a 'loan' of £400 per week for 2 years (104 weeks) the total amount outstanding would be £41,600. If the loan payments are not returned by 5 April 2019 then HMRC will apply a tax charge on the full £41,600 in the current tax year. The tax and national insurance due to HMRC as a result will depend on individual circumstances but could be up to the region of £20,000.

If details are provided to HMRC and a settlement is agreed before 5 April 2019 then it may be possible to calculate the loan amounts for each tax year (to 5 April each year, from 2000 onwards) which could reduce the amounts due.

#### **What should you do?**

If you have never received any payments from a loan scheme or disguised remuneration scheme then you can stop reading now.

If you believe you may have been involved in an arrangement whereby payments have been made to you by way of loan or advance at any point in the last 20 years we believe you should:

1. Take independent financial and legal advice as a matter of urgency,
2. Speak to the operator of the loan scheme/umbrella company to establish any amounts that have been paid to you by way of loan or a disguised remuneration scheme, and what actions they are taking in respect of the impending charge, and whether they are discussing it with HMRC,
3. Contact HMRC, either directly or via an agent

We, as your agency, are not qualified to give you financial advice. Please do not solely rely on what your umbrella company tells you. HMRC will also provide free advice if you wish to contact them to discuss any concerns you have.

HMRC state that since the loan charge was announced, more than 5,000 people have agreed to pay the tax they owe and a further 20,000 people have contacted them to register an interest in settling.

HMRC state that they appreciate some people will have genuine difficulty paying what they owe and allow repayment of amounts due over 5 years in certain circumstances.

HMRC state that the earlier they discuss and resolve tax avoidance, the lower the amounts due will be.

If you're not already speaking to someone at HMRC, you can register your interest by emailing:

- [cl.resolution@hmrc.gsi.gov.uk](mailto:cl.resolution@hmrc.gsi.gov.uk) for contractor loan schemes
- [ca.admin@hmrc.gsi.gov.uk](mailto:ca.admin@hmrc.gsi.gov.uk) for all other disguised remuneration schemes

#### **What else should you do?**

Payment methods operated by umbrella companies can sometimes be unclear. It is your responsibility to make sure you are paying the right amount of tax and national insurance.

If you believe your current umbrella provider is operating a loan scheme or 'disguised remuneration' scheme then we suggest you should change to a compliant umbrella or move to PAYE with us as soon as possible.

In light of this loan tax charge, any offer of a 'higher retention' from a loan scheme provider is a false claim, as any initial 'saving' in tax on weekly payments will have to be paid back to HMRC, plus potentially interest and penalties in April 2019.

If you would like to change payment method please contact [candidateservices@ywrec.com](mailto:candidateservices@ywrec.com).

Kind regards  
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