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Dear Candidate,

Spotlight 53: HMRC warns about a number of schemes designed to avoid Income Tax and National Insurance contributions (NICs) through a combination of capital advances and complex offshore joint (or mutual) share ownership arrangements.

How do these schemes work?

The schemes are claimed to work by either having an employee of an umbrella company or a connected entity, such as an offshore company, to sign a loan or capital advance agreement and a joint (or mutual) share ownership agreement, confirming how their salaries are to be paid by the employer company.

On either a weekly or monthly basis, the employee is paid through 2 separate payments with the first payment representing a nominal salary which results in a payment with little to no Income tax or NICs occurring. The second involves 'capital advances', also paid weekly or monthly in the form of loans.

Then, involving an offshore joint (or mutual) share ownership trust, the employer company carries out various share transactions which are said to result in financial gains for the employee, the shares may also attract a dividend for the employee. The employee would also receive statements on a monthly or annual basis stating that their outstanding loans have been repaid as a result of capital gains and dividends even though they may have not been directly involved in the share transactions.

As a result of this process, the schemes attempt to disguise an employee's earning that would typically be subject to Income Tax and NICs by utilising additional allowances from capital gains or dividends. The employer company attempts to avoid its own tax liabilities as well with this method.

HMRC are very clear that they do not approve of these schemes and any employees or employers caught will result in repaying underpaid tax with interest and be subject to penalties.

Further information can be found on the Gov.uk website via the button below:

[View more on Spotlight 53](#)

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Kind regards,

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