



HM Revenue
& Customs

The Rt Hon. the Lord Forsyth of Drumlean
Chair, House of Lords Economic Affairs Finance Bill Sub-
Committee
House of Lords
London
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Date: 19 November 2018

Dear Lord Forsyth,

Thank you for your further letter of 13 November about disguised remuneration.

As set out in my letter of 5 November, HMRC has never participated in disguised remuneration tax avoidance schemes, for example by remunerating contractors through loans or payments to trusts. It is possible for contractors to use disguised remuneration without the participation or knowledge of their engager. Any HMRC contractor identified in the course of our compliance work as using a disguised remuneration scheme would be investigated in the same way as any other contractor.

The requested details about HMRC's terms of settlement are available on gov.uk:

- Updated simplified settlement terms published in July 2018
<https://www.gov.uk/guidance/disguised-remuneration-settling-your-tax-affairs#history>
- Interest rates charged on late payments
<https://www.gov.uk/government/publications/rates-and-allowances-hmrc-interest-rates-for-late-and-early-payments/rates-and-allowances-hmrc-interest-rates>
- Detailed settlement terms published in November 2017 (circumstances in which penalties may apply are set out in paragraph 6)
<https://www.gov.uk/government/publications/disguised-remuneration-detailed-settlement-terms/disguised-remuneration-detailed-settlement-terms>
- Guidance on reasonable care and penalties
<https://www.gov.uk/guidance/reasonable-care-tax-returns-and-other-documents>

Based on settlements made with individuals in the last couple of months, as requested here is an example of a typical settlement where the tax due is over £30,000:

An IT contractor contacted HMRC about their tax position on 23 May 2018. They had used 2 disguised remuneration schemes over 4 years with an average loan amount of £33,400 per year. HMRC agreed a settlement amount of £44,736.87. This figure comprises the total tax owed of £40,465.96 and interest of £4,270.91. No forward interest was applied, as payment was within 30 days of the settlement date of 6 October 2018, and no penalties were applied.

Yours sincerely,

A handwritten signature in blue ink that reads "Ruth Stanier".

Ruth Stanier
Director General, Customer Strategy and Tax Design