



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon, the Lord Forsyth of Drumlean
Chairman, Finance Bill Sub-Committee
House of Lords
London
SW1A 0PW

6w November 2018

David Michael

Thank you for your letter of 31 October. As you note, the Committee has already taken oral evidence from officials. The Government has also provided written evidence. I also remain committed to writing formally to respond to your report, to address any outstanding questions myself.

I understand you have received evidence on the charge on Disguised Remuneration (DR) loans. As you will be aware, DR schemes are contrived tax-avoidance schemes that pay loans, generally through an offshore trust, in place of ordinary remuneration in order to avoid income tax and National Insurance contributions. The schemes are, and have always been, taxable. This has been upheld by the Supreme Court.

The Government legislated for the charge so that users pay their fair share of tax, and contribute towards the publicly funded services we all use. The charge on DR loans was announced at Budget 2016, three years before coming into effect, and the legislation was scrutinised and approved by Parliament as a part of the Finance Act (No.2) 2017.

If scheme users repay the loan, or they agree a settlement for the tax that they owe with HMRC, they will not face the charge. HMRC have also simplified the process for those who choose to settle their use of avoidance schemes before the charge arises, so that those earning less than £50,000 a year who are no longer engaging in avoidance can agree a payment plan of up to five years without the need for detailed supporting information. That said, there is no maximum period within which an overall settlement can be agreed, and HMRC will deal with individual cases appropriately and sympathetically.

I hope this provides some reassurance that HMRC are taking a balanced and pragmatic approach. If you have further concerns over the way that HMRC are operationalising the



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policy, I am confident that officials will be able to respond, bearing in mind that HMRC is a non-ministerial department with qualified independence from Government, to protect the impartial administration of the tax system.

I would like to reiterate my thanks for your invitation. I continue to look forward to reviewing the final report in due course.

A handwritten signature in black ink, appearing to be "G. Jones".

A handwritten signature in black ink, appearing to be "Mel Stride".

RT HON MEL STRIDE MP