

# Loan charge: LITRG helps workers make sense of HMRC's settlement opportunity

## Employment Tax

01 February 2019

With time running out for workers to settle with HMRC before the loan charge crystallises, LITRG has released an article providing some urgently needed clarity around HMRC's settlement option. Although the article is aimed at unrepresented taxpayers, it may also be useful to advisers who are trying to assist clients facing the loan charge.

Many advisers will be well aware of the impending loan charge which is due to apply from 5 April 2019. Indeed, some of you will be supporting clients through what is likely to be a very difficult time.

There are also some low paid workers who are affected. These may include those who inadvertently received payments in the form of loans whilst working through umbrella companies. Such workers are unlikely to have professional assistance and will be unsure as to which way to turn.

One option available to them is to try and settle with HMRC before the loan charge crystallises. Another is to wait and incur the loan charge; but we suggest they do so only after careful research and with a full understanding of their other options. As the loan charge will be classed as employment income for the 2018 /19 tax year, this research not only needs to be about their tax position but also their benefits position.

Unfortunately, HMRC's guidance around the settlement process is vague and the overall message to contact HMRC does not seem to be cutting through all the noise that exists on social media around the legality of the loan charge and forthcoming possible challenges.

There are a number of options open to HMRC in coming to a settlement sum and in arranging repayment of any money due. However, any settlement contract will only be binding once signed by the taxpayer. They can walk away from discussions at any point before then, meaning they are not disadvantaged by at least starting a dialogue with HMRC.

As such, LITRG has released the latest in a series of 'plain English' news pieces designed to help low paid workers affected by the loan charge understand what is going on and what they need to do. This one looks specifically at HMRC's approach to the settlement process.

The article helps answer the following questions that workers may have:

- 'I'm scared I'll have to pay HMRC thousands of pounds – please help me understand what I might be facing'
- 'I can't provide information on the amounts of the loans I received. I suppose HMRC will just use an estimate, which won't be in my favour?'
- 'I want to settle with HMRC but have really limited means – are HMRC able to use any discretion whatsoever when coming to a settlement figure?'

- ‘HMRC say I can pay the money owed over five years if I settle my affairs ahead of the loan charge coming in – will I have to provide evidence to do this?’
- ‘Will I be expected to sell my house or take a loan to repay HMRC?’
- ‘I’ve heard I’ll have to deal with another part of HMRC if I want to arrange to pay over an extended time?’
- ‘Am I too late to reach settlement with HMRC now anyway?’

The article also looks at some likely settlement figures, across a number of different scenarios. We also provide an indication of what might be payable under the loan charge for comparison purposes. The article can be found on the [LITRG website](#).