Budget representation: assignment and enforcement of loan charge loans

Employment Tax

04 November 2021

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The expectation of the parties involved in these schemes was that the loans would never be repaid. However, having settled with HMRC, many individuals are being contacted by organisations that claim to own or control loans that originated in a disguised remuneration scheme. These organisations are demanding that individuals repay the loans even though the individual has either been subject to the loan charge or has come to a settlement agreement with HMRC. As a result, those affected are in the unenviable position of having a third party seek to enforce repayment of sums which have been recognised and taxed by the government as remuneration.

Acknowledging that obtaining suitable legal advice is beyond the means of many of those affected, we have called on the government to take action to make the assignment and enforcement of these loans uneconomic. We believe that the government has an obligation to protect individuals from exploitation and, in the absence of any other regulatory body, we think that the government must intervene.

We have therefore recommended that the government consults with interested stakeholders to prevent assignment and enforcement of these loans. Other options

suggested by us included a 100% tax charge on any profits arising from such activities, the imposition of penalties on assignors/assignees, and legislating to make such loans unenforceable as contrary to public policy.

The CIOT’s full representation can be read at www.tax.org.uk/ref855.