Loan Charge Review 2025: joint CIOT and LITRG response

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CIOT and LITRG's joint response to the 2025 Loan Charge Review looked at the barriers preventing taxpayers from resolving their loan charge liabilities with HMRC, with a focus on lower-paid agency workers.

The CIOT and LITRG have jointly responded to the 2025 Independent Loan Charge Review, announced on 23 January 2025. Our response concentrated on the various barriers preventing taxpayers from resolving their loan charge liabilities with HMRC – with a focus on lower-paid agency workers. We also explored options to remove or otherwise alleviate these barriers. Our response was greatly assisted by input from TaxAid.

The review is being led by Ray McCann and the government's objectives for the review are to bring the loan charge to a close for those affected, ensure fairness for all taxpayers, and ensure that appropriate support is in place for those subject to the loan charge. In doing so, the reviewer was asked to consider:

- the settlement terms available to those who are subject to the loan charge and who have not yet settled and paid their tax liabilities in full to HMRC;
- how this population could now be encouraged to reach resolution with HMRC; and
- what decisions would be required to ensure that, as far as possible, any new settlement proposals are properly targeted, whilst not imposing significant additional administrative burdens upon HMRC.

In recognising that one of the objectives of the review is to ensure fairness for all taxpayers, we commented that achieving fairness can sometimes present tensions with other policy objectives. For example, recommendations for resolving outstanding loan charge cases would need to balance fairness between those who are outside of the scope of the review (for example, because they have already settled/paid) and those yet to resolve other matters. There is a strong argument to say that fairness requires any changes resulting from the review to be applied to everyone subject to the loan charge, not just those who have not yet settled.

We also recognised the unique circumstances of the loan charge. While supporting HMRC being able to tackle egregious tax avoidance, we felt it was important that HMRC understood the circumstances of what they are addressing, including who is affected by the loan charge and why the issues have arisen, so that action taken is both proportionate and appropriate.

We explained that there would be different barriers to resolution for different groups. We drew on the significant experience of LITRG and TaxAid to highlight the barriers of one group in particular: lower-paid agency workers who found themselves in a loan scheme because of the avoidance behaviour of their umbrella company engagers.

We identified that the barriers to resolving loan charge cases for this group fall roughly into four areas, which present issues in and of themselves, but also overlap and compound. These are:

1. **Lack of information:** Many taxpayers did not have the insight or information to understand the arrangements they were put into, and so did not understand that they had loan charge obligations to fulfil. Their lack of insight and information also meant that they may have been unable to take advantage of the Morse recommendations, which were intended to reduce the impact of the

loan charge on some individuals.

2. **Self-assessment issues and other interactions:** This includes issues such as late filing and late payment penalties. Because of unhelpful and poorly targeted HMRC communications, some taxpayers were not aware they had 2018/19 filing obligations linked to the loan charge. Many of those who were aware omitted accurate and complete loan amounts because they lacked information or understanding. We noted that this has led to HMRC issuing assessments/determinations, some seemingly based on an overestimation of loan amounts; and in some cases, interest and penalties could significantly outweigh the tax due.
3. **HMRC's approach:** While noting that this may have softened slightly, we felt that at times HMRC have taken a seemingly rigid, one size fits all approach to the loan charge. The legacy of this approach remains and makes resolution challenging. For example, starting letters with the opening '*I am writing to you because I believe you've used a tax avoidance scheme*' (with no case officer name given) could be alienating and confusing to workers who did not recognise themselves as being affected by the loan charge.
4. **Trust in, and access to, HMRC's easements:** We noted that HMRC have committed, many times, to deal with people sensitively. They already have 'business as usual' debt recovery policies in place, as well as several specific, potentially very helpful easements, such as that in Income Tax (Earnings and Pensions) Act 2003 s 222 and residual tax concessions, to try and help people who have a loan charge amount to pay. The problem we identified is these are all negotiated/applied at the end of the settlement process, which people appear not to be getting through to due to the barriers we identified. We were also concerned that there is a lot of social media coverage of certain aspects of the loan charge, which in some cases may be generating fear and uncertainty that outweighs all else. We thought that without more proactive reassurance from HMRC, this fear would continue to deter people from entering or progressing through the resolution process, further compounding procedural and escalation issues.

We also discussed barriers faced by another group: those who may have been affected by the loan charge but whose personal circumstances now mean settling their debt is very difficult; for example, because they are now ill or retired or perhaps cash poor/asset rich. We considered that these people also face barriers – typically based on the scale of their liabilities – and identified that HMRC's

inflexibility to accept voluntary legal charges on property or even sub-standard offers, etc. could be problematic in this context.

Our recommendations included improving processes on how the loan charge is calculated to maintain a consistent approach where actual information is not available, including the provision of upfront information from HMRC on how assessments/determinations are calculated and if there is a reliable source from the scheme itself.

We suggested reconsideration of the interaction with self-assessment processes to provide a more pragmatic approach to removing inflated debt elements, such as payments on account generated by a determination and allowing late appeals for assessments or determinations and for late filing penalties.

We also suggested that interest could be fully or partially waived. Other possible suggestions were made around IHT, as well as the processes in place to deal with the agreed debt, especially around ability to pay, changes in circumstances, hardship, instalment payments and remission of tax/sub-standard settlements.

Overall, we believe that there is an urgent need for action with the loan charge arising over six years ago and many cases remaining locked in a cycle of unresolved issues. We think that without practical changes to help bring these cases to a conclusion, along with a more nuanced and responsive approach to case management by HMRC, it will be difficult to see how the underlying barriers are going to ease, and indeed suggest that they are more likely to significantly worsen as time passes.

The full response can be found here: www.tax.org.uk/ref1492

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