



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

Steve Packham and Andrew  
Earnshaw  
Loan Charge Action Group  
By Email

19 March 2026

Dear Steve and Andrew,

Thank you for your letter of 23 January about the loan charge.

As I am sure you will understand, it would not have been appropriate for me to reply to the letters you sent while the review was ongoing. I wanted to let the reviewer do his work and consider the recommendations without being influenced by any published correspondence on matters proper to the review.

I had hoped to meet with you to discuss the concerns you have raised, explain the Government's decision and explore how we can work together to support your members to resolve any liabilities they have with HMRC. I know that the loan charge remains a source of anxiety for people and I am determined to help make the loan charge part of their past, rather than a seemingly un-ending part of their future. I am disappointed if the Loan Charge Action Group is no longer open to working constructively with the Government to achieve this.

You asked about why the scope of the review was set as it was and why it didn't include those who had used tax avoidance schemes not subject to the loan charge. The Government promised to commission a new independent review of the loan charge and that is what it delivered. The purpose of the review was to bring the matter to a close for people who have not settled and paid their loan charge liabilities.

In considering the review's recommendations, the Government's objective was to strike the right balance between ensuring fairness for all taxpayers and maximising the opportunity for people to settle their affairs with HMRC. This meant focusing on those who have not yet settled with HMRC.

The Government accepted all but one of the review's recommendations and is legislating in the Finance Bill to give HMRC the power to administer a generous new settlement scheme. In a number of instances, we decided to go further than the review's recommendations. Most notably, we decided to write off the first £5,000 of everyone's liability, providing significant relief to those with the lowest liabilities who are more likely to have been lower earners and targeting support at this group. In total, the settlement opportunity will come at an Exchequer cost of £365m over the next five years.

Because of those decisions, around 30 percent of people within scope of the review could have their liabilities removed entirely. Most others will see their liabilities reduced by at least half. The review highlighted that under their recommendations, an individual earning £30,000 who used a disguised remuneration scheme for three years would have their liability reduced by 66 percent. Under the Government's plans, they will instead see 89 percent written off.

Many people who became subject to the loan charge were on modest incomes; a substantial number were high earners. The review concludes these high earners would have had access to independent, reputable tax advisors who should have recognised that these schemes were too good to be true. The Government has therefore capped the maximum write off on what someone owes because of the loan charge at £70,000. This still provides a very generous tax reduction for higher earners. HMRC estimates that more than 80% of individuals in scope of the settlement opportunity will not be affected by the cap. The cap will only affect those with the largest liabilities, for example because they received high amounts of income through these schemes or used them for a significant number of years.

Where people have concerns about their ability to pay, even after taking into account the terms of the settlement opportunity, HMRC can provide advice on options appropriate to that person's specific circumstances.

People who choose to settle under the new settlement scheme will pay less than they would under the loan charge, in most cases substantially so. I hope you will make your members aware of this and encourage them to work with HMRC to draw a line under this matter.

HMRC Officials do not recognise the allegation that HMRC agreed deals with large employers allowing them to settle disguised remuneration liabilities for less than was legally due. Settlements at the time were made under Employer Benefit Trust Settlement Opportunity. The details of these settlement terms are a matter of public record. The terms make it clear that settlements had to be based on the position if HMRC was to litigate. I also understand that Ray McCann has written to the Loan Charge and Taxpayer Fairness APPG explaining that he has been misquoted and has never, at any time, suggested that HMRC settled with big businesses for these amounts.

You ask why the recommendations do not apply to people who used disguised remuneration schemes prior to December 2010 and after 5 April 2019. The settlement opportunity only applies to disguised remuneration use during this period because this is the only period for which the loan charge applies.

The Government remains committed to closing the tax gap by bearing down on tax avoidance and ensuring that everyone pays their fair share. However, the Government accepts the review's finding that the loan charge was an extraordinary piece of legislation that treated those within its scope uniquely compared with other taxpayers. The settlement opportunity will not apply to other tax avoidance schemes that are not within scope of the loan charge. In those cases, HMRC will continue to work with taxpayers to resolve their cases in line with existing legislation and case law. HMRC is committed to working sensitively and pragmatically with taxpayers to reach settlement.

In his 2019 independent review, Lord Morse recommended that the loan charge should not apply to loans made prior to 9 December 2010. However, it is not correct to suggest that his review concluded that HMRC should not continue to investigate non-compliance prior to this date using its usual compliance powers. The review said “HMRC should continue being able to settle and investigate cases prior to this point [9 December 2010] under their normal powers where they have appropriate grounds, and a legal basis, to do so”. HMRC is acting exactly in line with this recommendation.

The question of HMRC’s use of s684(7A)(b) of the Income Tax (Earnings and Pensions) Act 2003 in disguised remuneration cases has been considered by the courts a number of times. The Court of Appeal confirmed that even where other parties (such as employers or agencies) have obligations to operate PAYE, the liability for income tax is that of the employee. It also confirmed that HMRC’s use of s684(7A)(b) was lawful. The Government considers that the Courts have settled this point and has no plans to review this further.

You ask about the discount available under the new settlement opportunity in respect of fees assumed to have been paid to promoters. The review heard that individuals paid fees to scheme promoters in order to access disguised remuneration schemes. The review found that these fees were typically between 18% and 20% of an individual’s total contract value and that individuals could have believed that a portion of these fees were being paid to HMRC in tax. The review therefore recommended calculating a percentage of the gross amount to account for approximately half of the fees assumed to have been paid to promoters to access the scheme. This amount will then be deducted from the outstanding tax liability. The Government accepted this recommendation in full and the legislation included in the Finance Bill is entirely consistent with the recommendation.

You have asked about the costings of the package and the data used by the review to reach its conclusions. The Government committed to full transparency in relation to the Government and HMRC’s interactions with the review. The terms of reference set out that all of the information HM Treasury and HMRC provided to the review team will be published. This will include all of the data the review requested from HMRC about liabilities and distributions. The policy costings for the new settlement scheme were published at Budget:

[https://assets.publishing.service.gov.uk/media/692872fd2a37784b16ecf676/Budget\\_2025-Policy\\_Costings.pdf](https://assets.publishing.service.gov.uk/media/692872fd2a37784b16ecf676/Budget_2025-Policy_Costings.pdf)

While I understand how strongly you feel about this issue, I believe that the settlement opportunity announced at Budget represents a fair and proportionate offer, and we will not be expanding its scope or altering its terms further.

The review is the final chance to resolve this issue through settlement. This settlement opportunity offers terms vastly more generous than previous opportunities offered by HMRC. It represents the Government’s attempt to provide a fair route to resolution for those who have not been able to settle with HMRC and I sincerely hope that people will now choose to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Tomlinson', written in a cursive style.

**DAN TOMLINSON MP**  
**EXCHEQUER SECRETARY TO THE TREASURY**