



September 2020

Dear Constituent,

Thank you for contacting me about the loan charge.

I fully appreciate that this is an incredibly troubling time for many people, and that a change to financial planning is stressful at the best of times. I am sorry to say that I do not feel that further delay to these reforms is necessary, for the reasons which I outline here, and therefore will not be providing my signature for this campaign.

The Loan Charge is designed to tackle disguised remuneration (DR) tax avoidance schemes. DR schemes seek to avoid Income Tax and National Insurance contributions by paying users their income in the form of loans. The loans are provided on terms that mean they are not repaid in practice. These loans are no different to normal income and are and always have been taxable. Less than 0.2 per cent of all individual income taxpayers used one of these schemes.

It is right that individuals pay the right amount of tax. Tax avoidance deprives funding for our vital public services, such as the NHS. In my discussions with colleagues at the Treasury I have been assured that work is being done to tackle this and other forms of tax avoidance vigorously. I recognise that measures such as these can be life-changing for those affected by them.

After concerns were raised by MPs across the House about the impact of the Loan Charge on constituents, Sir Amyas Morse, the highly respected former head of the National Audit Office, was commissioned to lead an independent review. He received evidence from a wide range of individuals affected by the Loan Charge and from stakeholders such as, the Loan Charge Action Group, the All-Party Parliamentary Loan Charge Group and specialist tax advisers.

In the final report, Sir Amyas was clear that the Loan Charge should remain in force. However, I welcome that the Government recognised concerns raised by the Review and accepted all but one of the 20 recommendations, which included removing DR loans made before the 9th December 2010 from the scope of the Loan Charge and allowing taxpayers to spread their payments over three years.

I understand that HMRC have estimated that out of the 50,000 individuals who have used DR schemes, over 60 per cent or more than 30,000 of these people, will benefit from the changes, 11,000 of whom will be taken out of scope of the charge altogether. It was set out at the last Budget that these changes cost the Exchequer £745 million up to 2024-25. I look forward to hearing



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the Government report back to Parliament later this year on its progress in implementing Sir Amyas's recommendations.

I have read some of the published exchanges between a member of the review and an employee of the Treasury, and although I do not feel this constitutes evidence that Sir Amyas' review was somehow subject to undue influence, I do expect that my colleagues at the Treasury will look into this matter and that any appropriate internal procedures will be taken. I would add that this correspondence does not refer to the contents of the review report and simply to how press enquiries about the review should be handled. Sir Amyas has himself responded to these comments, stating that: *"My independent review of the Loan Charge represented my own judgement following the evidence that I heard – including over 700 individual impact statements. My conclusions speak for themselves and show that I was independent of government. Any suggestion that I was (or could have been) unduly influenced by the civil servants who supported me ignores that the report is my own, and my ten years of experience at the National Audit Office in holding government to account."*

Needless to say, the Coronavirus outbreak has created an extraordinary situation. I have spoken with colleagues at the Treasury who assure me they are keeping the situation under close review and will take a reasonable and proportionate approach to those covered by the Loan Charge who are unable to file a return by the 30th September. This date had already moved back to enable people to respond to the recommendations of the Morse Report. I hope that this commitment to fair and proportionate treatment given the situation provides some reassurance to you.

Thank you again for taking the time to contact me.

Yours faithfully,

CHRIS HEATON-HARRIS MP
MEMBER OF PARLIAMENT FOR DAVENTRY