HM Revenue
& Customs

Factsheet: Loan charge

Tackling tax avoidance

People who use these schemes are paid in loans, rather than a salary in the normal way, to avoid paying tax and National Insurance. Unlike normal loans, they aren't repaid and no tax is deducted. This is clearly income and tax should be paid.

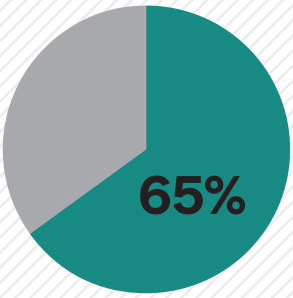
HMRC does not approve these schemes and has always said they don't work.

50,000 users are estimated to be affected by the loan charge

Users' income on average was twice as much as the average UK taxpayer

70%

have used a scheme for two years or more



Sectors

- **65% work in business services:** IT consultants, financial advisers, and management consultants.
- **Around 3% work in medical services** (doctors and nurses), teaching, social and community services sector.

Scheme use

- **Fewer than 1% of users** have an outstanding loan before 2003.
- **Around half of outstanding loans** were made in the last 7 years.

Avoidance

- **The average user avoided £20,000 per year.**
- **Tax avoidance takes money away from** schools, hospitals and social care.
- **The loan charge** rightly tackles avoidance and ensures people pay what they owe.

Settling up

Time

People who settle can pay in instalments over a number of years.

Flexible

There are a range of flexible options for those who may have difficulty paying.

Simple

We've made it easier for anybody who currently earns less than £50,000 to settle.

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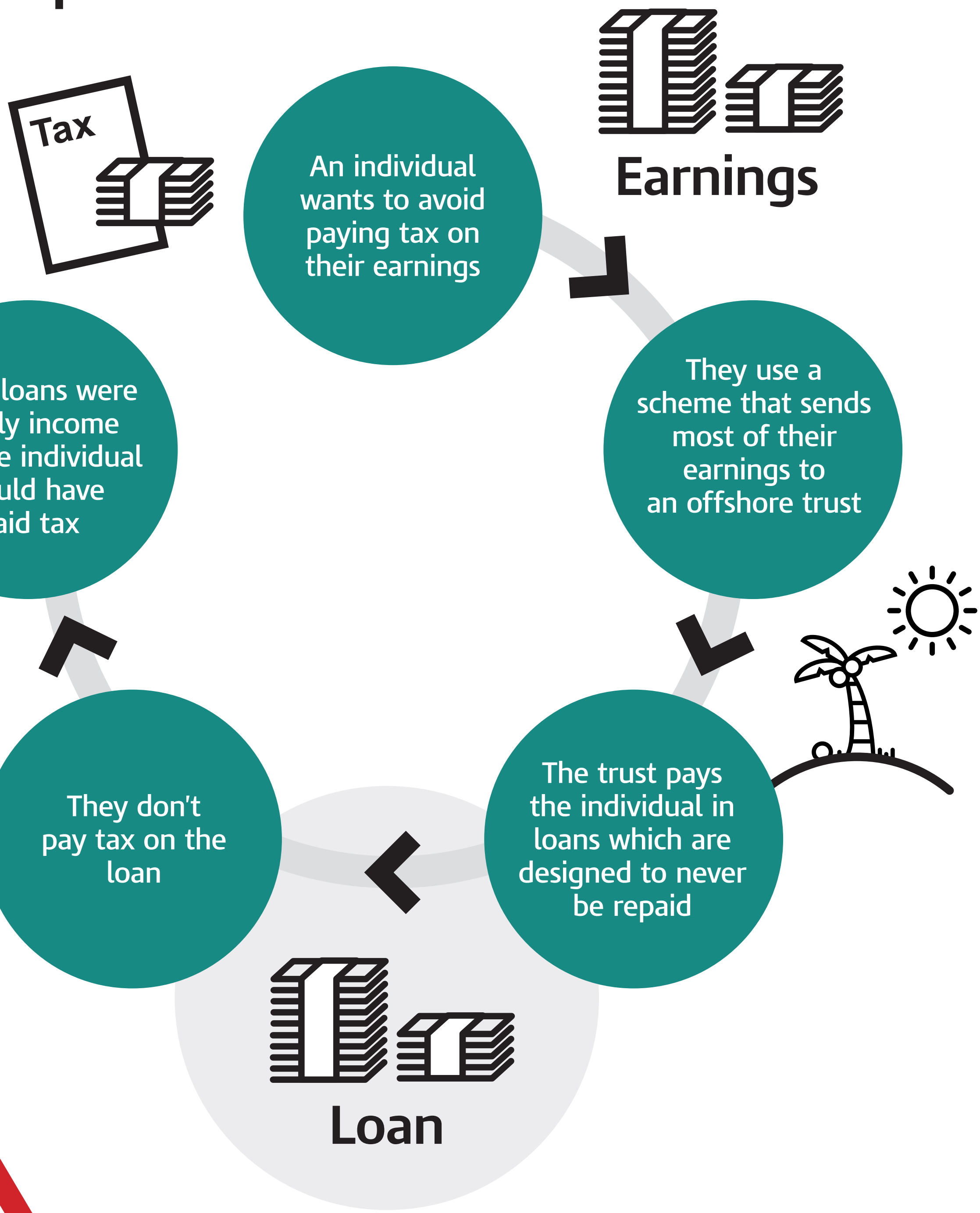
How typical tax avoidance loan schemes operate



HMRC has never approved tax avoidance schemes and has always said they don't work