

Reporting disguised remuneration loan charges

In 2017 the Government passed legislation which imposes a 'disguised remuneration' charge upon loans from EBTs, EFRBS and similar arrangements. The 'Loan Charge' applies to any individual who received a loan via a disguised remuneration scheme on or after 6 April 1999 that was still outstanding on 5 April 2019.

As well as the tax implications of the Loan Charge, there are additional reporting requirements for individuals who have received these loans, even in cases when the loan itself has been repaid before the 5 April 2019 deadline.

This guide explains the reporting requirements to be followed. For details of the tax implications of loan charges please refer to our separate guides covering "The 5 April 2019 loan charge".

Reporting requirements

Two reporting requirements were introduced:

1. By **15 April 2019** employees with outstanding loans were required to have told any employers (including former employers, and employers in insolvency arrangements) with whom they had loan

arrangements with or who put arrangements in place from which they benefited about their loans. HMRC should be informed if this requirement was not met.

2. By **1 October 2019** details of loans outstanding and relevant repayments must be reported to HMRC.

This guide deals with the second, forthcoming reporting requirement.

Who must make the report?

The report must be made by the individual who received the loan.

This can be done online via HMRC's online service:

<https://www.tax.service.gov.uk/disguised-remuneration/>

To use this service the individual will require a Government Gateway user ID and password. These can be created at the start of the application if required.

What needs to be reported?

The individual must report details of any loans that were outstanding at the “**relevant date**” (see below) together with any allowable repayments.

- For ‘trade based’ schemes (i.e. schemes involving the self-employed) the relevant date is **4 December 2016**.
- For all other ‘employment-based’ schemes (including contractor schemes implemented via an intermediary) the relevant date is **16 March 2016**.

The only allowable repayment is a repayment in cash.

The report to HMRC should provide details of the loan arrangements used in each tax year, including:

- the scheme name
- the start and end dates of the scheme used
- any HMRC case reference number known
- the individual's Disclosure of Tax Avoidance Scheme (‘DOTAS’) number (if known)
- the total amount loaned in each tax year, including any amounts repaid or written off
- any amounts of tax or NIC already settled.

The full list of information the taxpayer is required to report can be found in the Finance (No.2) Act 2017, Schedule 11, paragraph 35D.

Key Point

An important point to highlight is that the requirement to file a report is based upon loans being outstanding at the **relevant date** and not 5 April 2019, even if the loans have subsequently been repaid / written off by 5 April 2019.

Penalties

If the individual fails to report to HMRC before 1 October 2019, or they provide incomplete or incorrect information, they will be liable to:

- an initial penalty of £300;
- further daily penalties of up to £60 a day for as long as the information remains outstanding, up to a maximum of 90 days; and
- up to £3,000 for each inaccuracy deliberately or carelessly included within the information provided, or discovered post-submission without informing HMRC.

How we can help

If you or your client is required to file a report please contact us for assistance. We have considerable experience in dealing with EBTs and EFRBS and will be able to assist with the filing of returns by 1 October 2019.

To discuss how we can help, please contact:



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