

ANONYMOUS – WRITTEN EVIDENCE (DFE0004)

Draft Finance Bill 2020-2021 inquiry

I am writing to you to provide my personal experience having been caught up in the Loan Charge and would like to provide evidence in relation to promoters, retrospective tax and the HMRC's actions.

Below is my view of where the process has failed, along with possible solutions.

- 1.) Stopping Promoters: This is paramount otherwise HMRC is knowingly letting people get caught in schemes. The message from promoters will muddy the waters and confuse HMRC's message. It also would mean that there will be less people ensnared in schemes.

Analogy: Police try to stop the drug-dealers and the illegal import of drugs despite how tricky it is. You don't see advertisements by drug dealers stating it is legal and endorsed by respective legal bodies.

Evidence: Email from agency saying scheme is endorsed by KPMG and QC's

Solution: Block Promoters websites. There are enough irate IT consultants who can easily demonstrate how this can be done, and as a SC cleared project manager, I am happy to assist in creating the processes.

- 2.) Communication failure: As a person who works in IT (now a stigmatized profession), I do not follow all the intricacies of tax law. My understanding is limited to Tax evasion is bad; Tax avoidance – tolerated because it encompasses financial planning and is used by multi-nationals to reduce tax exposure.

If an individual is not aware their scheme's status has changed, then the message needs to be better targeted than 'stopping Tax evasion'. Especially if the users believe they are mimicking multinationals with tax avoidance.

To date, I still do not know when the scheme that I used changed in classification.

Analogy: Doctors don't look amongst the healthy for sick patients

Evidence: Email from promoters: GAAR doesn't apply Steed Solutions

Solution: Targeted communications to contractor forums stating changes.

It might have been spoken about in tax circles but sadly this did not reach the layman or accountants or tax advisors who continued to work with the schemes. It might have helped provide clarity with regards to the application of GAAR.

3.) **Tax Professionals:** The scheme I signed up with referenced KPMG and QC's endorsement numerous times. The scheme either lied or was given incorrect advice.

Professional Accountants aligned with the scheme still submitted my UK tax returns.

There needs to be a consistent message for all tax professionals and aligned to HMRC's message. This needs to be enforced.

This is important to allow for trust to exist between the layman and advisors.

Evidence: As before from scheme operators unless they lied

Solution: Certification to be completed by tax advisors to show they know the correct message.

The treasury could do with the additional funds too.

You might ask, why I didn't speak with HMRC earlier etc. The short answer is my information source was flawed. I trusted the scheme operators and asked questions but was advised that the law wasn't applicable to me.

Evidence: DOTAS emails(x2)

4.) Safeguards and checks: HMRC comes across as self-serving like the tax collector in Robin Hood. Intent on taking money, but not returning it if wrong.

The actions imply a 'TICK BOX' exercise and a lack of understanding of the true impact – ie. Most affected would be self-employed, end up with no savings during a pandemic. This means a high chance of being

out of work and in turn equates to a bigger reliance on the state and at a greater cost too.

HMRC applying retrospective law changes undermines confidence in tax system at a poor time when legislation is undermining the rule of law.

Evidence: My settlement contract (last two paragraphs). My financial situation if my contract ends and I still owe the loan charge.

Outcome: My life savings are currently going to offset the loan- charge as I pay back £1000 per month. Not great when self- employed during a pandemic.

In summary When I have been able to speak with a HMRC person, they have been polite and tried their best within the confines of the restrictions applied by management.

Sadly, they have been over stretched and not had the time to respond with accuracy.

HMRC have had over twenty years to fix this problem at the source and make sure all were aware.

Communication with the public appears to me to be without strategy and out of touch with the people they should have been trying to help.

It has also been inconsistent with the messages provided by tax officials, and professional bodies who handle tax returns

As an individual, I still struggle to understand who I could have gone to when the advice received said the scheme was endorsed by KPMG and QC's – especially when told GAAR wasn't applicable to me.

I would be happy to pay 10% towards my ignorance but like many, I am bitter with how the loan-charge has been handled; how I feel like I have been criminalized without representation and my profession stigmatized to cover HMRC's inaction. Safeguards are vital.

5th October 2020