



# HM Revenue & Customs

Your name: *Customer name*

Our reference: *Reference*

## About your disguised remuneration scheme use

We have used the information in the table below to calculate the additional tax we believe is due from you for the year ended 5 April 2019.

Type of scheme	Employer or scheme name	Loans received from	Loans received to	How we have calculated the loan balance	Tax we're trying to collect from the employer
<i>Employment</i>	<i>Employer name</i>	<i>DD MMMM YYYY</i>	<i>DD MMMM YYYY</i>	<i>Explanation of how we've arrived at loan balance</i>	<i>£Amount B (see letter)</i>

Tax on employment income is the employee's liability. However, the employer is usually required to deduct it through Pay As You Earn (PAYE) and then account for it to HMRC.

If any employer is unable to deduct the PAYE tax due, they're still required to account for the tax to HMRC. If the employee does not 'make good' this tax to the employer, it's treated as earnings from that employment and chargeable to tax. This is under section 222 of the Income Tax (Employment and Pensions) Act 2003 (ITEPA 2003). The legislation applies even if the employer has not paid the PAYE tax due to HMRC.

To prevent this additional tax charge (we call this a 'section 222 charge'), the employee needs to 'make good' the full amount of the PAYE tax that the employer was unable to deduct. They also need to do it within a set time frame. An employee would usually 'make good' by repaying the employer.

To prevent a section 222 charge for the year ended 5 April 2019, an employee had to make good the full amount to the employer by 4 July 2019.

## About your employment

Your employer was required to operate PAYE on your employment income (including the outstanding loan balance) where they were:

- based in the UK
- in existence on 5 April 2019

From the information available to us, we believe:

- your employer was required to operate PAYE on the loan balance as shown in the table above
- there was PAYE tax due on the loan balance which the employer was unable to deduct
- you did not make good the PAYE tax due on the loan balance by 4 July 2019

This means that you have *£Amount* additional earnings for the year ended 5 April 2019. We have included this when calculating the additional tax due for the year.

## **If you made good any tax to your employer**

If you believe you made good the full amount of the PAYE tax by 4 July 2019, please tell us. Please also send us evidence of your payment or payments.

## **Settlement and more information**

For individuals who are settling their tax position with us and have a section 222 charge on the loan charge, we will not collect the section 222 charge where certain conditions are met.

You can find more information online. Go to [www.gov.uk](http://www.gov.uk) and search for 'disguised remuneration settlement terms 2020'. For:

- general information – go to section 3.4, 'Section 222 and 223 of the Income Tax (Earnings and Pensions Act 2003'
- information about when we might not collect the charge – go to section 14.2, 'Section 222 of the Income Tax (Earnings and Pensions) Act 2003 – interaction with the loan charge'