STATUTORY INSTRUMENTS

2026 No. 821

INCOME TAX
INHERITANCE TAX
SOCIAL SECURITY

The Employment and Trading Income etc. (Loan Charge Settlement Scheme) Regulations 2026

Made - - - -	*14th July 2026*
Laid before the House of Commons - - - -	*15th July 2026*
Coming into force - -	*5th August 2026*

The Treasury make these Regulations in exercise of the powers conferred by sections 25 to 27 of the Finance Act 2026(**1**).

Part 1

General

Citation and commencement

1.—(1) These Regulations may be cited as the Employment and Trading Income etc. (Loan Charge Settlement Scheme) Regulations 2026.

(2) These Regulations come into force on 5th August 2026.

Interpretation: general

2. In these Regulations—

"additional qualifying amounts" has the meaning given by regulation 12(2);

"assess" means any decision to assess, to amend a return (including a self-assessment), to make a determination, or a decision of a similar nature made by HMRC under an enactment in respect of an amount, and "assessed" and "assessment" are to be construed accordingly;

(**1**) 2026 c. 11.

"commencement day" means the day specified in regulation 1(2);

"contract settlement" means an agreement made in connection with any person's liability to make a payment to the Commissioners(**2**) under or by virtue of an enactment;

"corporate employer" means an eligible person who is neither a relevant earner nor an individual;

"eligible person" has the meaning given by regulation 8(1);

"employee" means the person "A" in section 554A of ITEPA 2003(**3**), where a loan or quasi-loan under paragraph 2 of Schedule 11 to the F(No. 2)A 2017(**4**) is treated as a relevant step for the purposes of Part 7A of ITEPA 2003;

"FA 2004" means the Finance Act 2004(**5**);

"FA 2007" means the Finance Act 2007(**6**);

"FA 2009" means the Finance Act 2009(**7**);

"F(No. 2)A 2017" means the Finance (No. 2) Act 2017(**8**);

"FA 2026" means the Finance Act 2026;

"final" means, in respect of an amount—

(a) if the amount has not been assessed, that the period specified by an enactment for HMRC to assess that amount (including the amendment of a self-assessment) has expired; or

(b) if the amount has been assessed (including, where the context requires, if self-assessed and not amended by HMRC)—

(i) the time for any appeal or further appeal relating to it has expired, or that any appeal relating to it is finally determined; or

(ii) a contract settlement is entered into in respect of that amount;

"HMRC" means His Majesty's Revenue and Customs(**9**);

"P" means the person to whom a settlement offer must be made in accordance with Part 4;

"payment on account" refers to any payment on account of a liability to HMRC, whether made voluntarily or under an enactment;

"relevant amount" means the relevant loan charge amounts and specified connected amounts to which a settlement offer must relate under regulation 9(4);

"relevant earner" means an employee or a trader;

"relevant loan charge amount" has the meaning given by regulation 9(4)(a);

"the Scheme" means the Loan Charge Settlement Scheme, established under regulation 7;

"settlement amount" means the amount determined under regulation 10 (step 10 or 11) or regulation 11 (step 9 or 10);

"settlement offer" means an offer made in accordance with Part 4;

(**2**) "The Commissioners" has the meaning given by section 25(9) of FA 2026.

(**3**) Section 554A and Part 7A of ITEPA 2003 were inserted by the Finance Act 2011 (c. 11), Schedule 2, paragraph 1. Section 554A was relevantly amended by the Finance Act 2017 (c. 10), Schedule 6, paragraphs 2 and 13 in relation to relevant steps taken on or after 6th April 2017. Section 554A and Part 7A were relevantly amended by F(No. 2)A 2017, Schedule 11, paragraph 46 with effect from 16th November 2017. "Relevant step" is defined by section 554A(2) of ITEPA 2003.

(**4**) Amended by the Finance Act 2020 (c. 14), Schedule 2, paragraph 4 with effect from 22nd July 2020.

(**5**) 2004 c. 12.

(**6**) 2007 c. 11.

(**7**) 2009 c. 10.

(**8**) 2017 c. 32.

(**9**) The expression "His Majesty's Revenue and Customs" refers to the Commissioners and to officers of Revenue and Customs, see section 4 of CRCA 2005.

"SSCBA 1992" means the Social Security Contributions and Benefits Act 1992(**10**);

"SSCB(NI)A 1992" means the Social Security Contributions and Benefits (Northern Ireland) Act 1992(**11**);

"tax year" has the same meaning as it has in section 4(2) of ITA 2007;

"trader" means the person "T" in section 23A(2) of ITTOIA 2005, where a loan or quasi-loan under paragraph 2 of Schedule 12 to the F(No. 2)A 2017 is treated as a relevant benefit for the purposes of sections 23A to 23H of ITTOIA 2005(**12**).

Interpretation: loan charge amount

3.—(1) In these Regulations, "loan charge amount" has the meaning given by section 25(7) of FA 2026 supplemented by the descriptions given in the following paragraphs.

(2) Loan charge amounts which arise (in any tax year, or in any other period of time(**13**)) in connection with a Schedule 11 or Schedule 12 to the F(No. 2)A 2017 loan or quasi-loan(**14**) are—

(a) any amount of income tax under an enactment;

(b) any amount of national insurance contributions under an enactment;

(c) any amount of late payment interest under section 101 of FA 2009 or under a contract settlement on amounts in paragraph (a) or (b).

(3) Amounts of income tax and national insurance contributions include amounts self-assessed by a person under section 9(1) of TMA 1970(**15**), whether or not that assessment is final.

(4) In this regulation, amounts of national insurance contributions are (within the meanings given by section 1(2) of SSCBA 1992 and section 1(2) of SSCB(NI)A 1992)—

(a) primary Class 1 contributions, and

(b) Class 2 and Class 4 contributions.

Interpretation: loan charge gross liability

4.—(1) In these Regulations, "loan charge gross liability" has the meaning given by section 25(7) of FA 2026 supplemented by this regulation.

(2) When ascertaining P's total loan charge amounts for the purpose of determining P's loan charge gross liability, the Commissioners must—

(a) remove any double taxation of income tax or national insurance contributions in connection with a Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan,

(b) determine a just and reasonable amount they consider that they would seek to recover from P in respect of loan charge amounts if P were not to accept a settlement offer made under the Scheme, and

(**10**) 1992 c. 4.

(**11**) 1992 c. 7.

(**12**) Sections 23A to 23H were inserted by F(No. 2)A 2017, section 35, in relation to relevant benefits arising on or after 6th April 2017. Those sections are to be read in conjunction with F(No. 2)A 2017, Schedule 12, in relation to loans and quasi-loans that were outstanding on 5th April 2019. "Relevant benefit" is defined by section 23B of ITTOIA 2005.

(**13**) Class 1 national insurance contributions arise in a "tax week" under section 6(1) of SSCBA 1992 and section 6(1) of SSCB(NI)A 1992. That expression is defined by section 122 of SSCBA 1992 and section 121 of SSCB(NI)A 1992.

(**14**) A "Schedule 11 to the F(No. 2)A 2017 loan or quasi-loan" has the meaning given by section 25(8)(a) of FA 2026 and a "Schedule 12 to the F(No. 2)A 2017 loan or quasi-loan" has the meaning given by section 25(8)(b) of FA 2026.

(**15**) Section 9(1) was substituted by the Finance Act 1994 (c. 9), section 179, and amended by the Finance Act 1996 (c. 8), section 121(4), by the Finance Act 1998 (c. 36), section 98(2), by ITEPA 2003, Schedule 6, paragraph 125, by ITTOIA 2005, section 883(1) and Schedule 1, paragraph 361, by the Finance Act 2016 (c. 24), Schedule 1, paragraph 51(4) and 73(2)(a) with effect from the tax year 2016-17, and by FA 2026, section 42(3)(a) and (5), from the tax year 2026-27.

(c) assume, for the purposes of this regulation, that P has, or will have, the means to pay the amount they determine.

Interpretation: specified connected amounts

5.—(1) In these Regulations, "specified connected amounts" are—

(a) any amount treated as earnings (of an employee) under section 222 and 223 of ITEPA 2003;

(b) any amount of secondary Class 1 national insurance contributions within the meaning given by section 1(2) of SSCBA 1992 and section 1(2) of SSCB(NI)A 1992;

(c) any payment on account, whether the amount is paid or payable;

(d) any amount of penalty other than a reserved penalty;

where that amount arises at any time, or period of time, and is incidental to, or otherwise connected with, loan charge amounts.

(2) In this regulation, a "reserved penalty" means a penalty under Schedule 24 to FA 2007 (penalties for errors) which P agrees to pay as an additional qualifying amount as a condition of a settlement offer under regulation 12.

Methodology for determining amounts etc.

6.—(1) Where for the purposes of these Regulations the Commissioners must determine—

(a) an amount of loan charge gross liability, or

(b) any amount, or the attribution of an amount to a tax year, for the purposes of the calculation of settlement amounts,

they must make that determination in accordance with this regulation.

(2) The Commissioners may make a determination using information available or provided to them, or by such method of estimation, as they consider reasonable in the circumstances.

(3) In particular, the Commissioners may, for the purposes of making a determination, draw inferences from general or specific information about arrangements of a similar nature to the arrangements which relate to the relevant loan charge amounts for which P is liable, including in relation to the position of users of such arrangements in a comparable position to P.

Part 2

Establishment of the Scheme

Establishment of the Loan Charge Settlement Scheme

7.—(1) A scheme is established on commencement day, to be known as the "Loan Charge Settlement Scheme", under which—

(a) persons who are liable to pay loan charge amounts may enter into a settlement agreement with the Commissioners, and

(b) where such a settlement agreement is entered into, provision is made for inheritance tax in accordance with Part 6.

(2) These Regulations establish the rules of the Scheme.

(3) The Commissioners are responsible for the collection and management of the Scheme.

Part 3

Eligibility

Eligibility for the Loan Charge Settlement Scheme

8. The Commissioners must make a settlement offer to a person (an "eligible person") to enter into a settlement agreement under the Scheme if—

(a) the Commissioners believe that the eligible person is liable to pay loan charge amounts, and

(b) the eligible person is not a person the Commissioners reasonably suspect is, or at any time has been—

(i) a promoter or introducer for the purposes of Part 7 of FA 2004(**16**), or

(ii) a director or shadow director(**17**) of a promoter or introducer.

Part 4

Settlement Offers

Settlement offers: general

9.—(1) A settlement offer under the Scheme must be made to a person ("P") in accordance with this Part.

(2) Save where paragraph (3) applies, a settlement offer must be calculated in accordance with the method in regulation 10.

(3) If P is a corporate employer, a settlement offer may be calculated in accordance with regulation 11 (instead of the method in regulation 10).

(4) A settlement offer must—

(a) describe the loan charge amounts to which it relates ("relevant loan charge amounts"),

(b) describe the specified connected amounts to which it relates,

(c) state that, if the offer is accepted—

(i) every relevant amount ceases to be, or will no longer be, payable by P, and

(ii) P will instead be liable to pay the settlement amount, and

(d) (unless it is withdrawn under paragraph (7)(a) or extended under paragraph (7)(b)) remain open to accept for the period provided by paragraph (8) and (9).

(5) Where a settlement offer is made (and in addition to what is required by paragraph (4)(c)(i))—

(a) if P is not a corporate employer, the offer may also state that, if accepted, relevant amounts described for these purposes in the offer cease to be, or will no longer be, payable by a corporate employer, or a former corporate employer, of P, or

(b) if P is a corporate employer, the offer may also state that, if accepted, relevant amounts described for these purposes in the offer cease to be, or will no longer be, payable by an employee, or a former employee, of P.

(**16**) The meaning of "promoter" is given by FA 2004, section 307(1), and the meaning of "introducer" by section 307(1A) of that Act. Section 307(1) was amended, and subsection (1A) inserted, by the Finance Act 2010 (c. 13), Schedule 17, paragraph 2, and by S.I. 2010/3019 with effect from 1st January 2011.

(**17**) "Shadow director" has the meaning given by section 25(9) of FA 2026.

(6) A settlement offer must be made by the Commissioners giving P notice of the offer in writing.

(7) The Commissioners may—

(a) withdraw a settlement offer by giving P notice in writing;

(b) extend time for acceptance of the offer under paragraph (4)(d) (including after a settlement offer has expired under that paragraph);

(c) make a further settlement offer, if a settlement offer in respect of the same relevant loan charge amounts has—

(i) expired,

(ii) been withdrawn by the Commissioners, or

(iii) been rejected (or a counter-offer to it has been made) by P.

(8) The period in which a settlement offer is open for acceptance is—

(a) 90 days, or

(b) such longer period as the Commissioners may reasonably determine,

beginning with the day the offer is made.

(9) Where a settlement offer made is a further offer under paragraph (7)(c), the period in paragraph (8)(a) is 30 days.

(10) Relevant loan charge amounts—

(a) must not include amounts which are the subject of, or under, a contract settlement entered into before 1st June 2021;

(b) may include amounts which have been assessed (including self-assessed), whether or not that assessment is final.

Settlement offers: calculation of settlement amounts (primary method)

10.—(1) The settlement amount in a settlement offer made to P under regulation 9(2) is calculated in accordance with the following method.

Step 1

Determine the value of the loans and quasi-loans to which relevant loan charge amounts are connected.

Step 2

Determine the other amounts paid to P under the arrangements under which those loans or quasi-loans were made.

Step 3

So far as they are not already included in step 1, determine the amounts charged to P (as deductions, fees or otherwise) under those arrangements and add those to the sum determined under step 2.

Step 4

Attribute the amounts determined under steps 1 to 3 to tax years, making the assumption for the purpose of that attribution that income tax and national insurance contributions were payable for those tax years in relation to those amounts.

Step 5

Determine the total additional amount of income tax and notional national insurance contributions for each of those tax years which would have been payable by P in respect of that year (the “starting amount”) according to the following—

(a) determine by the first methodology the amount of income tax and notional national insurance contributions that P was liable to pay for each tax year, not taking into account the amounts attributed to that tax year under step 4;

(b) determine by the second methodology the amount of income tax and notional national insurance contributions that P would be liable to pay for each tax year, taking into account the amounts attributed to that tax year under step 4;

(c) subtract the amount determined under paragraph (a) from that determined under paragraph (b).

Step 6

Reduce the starting amount (but not below nil) for each tax year by the amount that results from adding—

(a) the amount of the reduction given by reducing by 10% the first £50,000 of the total amount attributed to the tax year by step 4, and

(b) the amount of the reduction given by reducing by 5% the next £100,000 of that total.

Step 7

Add together the amounts for each tax year produced by step 6.

Step 8

Reduce the amount produced under step 7 by £5,000 (but not below nil) ("the adjusted total amount").

Step 9

Subtract the adjusted total amount from P's loan charge gross liability.

Step 10

If the product of the calculation in step 9 is £70,000 or less, the adjusted total amount is the settlement amount.

Step 11

If the product of the calculation in step 9 is more than £70,000, the settlement amount is P's loan charge gross liability minus £70,000.

(2) For the purposes of this regulation, "notional national insurance contributions"—

(a) are the amount of contributions that would have been payable, treating total income for income tax purposes as if it represented profits for the purpose of section 15(1) of SSCBA 1992(**18**) or section 15(1) of SSCB(NI)A 1992(**19**) (Class 4 contributions),

(b) are treated as not payable in any tax year if P had attained pensionable age on or before 5th April 2019, as that term is defined by section 122 of SSCBA 1992(**20**) and section 121 of SSCB(NI)A 1992(**21**), and

(c) in respect of traders, apply as if Class 2 contributions were not payable.

(3) In step 5(a) of paragraph (1), the "first methodology" is—

(a) for income tax, calculate the liability to tax for a tax year by—

(i) determining the total income on which P is charged to income tax in that tax year;

(**18**) Section 15(1) was amended by ITTOIA 2005, Schedule 1, paragraph 420(2).
(**19**) Section 15(1) was amended by ITTOIA 2005, Schedule 1, paragraph 424(2).
(**20**) The definition of "pensionable age" was substituted by the Pensions Act 1995 (c. 26), Schedule 4, paragraph 13(a).
(**21**) The definition of "pensionable age" was substituted by S.I. 1995/3213 (N.I. 22), Schedule 2, paragraph 9(a).

(ii) applying to that total income the reliefs applicable in that tax year referred to in Step 2 in the calculation in section 23 of ITA 2007(**22**), to determine the net income;

(iii) deducting from the net income determined under sub-paragraph (ii) the amount of allowances applicable to that tax year under Chapter 2 of Part 3 of ITA 2007 (for the purposes of this sub-paragraph disregarding section 58 of ITA 2007(**23**) as it applies to that Chapter and defining “adjusted net income” as the amount of P’s net income for the tax year);

(iv) calculating the amount of tax payable on the amount determined under sub-paragraph (iii) using—

(aa) the basic rate and the basic rate limit,

(bb) the higher rate and the higher rate limit, and

(cc) the additional rate(**24**),

applicable for each tax year;

(b) for notional national insurance contributions, for each tax year—

(i) apply sub-paragraphs (a)(i) and (ii) (as they apply for income tax) to determine the net income;

(ii) apply to the net income—

(aa) the main Class 4 percentage to the amount that exceeds the lower profits limit but does not exceed the upper profits limit, and

(bb) the additional Class 4 percentage to the amount that exceeds the upper profits limit,

to produce the aggregate amount of a Class 4 contribution for that year.

(4) In step 5(b) of paragraph (1), the “second methodology” is—

(a) for income tax, calculate the liability to tax for a tax year by—

(i) determining the total income on which P is charged to income tax, not including the step 4 amounts;

(ii) applying to that total income the reliefs applicable in that tax year referred to in Step 2 in the calculation in section 23 of ITA 2007;

(iii) adding the step 4 amounts to the amount produced by sub-paragraph (ii), to produce an amount (the “revised net income”);

(iv) thereafter, applying paragraphs (3)(a)(iii) and (iv) of the first methodology to the revised net income.

(b) for notional national insurance contributions, for each tax year—

(i) apply sub-paragraphs (a)(i) to (iii) (as they apply for income tax) to determine the revised net income;

(ii) apply to the revised net income—

(aa) the main Class 4 percentage to the amount that exceeds the lower profits limit but does not exceed the upper profits limit, and

(**22**) Step 2 of section 23 was amended by the Finance Act 2013 (c. 29), Schedule 3, paragraphs 2(2) and 3, with effect from the tax year 2013-14. It has also been amended by the Finance (No. 2) Act 2023 (c. 30), Schedule 2, paragraph 10(2), but that amendment is not relevant to the operation of this methodology or to the second methodology.

(**23**) Section 58 has been amended, but not relevantly.

(**24**) The “basic rate”, the “basic rate limit”, the “higher rate”, the “higher rate limit” and the “additional rate” are defined by section 989 of ITA 2007. That section was relevantly amended by the Finance Act 2008 (c. 9), Schedule 1, paragraph 33(2), and by FA 2009, Schedule 2, paragraph 8.

(bb) the additional Class 4 percentage to the amount that exceeds the upper profits limit,

to produce the aggregate amount of a Class 4 contribution for that year.

(5) In this regulation—

"additional Class 4 percentage" means the percentage applicable for the purposes of section 15(3ZA)(b) of SSCBA 1992 or section 15(3ZA)(b) of SSCB(NI)A 1992(**25**) for each tax year;

"lower profits limit" means the lower of the amounts applicable in or under section 15(3)(a) of SSCBA 1992(**26**) or section 15(3)(a) of SSCB(NI)A 1992(**27**);

"main Class 4 percentage" means the percentage applicable for the purposes of section 15(3ZA)(a) of SSCBA 1992 or section 15(3ZA)(a) of SSCB(NI)A 1992(**28**) for each tax year;

"step 4 amounts" are the amounts attributed to that tax year under paragraph (1), step 4;

"upper profits limit" means the higher of the amounts applicable in or under section 15(3)(a) of SSCBA 1992 or section 15(3)(a) of SSCB(NI)A 1992 and the amount applicable in or under section 15(3)(b) of SSCBA 1992 or section 15(3)(b) of SSCB(NI)A 1992(**29**).

Settlement offers: calculation of settlement amounts (alternative method: corporate employers)

11.—(1) Where a settlement offer is made to a corporate employer under regulation 9(3), the settlement amount is calculated in accordance with the following method.

Step 1

For each tax year, identify each employee (the "relevant employee") who—

(a) is a party to a relevant arrangement or where that arrangement otherwise (wholly or partly) covers or relates to them, and

(b) in respect of whom P is liable to pay relevant loan charge amounts in connection with the use of that arrangement.

Step 2

For each relevant employee, determine the amounts included in steps 1 and 3 of the primary method for each tax year in relation to the relevant arrangement (interpreting those steps as if they refer to that employee).

Step 3

(**25**) Section 15(3ZA) was substituted in both Acts by the National Insurance Contributions Act 2002 (c. 19), section 3. The additional Class 4 percentage was further substituted in both Acts (2% for 1%) by the National Insurance Contributions Act 2011 (c. 3), section 2(1)(b), with effect from 6th April 2011 by virtue of section 13(1) of that Act.

(**26**) Section 15(3) was substituted by the National Insurance Contributions Act 2002, section 3(2), and amended by ITTOIA 2005, Schedule 1, paragraph 420(3). The limit has been relevantly amended by S.I. 2009/593, 2011/938, 2012/807, 2013/559, 2014/475, 2015/588, 2017/415, 2018/337. There have been subsequent amendments to the limit, but none is relevant to this provision.

(**27**) Section 15(3) was substituted by the National Insurance Contributions Act 2002, section 3(2), and amended by ITTOIA 2005, Schedule 1, paragraph 424(3). The relevant amendments to the limit were made by the same instruments as the amendments to SSCBA 1992.

(**28**) The main Class 4 percentage was substituted in both Acts (9% for 8%) by the National Insurance Contributions Act 2011, section 2(1)(a), with effect from 6th April 2011, by virtue of section 13(1) of that Act. It has subsequently been further substituted by the National Insurance Contributions (Reduction in Rates) Act 2024 (c. 5), section 1(3)(b), but this substitution is not relevant for the purposes of this provision.

(**29**) The limit has been relevantly amended in both Acts by S.I. 2009/593, 2011/938, 2013/559, 2014/475, 2015/588, 2016/343, 2017/415, 2018/337. There have been subsequent amendments to the limit in both Acts, but none is relevant to this provision.

Add together the amounts determined by step 2 to produce an amount for each tax year (the “employer year amount”).

Step 4

Divide the employer year amount by the total amount that would be attributable to each tax year in respect of the relevant employee under steps 1 and 3 of the primary method, to produce a percentage for each tax year (the “first percentage”).

Step 5

For each tax year, apply the first percentage to the starting amount that would be produced by step 5 of the primary method in respect of the relevant employee to produce an amount for each year (the “starting portion”).

Step 6

Add together the starting portion for each tax year to produce an amount (the “employer total amount”).

Step 7

Divide the employer total amount by the total that would be produced by step 7 of the primary method in respect of the relevant employee, to produce a percentage (the “second percentage”).

Step 8

Apply the second percentage to the settlement amount that would be produced by step 10 or 11 of the primary method in respect of the relevant employee (whichever applies to them), to produce an amount (the “employer’s portion”).

Step 9

The employer’s portion is P’s settlement amount if at step 1 only one relevant employee is identified.

Step 10

If more than one employee is identified at step 1, add together the employer’s portion in respect of each relevant employee to produce P’s settlement amount.

(2) In this regulation—

“the primary method” means the method of calculation in regulation 10(1);

“relevant arrangement” has the same meaning as it has in section 554A(1) of ITEPA 2003.

Settlement offers: conditions

12.—(1) The Commissioners may make it a condition of a settlement offer that—

(a) P agrees to pay additional qualifying amounts, on such terms as the Commissioners may propose;

(b) P agrees to the withdrawal, on such terms as the Commissioners may propose, of any proceedings brought in any court or tribunal relating to relevant amounts or to additional qualifying amounts which are the subject of the offer, where those proceedings have not been finally determined;

(c) P agrees to forbear from commencing or making a claim in any proceedings against HMRC in a court or tribunal in respect of relevant amounts or additional qualifying amounts which are the subject of the offer;

(d) P agrees to forgo any claim for a repayment of tax or relevant national insurance contributions;

(e) where the amount P is required to pay by the offer (including any additional qualifying amount) is nil, P executes the settlement agreement as a deed;

(f) P agrees that a contract settlement entered into before the date of the settlement offer which relates to relevant loan charge amounts—

(i) is discharged,

(ii) the proposed settlement agreement is substituted for that contract settlement, and

(iii) the agreement provides instead for the discharge of every relevant loan charge amount;

(g) where (prior to the day that P enters into a settlement agreement) P has entered into an agreement with the Commissioners to make payments towards liabilities to HMRC which include loan charge amounts, P agrees to the re-allocation of such payments to liabilities other than loan charge amounts.

(2) In paragraph (1)(a), "additional qualifying amounts" are amounts specified in paragraph (3) which are payable, or become payable in the future, to HMRC and have not yet been paid.

(3) The amounts referred to in paragraph (2) are—

(a) amounts under paragraph 1 of Schedule 24 to FA 2007(**30**), where the inaccuracy is deliberate and concealed (within the meaning of paragraph 3(1)(c) of that Schedule(**31**)) and relates to a Schedule 11 or 12 to a F(No. 2)A 2017 loan or quasi-loan;

(b) amounts under an enactment—

(i) that are not loan charge amounts, and

(ii) which satisfy the timing condition.

(4) The timing condition in paragraph (3) is that—

(a) the amounts arose and were assessed by HMRC on or before 26th November 2025, or

(b) an officer of Revenue and Customs opened an enquiry into a return under section 9A or 12AC of TMA 1970(**32**) or paragraph 24 of Schedule 18 to the Finance Act 1998(**33**) in respect of those amounts on or before that day.

(5) In paragraph (1)(b),the Commissioners may not make it a condition that P pays the Commissioners' legal costs in any proceedings commenced by the Commissioners against P (but they may in respect of any appeal or other application brought by the Commissioners in any proceedings commenced by P).

(6) In paragraph (1)(d), "relevant national insurance contributions" means any class of contribution listed in section 1(2) of SSCBA 1992(**34**) or section 1(2) of SSCB(NI)A 1992(**35**).

(**30**) Paragraph 1 was amended by the Finance Act 2008, Schedule 40, paragraph 2.

(**31**) Paragraph 3(1) was amended by the Finance Act 2008, Schedule 40, paragraph 5(2).

(**32**) Section 9A was substituted by the Finance Act 2001 (c. 9), Schedule 29, paragraph 4(1), and amended by FA 2004, Schedule 5, paragraph 1(2), by the Finance Act 2005 (c. 7), section 88(1), by FA 2007, section 91(3) and 96(1), by TIOPA 2010, Schedule 8, paragraphs 2 and 107, and by F(No. 2)A 2017, Schedule 15, paragraph 2 with effect from the day specified by Schedule 15, paragraph 44 of that Act. Section 12AC was substituted by the Finance Act 2001, Schedule 29, paragraph 5(1), and amended by FA 2007, section 96(2), by F(No. 2)A 2017, Schedule 15, paragraph 7, with effect from the day specified by Schedule 15, paragraph 44 of that Act, and by the Finance Act 2018 (c. 3), Schedule 6, paragraph 10(4) for returns from the tax year 2018-19 onwards by virtue of Schedule 6, paragraph 14 of that Act. References in sections 9A and 12AC of TMA 1970 to an "officer of the Board" are to an officer of Revenue and Customs by virtue of section 118(1) of TMA 1970 and section 7 of CRCA 2005.

(**33**) Paragraph 24 was amended by CRCA 2005, Schedule 4, paragraph 68, by FA 2007, section 96(3) and (4) and by S.I. 2008/954.

(**34**) Section 1(2) was relevantly amended by the National Insurance Contributions Act 2015 (c. 5), Schedule 1, paragraph 2 and 35, with effect from the tax year 2015-16.

(**35**) Section 1(2) was relevantly amended by the National Insurance Contributions Act 2015, Schedule 1, paragraph 11 and 35, with effect from the tax year 2015-16.

Part 5

Settlement Agreements and Payments

Payment of settlement amounts etc.: general

13.—(1) Settlement amounts are treated as if they are an amount of tax recoverable as a debt due to the Crown.

(2) Nothing in paragraph (1) affects the ability of the Commissioners to recover additional qualifying amounts included in a settlement agreement.

(3) Settlement amounts and additional qualifying amounts are amounts that P is liable to pay to HMRC under these Regulations.

Payments prior to date of settlement agreement

14.—(1) The Commissioners must credit relevant payments against the liability of P to pay a settlement amount in accordance with this regulation.

(2) Where a relevant payment has been made—

(a) the credit made under paragraph (1) must be to no greater extent than discharging P's liability to pay a settlement amount,

(b) where the relevant payment is not an advanced payment, the Commissioners may not (to the extent that the relevant payment exceeds P's liability to pay a settlement amount)—

(i) credit the relevant payment towards any liability of P to HMRC, or

(ii) repay the amount of the relevant payment to P, and

(c) where the relevant payment is an advanced payment, that payment may be—

(i) credited by the Commissioners towards liabilities of P other than a loan charge gross liability, or

(ii) (if there are no such other liabilities, or the amount of the credit exceeds those other liabilities), repaid to P.

(3) Where a relevant payment is made by a person other than P in respect of P's loan charge gross liability—

(a) the Commissioners may credit that payment (to the extent that the payment relates to P's loan charge gross liability) against the liability of P to pay a settlement amount in respect of that liability as if the relevant payment had been made by P, and

(b) (where the relevant payment is an advanced payment) the Commissioners may, at their discretion, repay the person making the relevant payment in place of P.

(4) In this regulation—

"advanced payment" means a payment on account or a payment made under section 55 or 56 of TMA 1970(**36**) or Part 1 of Schedule 2 to the National Insurance Contributions Act 2015(**37**);

"relevant payment" is a payment—

(**36**) Section 55 was substituted by the Finance (No. 2) Act 1975 (c. 45), section 45(1), and amended by the Finance Act 1982 (c. 39), section 68, by the Finance Act 1989 (c. 26), section 156(2), by the Finance Act 1994, Schedule 19, paragraph 18, by the Finance Act 1998, Schedule 19, paragraph 28, by the Finance Act 2001, Schedule 29, paragraph 31, by ITA 2007, Schedule 1, paragraph 257(a) and Schedule 3, Part 1, by the Finance Act 2008, section 119(12), by S.I. 2009/56, by the Finance Act 2012 (c. 14), Schedule 20, paragraph 11 with effect from 17th July 2012, by the Finance Act 2014 (c. 26), section 224(1) with effect from 17th July 2014, by the Finance Act 2015 (c. 11), Schedule 18, paragraph 11 with effect from 26th March 2015, and by the Finance Act 2018, Schedule 6, paragraph 10(8) for returns from the 2018-19 tax year onwards. Section 56 was substituted by S.I. 2009/56 and amended by the Finance Act 2014, section 225(1).

(**37**) Part 1 has been amended, but not relevantly.

(a) made prior to the day on which P enters into a settlement agreement under the Scheme,

(b) which relates to a loan charge gross liability of P under the Scheme, and

(c) which corresponds to a settlement amount that P agrees to pay under a settlement agreement.

Part 6

Inheritance Tax

Inheritance tax

15.—(1) If P enters into a settlement agreement—

(a) amounts of inheritance tax which—

(i) have not been paid, and

(ii) arise before the end of the period of 3 months beginning with the day the settlement offer was made to P to which the settlement agreement relates,

cease to be payable for the amounts, and by the persons, in case 1 and case 2, and

(b) no relevant Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan(**38**) is to be treated as a liability for the purposes of section 5(3) of IHTA 1984.

(2) Case 1 is an amount payable in respect of a transfer of value to a relevant settlement—

(a) by P (where P is not a corporate employer), where the amount is attributable to property used for making the relevant Schedule 11 or 12 F(No. 2)A 2017 loan or quasi-loan or a Schedule 11 or 12 F(No. 2)A 2017 loan or quasi-loan to any other person, or

(b) by P (where P is a corporate employer) or by any other person, where the amount is attributable to property used for making any relevant Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan.

(3) Case 2 is a settlement charge payable in respect of a relevant settlement—

(a) by P (where P is not a corporate employer), where the charge is attributable to property used for making the relevant Schedule 11 or 12 F(No. 2)A 2017 loan or quasi-loan or a Schedule 11 or 12 F(No. 2)A 2017 loan or quasi-loan to any other person, or

(b) by P (where P is a corporate employer) or by any other person, where the charge is attributable to property used for making any relevant Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan.

(4) In this regulation—

"relevant settlement" means a settlement within the meaning of section 43 of IHTA 1984 that is used as part of the arrangements to which the relevant Schedule 11 or 12 to F(No. 2)A 2017 loans or quasi-loans relate;

"settlement charge" means an amount of inheritance tax payable on any occasion of charge arising under Chapter 3 of Part 3 of IHTA 1984 (settlements without interests in possession etc.);

"transfer of value" has the same meaning as it has in section 3 of IHTA 1984(**39**).

(**38**) "Relevant Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan" has the meaning given by section 26(4) of FA 2026.
(**39**) Section 3 was amended by the Finance Act 2006 (c. 25), Schedule 20, paragraph 8.

Part 7

Miscellaneous Matters

Notices

16. A notice given in writing under these Regulations may be given electronically.

Supplementary and transitional provision

17.—(1) Where a qualifying offer has been made prior to commencement day, the offer is treated as a settlement offer made and notified to P under the Scheme on commencement day.

(2) In this regulation, a "qualifying offer" is an offer—

(a) made by the Commissioners to a person who is an eligible person on commencement day,

(b) which states that it is intended to be made under the Scheme, and

(c) which complies with the requirements in Part 4 (apart from regulation 9(6)).

Christian Wakeford
Deirdre Costigan
Two of the Lords Commissioners of His Majesty's Treasury

14th July 2026

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations establish the Loan Charge Settlement Scheme following the government's response, published at Budget 2025, to the Independent Loan Charge Review of Mr. Ray McCann. They set out when and how settlement offers may be made and settlement agreements reached with those who are liable to pay amounts of income tax and national insurance contributions to which the loan charge (Schedules 11 and 12 to the Finance (No. 2) Act 2017 (c. 32)) applies, together with other connected amounts. The Regulations also make provision for inheritance tax relating to those who enter into settlement agreements.

Regulation 1 addresses the title and the commencement of the Regulations.

Regulations 2 to 5 set out the definitions used in the Regulations, the key ones being 'loan charge amounts', 'loan charge gross liability', and 'specified connected amounts'.

Regulation 6 provides for the methodology for the determination of amounts used in the calculation of settlement offers and also for the loan charge gross liability with which the amounts in those offers are compared (see regulation 10).

Regulation 7 establishes the Scheme, the rules of which are set out in the Regulations, and provides that the Commissioners are responsible for the Scheme.

Regulation 8 sets out who is entitled to participate in the Scheme and on what conditions.

Regulation 9 sets out the main requirements of a settlement offer under the Scheme and its key terms and effects.

Regulation 10 sets out the primary method by which settlement amounts in an offer should be calculated. Regulation 11 sets out an adapted method where the offer is made to a corporate employer.

Regulation 12 provides for conditions to be made in an offer that certain other liabilities may be paid or other matters addressed, including the resolution of existing litigation and the form in which the settlement agreement may be concluded.

Regulation 13 makes general provision for payments.

Regulation 14 makes provision for the crediting of payments made before the day of the settlement agreement under the Scheme towards liabilities under the settlement agreement.

Regulation 15 addresses the inheritance tax treatment that will apply under the Scheme if a settlement agreement is entered into.

Regulation 16 deals with notices under the Regulations and regulation 17 makes transitional and supplementary provision.

A Tax Information and Impact Note covering this instrument is published on the website at https://www.gov.uk/government/publications/loan-charge-independent-review/loan-charge-review .