# HMRC warns against ineffective tax avoidance scheme



HM Revenue and Customs (HMRC) has issued a warning regarding a tax avoidance scheme purportedly designed to reduce company Corporation Tax liabilities while providing directors, employees, or associates with financial returns. The announcement was made on Monday, 31 March, as HMRC cautioned that this scheme is ineffective and could lead to higher tax bills for participants.

The scheme reportedly exploits an advertising loophole, whereby a limited company purchases 'advertising' from a promoter of the arrangement. HMRC has indicated that the facilitator of the scheme subsequently converts about 80% of the advertised spending into loyalty points, which can be redeemed for cash, effectively allowing directors to recapture most of their 'advertising' expenditure. This contrived method aims to secure tax deductions for the company while minimising personal income tax liabilities for the directors.

HMRC stated, "People who use these arrangements may have to pay more than the tax they tried to avoid as well as paying interest, penalties and fees for using such schemes." The department’s assessment indicates that the receipts and redemption of loyalty points distributed by third parties involved in the arrangement constitute taxable income for directors and should be reported. Additionally, it warned that corporation tax deductions claimed may not qualify as permissible business expenses because they do not adhere to the principle of being "wholly and exclusively" for business purposes.

Responding to the proliferation of such schemes, HMRC has urged individuals currently involved to withdraw and address their tax obligations. They can seek assistance from the department through the designated email address, CAGetHelpOutOfTaxAvoidance@hmrc.gov.uk. For those facilitating these schemes, HMRC has made it clear that it will take action against promoters or enablers of tax avoidance, potentially invoking penalties for individuals who design or market abusive tax avoidance strategies.

The statement concludes with an invitation for individuals to report tax avoidance schemes or promoters using an online form that allows for anonymous submissions.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.gov.uk/government/consultations/closing-in-on-promoters-of-tax-avoidance> - This URL supports HMRC's efforts to tackle tax avoidance by proposing new measures against promoters and enablers of such schemes. It highlights the government's intent to strengthen sanctions and increase transparency.
* <https://www.gov.uk/government/collections/tax-avoidance-schemes-currently-in-the-spotlight-number-20-onwards> - This URL provides information about tax avoidance schemes currently under HMRC's scrutiny, emphasizing the risks of using these schemes and the consequences for participants.
* <https://www.taxjournal.com/articles/hmrc-closing-in-on-tax-avoidance-again> - This article discusses HMRC's latest consultations and measures aimed at combating tax avoidance, including new powers for HMRC to tackle promoters more effectively.
* <http://www.theguardian.com/uk-news/2025/mar/31/hmrc-warns-of-ineffective-tax-scheme> - Unfortunately, this URL is not available in the search results, but it would typically provide an external news source corroborating HMRC's warnings about ineffective tax avoidance schemes.
* <https://www.accountancydaily.co/uk-tax-authorities-to-increase-inspections-of-companies> - This URL is not available in the search results, but it could offer insights into HMRC's increased scrutiny of companies to prevent tax avoidance.