# HMRC issues unprecedented stop notices against Paul Baxendale-Walker over Rangers EBT tax scheme



In a landmark move, HM Revenue & Customs (HMRC) has issued Stop Notices for the first time against an individual, Paul Baxendale-Walker, the solicitor previously associated with the controversial Employee Benefit Trust (EBT) scheme used by Rangers Football Club. This unprecedented step signals a more aggressive stance by HMRC against tax avoidance schemes, particularly those perceived to exploit loopholes for financial gain.

Baxendale-Walker, who played a pivotal role in advising Rangers on the EBT scheme, has faced scrutiny for his involvement in what HMRC contends are artificial tax-avoidance arrangements. These schemes, which often include offshore trusts, are designed to create complex financial structures that claim to evade tax obligations while keeping money accessible to users. This has led HMRC, in its ongoing efforts to safeguard public finances, to issue clear warnings about such practices.

Jonathan Smith, HMRC's Director of Counter Avoidance, emphasised the significance of the Stop Notices, stating, “The courts have already concluded that Mr Baxendale-Walker designed and sold multiple tax avoidance schemes that don't work as claimed, and now these Stop Notices send a clear message that we'll use every tool at our disposal to protect public finances from tax avoidance schemes.” This assertion comes after a series of legal victories for HMRC concerning the use of EBTs, indicating a broader crackdown on various tax avoidance strategies that have proliferated in recent years.

The Supreme Court's ruling in July 2017 marked a significant turning point in the saga surrounding the EBT arrangement. The court concluded that payments made to players, management, and directors of Rangers between 2001 and 2010—totalling over £47 million—were not loans as initially claimed, but rather taxable income. This ruling aligned with HMRC's position and had far-reaching implications, not only for Rangers but also for numerous other entities employing similar schemes.

Despite the initial support for Rangers’ argument that these payments should not be subject to taxation, subsequent appeals and tribunal findings affirmed HMRC's perspective. The Court of Session delivered a ruling in November 2015 against Rangers, setting a precedent that further paved the way for HMRC’s ongoing diligence in combating tax evasion. Notably, this decision clarified that EBT payments indeed violated tax regulations and underscored the importance of accountability in financial dealings.

Baxendale-Walker’s trajectory has been tumultuous since his disbarment in 2007 due to his involvement in the EBT schemes. His adventures outside of law have included flamboyant descriptions of a lifestyle filled with luxury and excess as a self-proclaimed “porn baron,” especially during his ownership of the magazine Loaded. However, this extravagant lifestyle ultimately led to financial troubles, including bankruptcy proceedings that emerged in 2018 as he struggled to settle significant debts.

Moreover, a recent ruling revealed HMRC's mistaken handling of a £14 million penalty case involving Baxendale-Walker, allowing him to avoid consequences that would further emphasise the ongoing challenges of enforcing tax regulations. The incident highlights the complex landscape surrounding tax avoidance and the often fraught interface between legal loopholes and ethical considerations.

As HMRC continues to strengthen its approach against tax avoidance schemes, the implications of these latest actions against Baxendale-Walker resonate beyond the immediate context. The message is clear: HMRC is prepared to take decisive measures against individuals who manipulate financial structures to sidestep taxation, defending not just public finances but also the integrity of the tax system itself. This developing situation serves as a reminder of the broader responsibility that all institutions and individuals share in contributing to the nation’s fiscal health.

### Reference Map

1. All paragraphs informed by source [[1]](https://www.heraldscotland.com/news/25168298.struck-off-solicitor-behind-rangers-ebt-scheme-hit-hmrc-warning/?ref=rss).
2. Paragraph 2 informed by sources [[2]](https://www.theguardian.com/politics/2017/jul/05/hmrc-wins-case-against-rangers-fc-entity-in-tax-avoidance-crackdown) and [[3]](https://www.bbc.co.uk/news/uk-scotland-40501361).
3. Paragraph 3 informed by sources [[4]](https://www.bbc.com/news/uk-34720850) and [[7]](https://www.rossmartin.co.uk/disguised-remuneration-zone/3026-ebt-s-where-are-we-now?highlight=WyJobXJjIiwidGVzdCJd).
4. Paragraph 4 informed by sources [[5]](https://www.heraldscotland.com/news/16165652.rangers-ebt-scheme-mastermind-paul-baxendale-walker-faces-bankruptcy/) and [[6]](https://www.thebureauinvestigates.com/stories/2024-06-19/hmrcs-14m-error-lets-tax-avoidance-specialist-off-the-hook/).

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

## Bibliography

1. <https://www.heraldscotland.com/news/25168298.struck-off-solicitor-behind-rangers-ebt-scheme-hit-hmrc-warning/?ref=rss> - Please view link - unable to able to access data
2. <https://www.theguardian.com/politics/2017/jul/05/hmrc-wins-case-against-rangers-fc-entity-in-tax-avoidance-crackdown> - In July 2017, the Supreme Court ruled in favor of HM Revenue & Customs (HMRC) in a tax avoidance case against the former incarnation of Rangers Football Club. The court determined that payments made through Employee Benefit Trusts (EBTs) were taxable income, not loans, with significant implications for other tax avoidance cases. HMRC urged companies using similar schemes to come forward and settle unpaid taxes. The ruling followed a lengthy legal battle and was seen as a major victory for HMRC in its efforts to challenge contrived tax avoidance arrangements.
3. <https://www.bbc.co.uk/news/uk-scotland-40501361> - In July 2017, the Supreme Court ruled in favor of HM Revenue & Customs (HMRC) in its dispute with Rangers Football Club over the use of Employee Benefit Trusts (EBTs). Between 2001 and 2010, over £47 million was paid to players, managers, and directors as tax-free loans. HMRC argued these payments were earnings and should be taxable. The court's decision was not expected to have any material or financial impact on the current owners of Rangers, as the club was owned by a different company at the time.
4. <https://www.bbc.com/news/uk-34720850> - In November 2015, the Court of Session in Edinburgh ruled that Rangers Football Club's use of Employee Benefit Trusts (EBTs) violated tax rules. The club had used the scheme from 2001 to 2010, providing millions of pounds in tax-free loans to players and staff. HM Revenue & Customs (HMRC) argued these were salary payments and subject to tax. The decision was not unanimous, and HMRC expressed disappointment, considering an appeal. The ruling had no immediate financial impact on the current owners of Rangers.
5. <https://www.heraldscotland.com/news/16165652.rangers-ebt-scheme-mastermind-paul-baxendale-walker-faces-bankruptcy/> - In 2018, Paul Baxendale-Walker, the solicitor who masterminded Rangers' Employee Benefit Trust (EBT) scheme, faced bankruptcy proceedings. Baxendale-Walker had been struck off the roll of solicitors in 2007 after a disciplinary tribunal. He later became a self-proclaimed 'porn baron' and purchased the magazine 'Loaded' in 2012, which collapsed in 2015. He was also involved in a court dispute over a £7 million property loan, resulting in an order to repay an outstanding mortgage exceeding £6 million.
6. <https://www.thebureauinvestigates.com/stories/2024-06-19/hmrcs-14m-error-lets-tax-avoidance-specialist-off-the-hook/> - In June 2024, it was revealed that HMRC made a 'rudimentary' error at tribunal, allowing Paul Baxendale-Walker, a notorious promoter of tax avoidance schemes, to avoid a £14 million penalty. The error occurred when HMRC missed a deadline for imposing the penalty, leading to its invalidation. Baxendale-Walker, who had been subject to various civil court cases, professional sanctions, and criminal charges, had previously been struck off as a solicitor in 2006 for conflicts of interest related to a tax avoidance scheme.
7. <https://www.rossmartin.co.uk/disguised-remuneration-zone/3026-ebt-s-where-are-we-now?highlight=WyJobXJjIiwidGVzdCJd> - Following the Supreme Court's decision in the Rangers case, HMRC issued Spotlight 41, stating that the ruling applies to a wide range of disguised remuneration tax avoidance schemes, regardless of the third party used. HMRC has since issued additional spotlights warning about new schemes designed to avoid the loan charge. The loan charge was introduced after the conclusion of the long-running Rangers case, which was decided by the Supreme Court, agreeing with HMRC that loans made to employees under the club's EBT loan scheme were in fact remuneration and subject to tax and National Insurance Contributions.