



Process for directors' loan accounts written off in corporate insolvency procedures – update

Background

On 22 September 2022, HMRC initiated a new voluntary process for insolvency practitioners to help HMRC to manage the tax impacts of directors' loan accounts (DLAs). The process was published by insolvency regulators and is also set out at Dear IP chapter 8.46.

Under the process, IPs were invited to send copies of their final reports in corporate insolvency cases to a new mailbox. HMRC would use the reports to identify tax compliance risks which may, among other potential compliance responses, lead to a letter from HMRC to any director with an unpaid loan account. These letters prompted the directors to comply with their personal tax obligations in relation to that loan.

During the 18 months the new process has been in place many IPs have engaged with HMRC. We are grateful for the support for HMRC's compliance work which has been shown by IPs engaging with the mailbox. We consider the new process has helped foster greater understanding of DLAs among insolvency professionals and has led to more efficient processing of section 458 Corporation Tax 2010 repayments, in addition to supporting HMRC's compliance work.

Way forward

In view of the insight which IPs' voluntary engagement through use of the mailbox has given us, and the working practices which have evolved, it is clear there is no longer a need for a dedicated mailbox. Rather, where IPs wish to engage with HMRC regarding DLAs they should write to:

**Corporation Tax Services
HM Revenue and Customs
BX9 1AX
United Kingdom**

- If they are appointed in a corporate insolvency and wish to reclaim tax under section 458 Corporation Tax Act 2010, in respect of previous section 455 tax paid by the company.
- If they are seeking a repayment under section 458 where the section 455 tax was paid to HMRC as part of a contract settlement.
- If they have general queries about the operation of corporation tax in relation to an insolvent company.

Therefore, from **1st April 2024** the mailbox was decommissioned. Any referrals to the mailbox received prior to this date will be handled business as usual.

Further questions

If you have any questions about this Insolvency Bulletin, please direct them to R3 or your representative group who will take them forward with HMRC.