

Dear Joanne,

Thank you for your letter of 19 January 2025 regarding the Matthews Remedy. Please accept my apologies for the delayed reply and any impact this has had. I can confirm that Chris in my team has now replied to colleagues at the Local Government Association (LGA) in response to the questions raised in October and more recently on 18 January.

I will not duplicate the advice provided but wanted to note a few points relevant to your letter.

Compensation Framework

We have suggested to LGA colleagues that any compensation framework that seeks to compensate members for tax they pay as a result of the remedy should be established on the basis of the correct tax position as set out in legislation. If there are specific instances, such as the one you highlight, where it appears HMRC have not correctly applied the legislation then we suggest this is a matter for HMRC and affected individuals to resolve.

HMRC Operations

It is unfortunately inevitable that in a large organisation dealing with many complex cases mistakes can happen. Where this happens, we will seek to rectify the position but we suggest this should not alter the compensation framework you are considering. We are liaising with our operational colleagues to clarify the appropriate rules to avoid this happening in future. We will also seek to identify if any mistakes have been made and will work with them to resolve these.

If you have any further details of the specific case you referenced that would be very helpful and it may allow us to identify what has happened and whether the conclusion is correct. We have also asked LGA colleagues if they can provide this information.

HMRC Advice

Finally, to manage expectations HMRC are unfortunately unable to provide advice on specific arrangements even to other public sector organisations. We are only able to set out the relevant rules and explain relevant statutory requirements. On this occasion we have provided fuller advice which we hope will enable progress.

We can also consider non statutory clearance requests where there is genuine uncertainty about how tax law applies to a specific, fully described transaction. There is further guidance on that here (<https://www.gov.uk/guidance/non-statutory-clearance-service-guidance>). If the conditions are met we can provide more specific advice.

I hope this reply is helpful and my apologies again for the delay in replying.

Yours sincerely,

Helen Page

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