
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide for relief from inheritance tax in relation to Horizon Shortfall Scheme compensation payments and Group Litigation Order compensation payments.

Horizon Shortfall Scheme compensation payments are made by Post Office Limited to people who were adversely affected by accounting shortfalls related to the Horizon system. Group Litigation Order payments are made by the Department for Business, Energy and Industrial Strategy or the Department for Business and Trade to people who were parties to a claim against Post Office Limited in respect of the Horizon system that was subject to a group litigation order.

Schedule 15 to the Finance Act 2020 (c. 14) provides for exemptions and relief from tax in respect of qualifying payments. Under paragraph 2(5) of that Schedule, the Treasury may by regulations specify that compensation payments made by a public authority or by or on behalf of the United Kingdom government are qualifying payments. Paragraph 5 of the Schedule provides for a relief from inheritance tax where a qualifying payment is received by a person or the personal representatives of a person. This relief reduces the tax chargeable on the value transferred by the transfer made on the person's death by the lower of the applicable IHT rate on the amount of the payment or the amount of IHT that would otherwise be chargeable.

These Regulations apply with retrospective effect in accordance with regulation 1(2) under the power in paragraph 5(7) of Schedule 15 to the Finance Act 2020. These Regulations have effect in relation to Horizon Shortfall Scheme compensation payments from 1st May 2020 and Group Litigation Order compensation payments from 1st August 2022.

A Tax Information and Impact Note covering this instrument will be published on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>