
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide for exemptions from income tax and capital gains tax for Group Litigation Order nominated individual compensation payments, Process Review Scheme compensation payments, Suspension Remuneration Review compensation payments and Victims of Overseas Terrorism Compensation Scheme payments and a relief from inheritance tax for Group Litigation Order nominated individual compensation payments.

Schedule 15 to the Finance Act 2020 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 compensation payments made by a public authority or by or on behalf of the United Kingdom government to be qualifying payments. Paragraph 3 of the Schedule provides for an exemption from income tax in respect of a receipt of a qualifying payment. Paragraph 4 of the Schedule provides for an exemption from capital gains tax on gains from a disposal arising as a result of a person forfeiting, surrendering or refraining from exercising rights in return for a qualifying payment, on a disposal of the right to receive the whole or any part of a qualifying payment, or on a disposal of any interest in such a right. 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 and reduces the tax chargeable on the value transferred by the transfer made on the person's death by the lower of the applicable inheritance tax rate on the amount of the payment or the amount of inheritance tax that would otherwise be chargeable.

Regulation 3 provides that no liability to income tax arises from the receipt of Group Litigation Order nominated individual compensation payments, Process Review Scheme compensation payments, Suspension Remuneration Review compensation payments or Victims of Overseas Terrorism Compensation Scheme payments because they are qualifying payments for the purposes of paragraph 3 of Schedule 15 to the Finance Act 2020.

Regulation 4 provides that no liability to capital gains tax arises from the transfer of rights in exchange for, or the disposal of the right to receive a Group Litigation Order nominated individual compensation payment, Process Review Scheme compensation payment, Suspension Remuneration Review compensation payment or Victims of Overseas Terrorism Compensation Scheme payment because they are qualifying payments for the purposes of paragraph 4 of Schedule 15 to the Finance Act 2020.

Regulation 5 provides for a relief from inheritance tax for Group Litigation Order nominated individual compensation payments because they are qualifying payments for the purposes of paragraph 5 of Schedule 15 to the Finance Act 2020.

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>.