



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

To All MPs

29 June 2023

Dear Colleagues,

Post Office Compensation Update

You are aware that the Post Office Horizon scandal has had a devastating impact on the lives of many postmasters since it began over 20 years ago. The Government is deeply concerned about ensuring the fair treatment of this group. The tax treatment of payments made under the Horizon Shortfall Scheme and the Group Litigation Order scheme is of vital importance to ensure fair compensation, and a key part of this is the consistency of such treatment with other historic compensation schemes, and the principles behind such decisions.

The Government has already announced its decision that payments made under the Group Litigation Order scheme and payments made to postmasters with overturned convictions will not be liable for Income Tax and that top-up payments will be made to ensure that the compensation to those on the Horizon Shortfall Scheme is not unduly reduced by tax. I am writing to you to inform you of the latest steps the Government is taking to ensure that victims of the Post Office Horizon scandal are fully and fairly compensated.

Today, we go further to correct the historic injustices by announcing today that the Government will not collect any inheritance tax that may arise in relation to payments made under the Horizon Shortfall Scheme and the Group Litigation Order scheme to victims of the Post Office Horizon scandal. This brings the inheritance tax treatment of payments made to victims under the Horizon Shortfall Scheme and the Group Litigation Order scheme in line with those made to postmasters with overturned convictions. This exemption recognises the unusual status of the Horizon Shortfall Scheme and Group Litigation Order scheme, and the egregious nature of the Post Office Horizon scandal.

The Government will legislate to exempt these payments from inheritance tax in due course, but to ensure that recipients have certainty over their tax position prior to legislation being introduced, from today HM Revenue and Customs (HMRC) will not collect any inheritance tax in relation to payments made up to the date the legislation comes into force. Any inheritance tax paid by the personal representatives of estates who did not previously qualify for relief from inheritance tax on Horizon Shortfall Scheme and Group Litigation Order scheme payments will now be entitled to a refund from HMRC.

The Government is committed to righting the wrongs of the past and will continue to work to ensure the postmasters get the full compensation they deserve.

Yours ever,
Victoria

VICTORIA ATKINS MP