EXPLANATORY MEMORANDUM TO

THE HORIZON FAMILY MEMBERS REDRESS SCHEME (TAX EXEMPTIONS AND RELIEF) REGULATIONS 2026

2026 No. 717

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before the House of Commons by Command of His Majesty.

2. Declaration

2.1 Dan Tomlinson MP, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Gareth Cooper, Deputy Director for Income Tax Policy, at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Aslihan Grantham at HMRC can be contacted by email at the following address with any queries regarding the instrument: employmentincomepolicy@hmrc.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The purpose of this instrument is to exempt compensation payments made under the Horizon Family Members Redress Scheme from Income Tax and Capital Gains Tax and to relieve them from Inheritance Tax. The exemptions ensure that eligible family members receive the full value of their compensation without any tax liability or administrative burden.

4.2 The Horizon Family Members Redress Scheme is expected to be open from July or August 2026. The exemptions and the relief will apply with effect from 22 July 2026, ensuring that no tax arises on any payments made under the scheme.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is United Kingdom.

5. Policy Context

What is being done and why?

5.1 The Department for Business and Trade is introducing the Horizon Family Members Redress Scheme to provide compensation to close family members of postmasters who were most severely affected by the Horizon scandal.

5.2 The scheme recognises financial and non-financial harms suffered by families, including lost household income, emotional distress, reputational damage and wider disruption to family life.

5.3 These family members were not eligible for compensation under earlier Post Office redress schemes and have therefore not previously benefited from tax exemptions provided for those schemes.

What was the previous policy, how is this different?

5.4 Without this measure, payments made to family members under the scheme could in some circumstances be chargeable to Income Tax, including under section 401 of the Income Tax (Earnings and Pensions) Act 2003, as well as Capital Gains Tax and Inheritance Tax depending on the nature of the award.

5.5 This instrument therefore introduces a relieving measure and is consistent with the tax treatment of other Post Office redress schemes, such as the Horizon Shortfall Scheme, Horizon Convictions Redress Scheme and the Capture Redress Scheme.

5.6 Unlike some earlier schemes, this one applies only to individuals, so no Corporation Tax provisions are required.

6. Legislative and Legal Context

How has the law changed?

6.1 Schedule 15 Finance Act 2020 contains a regulation-making power for HM Treasury, to provide that no liability to Income Tax, Capital Gains Tax, and Inheritance Tax arises on "qualifying compensation payments". This includes compensation payments made by or on behalf of the Government or a public authority where they are specified in regulations made by HM Treasury by Statutory Instrument. This instrument specifies that payments made under the Horizon Family Members Redress Scheme are qualifying payments within Part 1 of Schedule 15 to the Finance Act 2020 and are therefore exempt from Income Tax and Capital Gains Tax and relieved from Inheritance Tax.

6.2 The exemptions apply to ensure that no tax arises on payments made from the commencement of the scheme.

Why was this approach taken to change the law?

6.3 This is the only possible approach to provide tax relief for these payments. Primary legislation would not be proportionate, and existing tax law cannot deliver the policy outcome without the use of this delegated power.

7. Consultation

Summary of consultation outcome and methodology

7.1 No formal consultation has been undertaken. The measure is wholly relieving to taxpayers and is consistent with the approach taken for other Horizon related compensation schemes.

8. Applicable Guidance

8.1 Guidance will be provided via the bodies administering the scheme.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument is available on the GOV.UK website.[1] The Exchequer impact relates solely to the tax exemption provided by this instrument and does not include the cost of the compensation payments themselves.

Impact on businesses, charities and voluntary bodies

9.2 There is no or no significant impact on businesses, charities or voluntary bodies because payments under the scheme are made only to individuals.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no or no significant impact on the public sector because the instrument concerns the tax treatment of compensation payments rather than public service delivery.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 There are no plans to monitor or review this instrument. The measure affects a small and defined group and is consistent with previous tax exemptions for Horizon related compensation schemes.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to the negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union Withdrawal Act 2018, the European Union Future Relationship Act 2020 or the Retained EU Law Revocation and Reform Act 2023.

[1] Tax Information and Impact Note: www.gov.uk/government/publications/tax-treatment-for-payments-made-under-the-horizon-family-members-redress-scheme