EXPLANATORY MEMORANDUM TO

THE INFECTED BLOOD COMPENSATION SCHEME (TAX EXEMPTIONS AND RELIEF) REGULATIONS 2024

2024 No. 902

1. Introduction

1.1 This explanatory memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Declaration

2.1 James Murray MP, the Exchequer Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.

2.2 Philip Batchelor, Deputy Director for Income Tax Policy at HMRC can confirm that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Eunice Gonyora at HMRC, email: incometaxstructuremailbox@hmrc.gov.uk, can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The purpose of the legislation is to exempt compensation payments made under the Infected Blood Compensation Scheme, from Income Tax and Capital Gains Tax, and relieve payments from Inheritance Tax, with retrospective effect.

Where does the legislation extend to, and apply?

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

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

5. Policy Context

What is being done and why?

5.1 A new UK-wide financial compensation scheme, the Infected Blood Compensation Scheme, was announced by the Government on 20 May 2024. The Government has indicated that payments under this scheme would be exempt from taxes. Such an exemption will reduce the administrative burden on individuals so that their payments are full and final.

5.2 Without this instrument, compensation payments under this new scheme are currently not exempted from taxes.

5.3 The Government wishes to clarify the tax treatment of the new payments so that individuals know they do not need to report receipt of the payments to HMRC, putting the tax treatment of the payments beyond doubt.

What was the previous policy, how is this different?

5.4 An initial set of interim payments of £100,000 was administered by the UK Infected Blood Support Schemes, one for each UK nation. These were paid to living beneficiaries infected with HIV or Hepatitis C and bereaved partner beneficiaries since October 2022. The previous Government introduced legislation to exempt these payments from taxes under The Post Office Horizon Compensation and Infected Blood Interim Compensation Payment Schemes (Tax Exemptions and Relief) Regulations 2023.

5.5 A further set of interim payments of £210,000 were announced on 21 May 2024, to be made to living infected beneficiaries of the UK Infected Blood Support Schemes. These are also exempted from taxes under The Post Office Horizon Compensation and Infected Blood Interim Compensation Payment Schemes (Tax Exemptions and Relief) Regulations 2023.

5.6 This instrument confirms that payments made by the new Infected Blood Compensation Authority, under the Infected Blood Compensation Scheme, on or after 23 August 2024, will not be subject to Income Tax, Capital Gains Tax and Inheritance Tax, aligning with the tax treatment of interim payments to victims of infected blood.

6. Legislative and Legal Context

How has the law changed?

6.1 Schedule 15 to the Finance Act 2020 ("FA 2020") contains a regulation-making power for the Treasury, by regulations, to provide that no liability to Income Tax, Capital Gains Tax and Inheritance Tax arises on "qualifying 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 the Treasury by Statutory Instrument.

6.2 This instrument is being made to set out the tax treatment of a new scheme providing additional compensation payments made under the Infected Blood Compensation Scheme. These are recognised as qualifying payments under Paragraph 2(5) of Schedule 15 FA 2020.

6.3 The instrument will provide that the new scheme payments are exempt from Income Tax and Capital Gains Tax under Paragraphs 3(5) and 4(3)(c) of Schedule 15 FA 2020, respectively, and that the scheme payments are relieved from Inheritance Tax under Paragraph 5(7) of Schedule 15 FA 2020. The exemptions will be with retrospective effect and will be wholly relieving from the date of their respective introductions.

Why was this approach taken to change the law?

6.4 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 No formal consultation has taken place as these are minor changes which are wholly relieving to the taxpayer.

8. Applicable Guidance

8.1 Guidance will be provided by the body administering the new scheme.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note has not been prepared for this instrument because it contains no substantive changes to tax policy.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies.

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 there are no resource, IT or financial consequences for HMRC.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 There are no plans to monitor or review the instrument.

10.2 The instrument does not include a statutory review clause because it does not make or amend regulatory provisions that relate to business activity.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 Schedule 15 FA 2020 conferred on the Treasury the power to make regulations to exempt compensation payments made by or on behalf of the Government or a public authority from Income Tax and Capital Gains Tax and relieve them from Inheritance Tax. These regulations can be made with retrospective effect.

11.2 This instrument is being made with retrospective effect.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution 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 ("relevant European Union Acts").