

Press release

# **Government announces tax top-up payments for postmasters affected by the Horizon IT Scandal**

There will be top-up payments to postmasters under the Historic Shortfall Scheme (HSS)

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From: **Department for Business and Trade**  
**(/government/organisations/department-for-business-and-trade)** and **Kevin Hollinrake MP**  
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- Postmasters in the Historic Shortfall Scheme (HSS) will receive top-ups to their compensation,

to ensure that the amount they receive is not unduly reduced by tax.

- HSS claimants will also be able to claim up to £300 for independent advice on filing their tax returns.
- Government has introduced the top-ups to ensure that postmasters receive full and fair compensation.

All postmasters in the Historic Shortfall Scheme will be given a top-up payment in addition to their compensation award as soon as the Post Office has calculated all the individual payments.

The tax treatment of awards in the Historical Shortfall Scheme has, in some cases, had the effect of unfairly reducing the compensation received by postmasters, which these top-up payments will address.

Claimants will also be able to claim £300 of further support for independent tax advice, to help them when filing their tax returns.

The Government is determined that postmasters affected by the Horizon IT Scandal receive the compensation they deserve, and today's announcement marks another step in ensuring compensation is fair and consistent.

**Postal Affairs Minister Kevin Hollinrake said:**

- “ We are committed to ensuring that postmasters and their families receive the full and fair compensation they deserve for the pain and suffering caused by the Horizon scandal.
- “ With these top-ups, we're making sure that every penny stays in postmaster's pockets where it belongs.”

HSS offers were made on a gross basis and compensation then taxable. This allowed claims to be processed more efficiently without the need for postmasters to provide tax information.

However, this approach did not account for the tax on compensation when paid as a lump sum, which means that postmasters are not necessarily restored to the position they would otherwise have been in. Top-up payments are the quickest and most efficient way to address this issue, and will be exempt from tax.

In total, an additional £26 million is expected to be delivered to claimants through these top-ups which will be tax exempt.

## Background

- Claimants can claim for up to £300 costs incurred for tax advice to be reimbursed by the Post Office.
- The top-up payments are exempt from income tax, capital gains tax and national insurance contributions.
- Starting in the late 1990s, the Post Office began installing Horizon accounting software, but faults in the software led to shortfalls in branches' accounts. The Post Office demanded sub-postmasters cover the shortfalls, and in many cases wrongfully prosecuted them between 1999 and 2015 for false accounting or theft.
- The issue of taxation does not apply to the Group Litigation Order Scheme or the Overturned Convictions where there is a tax exemption in place.

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