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Post Office: Horizon Compensation

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The Parliamentary Under-Secretary of State for Business and Trade >

(Kevin Hollinrake)

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The Government are determined that postmasters affected by the Horizon IT scandal receive the compensation that they deserve. The historical shortfall scheme has made good progress in achieving this outcome, with over 99% of original claimants receiving an offer to date.

However, the tax treatment of awards has in some cases had the effect of unfairly reducing the net compensation received by postmasters. In particular, the problem that has arisen on the historical shortfall scheme is that awards for loss of earnings are paid as a lump sum through compensation, but if the postmaster had stayed in employment and received that income over several tax years, they may have faced a lower tax bill.

The Government are today announcing that we will support the Post Office with an estimated £26 million of funding to make additional payments to postmasters in the historical shortfall scheme to ensure that compensation is not unduly lost to tax.

Every postmaster involved in the scheme will benefit from these additional payments. To avoid further complexity, the Government intend to legislate to make these additional payments exempt from income tax, capital gains tax and national insurance contributions.

So that payments can be made as swiftly as possible, the top-ups will be calculated so that no postmaster pays more than the basic rate of tax on the taxable elements of their compensation. This approach ensures that postmasters do not need to provide any further information.

Additionally, all claimants involved in the scheme will be able to access funding for tax advice of up to £300 to support them in filling out their tax returns.

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