
1 Tax exemptions for Windrush Compensation Scheme payments etc

The Schedule makes provision about the tax treatment of—

- (a) payments under the Windrush Compensation Scheme, and
- (b) certain other compensation payments.

SCHEDULE

Section 1

TAX EXEMPTIONS FOR WINDRUSH COMPENSATION SCHEME PAYMENTS AND OTHER COMPENSATION PAYMENTS

Introductory

- 1 This Schedule provides for the following in connection with qualifying compensation payments—
- (a) an exemption from income tax,
 - (b) an exemption from capital gains tax, and
 - (c) a relief from inheritance tax.

Qualifying compensation payments

- 2 (1) In this Schedule “qualifying compensation payment” means a payment within any of sub-paragraphs (2), (3) and (4).
- (2) A payment is within this sub-paragraph if it is a payment under the Windrush Compensation Scheme.
- (3) A payment is within this sub-paragraph if—
- (a) a claim for the payment is made under the Windrush Compensation Scheme by a person who dies before the payment is made, and
 - (b) the payment is made otherwise than to the person’s personal representative.
- (4) A payment is within this sub-paragraph if—
- (a) it is a compensation payment of a description specified in regulations made by the Treasury by statutory instrument, and
 - (b) it is a payment made by or on behalf of—
 - (i) the government of the United Kingdom,
 - (ii) the government of a part of the United Kingdom,
 - (iii) the government of any other country or territory,
 - (iv) a local or other public authority in the United Kingdom, or
 - (v) a local or other public authority of a territory outside the United Kingdom.
- (5) Regulations under sub-paragraph (4) may provide that a compensation payment of a description specified in the regulations is a qualifying compensation payment only for the purposes of particular provisions of this Schedule.
- (6) A statutory instrument containing regulations under sub-paragraph (4) is subject to annulment in pursuance of a resolution of the House of Commons.

Exemption from income tax

- 3
- (1) No liability to income tax arises in respect of a qualifying compensation payment.
 - (2) A qualifying compensation payment is to be ignored for all other income tax purposes.
 - (3) This paragraph has effect in relation to qualifying compensation payments within paragraph 2(2) or (3) that are received on or after 3 April 2019 (being the date the Windrush Compensation Scheme was published).
 - (4) This paragraph has effect in relation to qualifying compensation payments within paragraph 2(4) that are received on or after such date as is specified in the regulations concerned (which may be a date before the regulations are made).

Exemptions from capital gains tax

- 4
- (1) A gain accruing on a disposal is not a chargeable gain if it accrues on—
 - (a) a disposal arising as a result of the forfeiture or surrender of rights, or as a result of refraining from exercising rights, in return for a qualifying compensation payment,
 - (b) a disposal of the right to receive the whole or any part of a qualifying compensation payment, or
 - (c) a disposal of an interest in any such right.
 - (2) In sub-paragraph (1)(c) “interest”, in relation to a right, means an interest as a co-owner of the right (whether it is owned jointly or in common and whether or not the interests of the co-owners are equal).
 - (3) This paragraph has effect—
 - (a) in a case where the qualifying compensation payment concerned is a payment within paragraph 2(2) or (3), in relation to disposals made on or after 3 April 2019, and
 - (b) in a case where the qualifying compensation payment concerned is a payment within paragraph 2(4), in relation to disposals made on or after such date as is specified in the regulations concerned (which may be a date before the regulations are made).

Relief from inheritance tax

- 5
- (1) This paragraph applies where a qualifying compensation payment, other than one within paragraph 2(3), has at any time been received by a person or the personal representatives of a person.
 - (2) The inheritance tax chargeable on the value transferred by the transfer made on the person’s death is to be reduced by an amount equal to—
 - (a) the relevant percentage of the amount of the payment, or
 - (b) if lower, the amount of inheritance tax that would, apart from this paragraph, be chargeable on the value transferred.
 - (3) The “relevant percentage” means the percentage in the last row of the third column of the Table in Schedule 1 to the IHTA 1984.

-
- (4) This paragraph has effect, in the case of qualifying compensation payments within paragraph 2(2), in relation to deaths occurring on or after 3 April 2019.
 - (5) This paragraph has effect, in the case of qualifying compensation payments within paragraph 2(4), in relation to deaths occurring on or after such date as is specified in the regulations concerned (which may be a date before the regulations are made).