# State pension and the annual taxable figure

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LITRG is putting pressure on the Department for Work and Pensions and HMRC to improve information and guidance for state pensioners to help them understand their annual taxable figure. Why are state pensioners still being left behind?

LITRG is hearing from more and more people who are unsure about their state pension tax obligations. Leaving aside the actual collection of tax on state pension (the imperfections of simple assessment, for instance – a separate battle), we wanted to take a fresh look at a more basic level: how easy is it for taxpayers to identify their taxable state pension figure? As a result, we have been liaising with both the Department for Work and Pensions (DWP) and HMRC to encourage them to improve their tax information for those receiving state pension.

Earlier in the spring, we were invited to an in-person meeting with the(now former) Pensions Minister Paul Maynard MP, to share our ideas about improvements to the DWP's annual notification of weekly state pension entitlement. We followed up with

a letter to the department including various recommendations. In particular, we emphasised the importance of providing state pensioners with their projected annual taxable figure, both for the tax year ahead and for the tax year coming to an end. The department has responded suggesting that our comments are being considered.

This seems obvious and important information that DWP should share, and we are by no means the first to raise it. In2013, the Office of Tax Simplification recommended improvements of this nature in their 'Taxation of state pensioners review' paper (see tinyurl.com/8k8vvw6w). We think it is very disappointing that over a decade later, state pensioners are still expected to perform their own calculations. They need to know their exact state pension figure for various purposes, including:

- budgeting for the tax year ahead;
- planning for future tax liabilities;
- disclosing on their self assessment tax return; and
- cross-checking with any pre-populated figure contained in their PAYE tax code or tax assessment.

Clearly, this interaction between the DWP weekly entitlement and the annual taxable amount is not purely a matter for DWP. We think DWP should help but ultimately this is a tax issue. As such, we have also taken our concerns to HMRC.

In doing so, we appraised the current GOV.UK guidance available to the public in calculating their annual taxable state pension figure. Sadly, it seems public-facing guidance on GOV.UK is scant and of little assistance. The most obvious page would seem to be 'Tax when you get your state pension' (see tinyurl.com/2nxcybp5). However, this does not provide any information about how the taxable figure is calculated. In fact, this page is arguably *unhelpful* as it states: 'Your total income could include … the State Pension you get…' This could lead some state pensioners to (incorrectly) assume that they are taxable on actual payments received, as opposed to the annual entitlement (ITEPA 2003 s578).

We were also concerned that HMRC's community forum exposes a lack of suitable understanding amongst HMRC's own advisers (a worrying example of which can be seen here: tinyurl.com/2s3789m8).

The only place where we could identify an official public-facing reference to the taxable figure being based on actual weeks of entitlement (regardless of payments received) appears to be within page TRG6 of the self assessment tax return notes (see tinyurl.com/57hc354r). However, these notes are also problematic – they are confusingly written and there is a caveat hidden within an example. Bizarrely, the following text is also included: *'…if you reached state pension age before 6 April 2010 and 6 April 2023 falls on a Saturday, Sunday or Monday…'*

It seems baffling that HMRC cannot go so far as to look at their calendar to check whether the 6 April 2023 fell on a Saturday, Sunday or Monday! If anyone is interested, 6 April 2023 fell on a Thursday. But what is the relevance of state pension age being reached before 6 April 2010? HMRC manual PAYE76030 offers a clue as to why this date is important, but we still feel it falls short of a conclusive explanation. At any rate, not many state pensioners are likely to venture into the PAYE technical manual to find information about the taxable amount of state pension.

All in all, we feel there is much work that must be done by HMRC and DWP to improve the experience of state pensioners. So, we are keenly pressing them for clarification and improved guidance, to ensure the mystery of taxable state pension is well and truly solved for taxpayers, advisers and HMRC's own staff. Now, more than ever, given that so many are falling into the tax net because of 'fiscal drag', the problem cannot continue to be ignored. At the moment it is still a case of 'watch this space', but members wish to feed in any experiences or comments, please do so.

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