2025/26 winter fuel payments and pension age winter heating payments: the £35,000 income limit

General Features Personal tax



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Winter fuel payments (in England, Wales and Northern Ireland) and pension age winter heating payments (in Scotland) have been reinstated this year for all eligible people born before 22 September 1959. But the payment will be clawed back via the tax system if the recipient has income exceeding £35,000 for the 2025/26 tax year. Alternatively, the individual can choose to opt out of receiving their payment if they would prefer not to suffer the claw back later down the line.

Please note, for the purposes of this article and ease of reference we use the term winter fuel payment to refer to both the winter fuel payments scheme in England, Wales and Northern Ireland and the pension age winter heating payments scheme in Scotland.

How the £35,000 income limit is calculated

The £35,000 is a cliff-edge threshold: those with income of £35,000 get to keep their entire winter fuel payment; those with income of £35,001 have the entire amount clawed back.

The threshold is based on the income for the whole tax year. So, for this year's winter fuel payments, the relevant tax year is 2025/26.

HMRC have confirmed that the income limit will be in line with the definition of 'total income' as set out at Step 1 of Income Tax Act 2007 s 23. This is not the same as 'adjusted net income', as those familiar with the high-income child benefit charge might have expected.

How the opt-out (and opt-in) process works

By the time this article goes to print, the opt-out deadline for the scheme in England, Wales and Northern Ireland will have passed. To opt-out online, the Department for Work and Pensions (DWP) originally gave the deadline as being 'before 15 September 2025'. However, this caused some confusion with some media outlets reporting the deadline to be 14 September (which was technically the correct reading) and others reporting the deadline as being 15 September. In response to this, the DWP decided to extend the deadline to 'on or before 15 September' to ensure no one was misled.

For the Scottish scheme, payments are administered by Social Security Scotland rather than the DWP. The opt-out deadline is 10 October 2025.

For both schemes, it is possible to opt back in by 31 March 2026 and receive the 2025/26 winter fuel payment. This is perhaps helpful to people who see a change in their expected income for the 2025/26 tax year and latterly realise their income is likely to fall below the £35,000 threshold.

There will also be some people who are eligible for a winter fuel payment but will not receive it automatically. This will only apply in limited cases where they are not in the DWP/Social Security Scotland system. An example of this would include where the individual has chosen to defer claiming their state pension. Such people will need to contact the DWP/Social Security Scotland to claim their winter fuel payment – and the deadline to do this is the same for those opting back in, 31 March 2026.

How HMRC will claw back payments via the tax system

If an eligible person receives their winter fuel payment and has income exceeding £35,000 in the 2025/26 tax year, they will have their payment recouped via the tax system.

If the person is already within self-assessment, then this claw back will be dealt with as part of the annual tax return process. Effectively, this year's winter fuel payment will be added to their self-assessment tax bill for 2025/26.

If the person is not within self-assessment, then the payment will be collected via the PAYE system as an adjustment to their tax code. For the 2025/26 winter fuel payment, this adjustment will be within their 2026/27 tax code. We await final details of the ongoing process but understand that HMRC's intention is to eventually collect winter fuel payments 'in year'. This will mean that some people will face a tax year where they are suffering two winter fuel payment adjustments in a single year's code – one for the preceding year's winter fuel payment, and one for the current year payment. Of course, because most people receive their winter fuel payment in November or December, reclaiming the winter fuel payment as an in-year tax code adjustment does have the awkward effect that it is partly being clawed-back before it is even received!

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