TaxAid: The mounting pressure on vulnerable taxpayers

Briefings

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Sonya Quigg, Director of Tax at TaxAid, explains that the 2025 Autumn Budget will push more low-income earners and pensioners into the tax system, increasing demand for TaxAid's support.

The 2025 Autumn Budget confirms what we at TaxAid have anticipated with growing concern: unprecedented numbers of low-income earners will soon enter the tax system for the first time. With the personal allowance freeze extended until 2031, an estimated 780,000 people will become new taxpayers – many earning barely above minimum wage, working zero-hours contracts or juggling multiple part-time roles.

These individuals – including care workers, delivery drivers and retail staff – already face impossible choices between heating and eating. Now they must navigate a tax system they've never encountered before. Our services at TaxAid have seen demand increase by 58% over three years, supporting 18,052 people last year alone. This Budget will accelerate that trajectory dramatically.

The compound effect of frozen thresholds

The Office for Budget Responsibility projects that without the freeze, the personal allowance would be £4,900 higher by 2030/31. This represents a substantial stealth tax on those least able to afford it. The impact extends beyond new taxpayers; existing low-income taxpayers face progressively higher tax burdens as wage inflation pushes them up the scale while thresholds remain static.

Particularly concerning is the situation facing pensioners. From 2027/28, the full new state pension will exceed the personal allowance. Last year, we helped 989 people to understand Simple Assessments – HMRC's mechanism for collecting tax where PAYE can’t and Self Assessment isn't applicable. These calculations can prove particularly challenging for older people, especially those with cognitive impairments or visual difficulties. We know this from the support we currently provide to pensioners whose only income (the old state pension plus additional entitlements) already exceeds the personal allowance, and who have received a Simple Assessment as a result. While the government promises administrative easements, the details remain unclear, leaving vulnerable pensioners confused.

Digital transformation excludes the vulnerable

Making Tax Digital's rollout presents another challenge. From April 2026, self-employed individuals and landlords with turnover of over £50,000 must submit quarterly digital updates, with the threshold dropping to £30,000 by April 2027. Many of our beneficiaries lack adequate digital skills or reliable internet access. Sufficient support would enable many to benefit from the advantages of digital record keeping, but currently they face mandatory participation in a system they're unequipped to use.

While the penalty relaxations for the first year acknowledge the transition's difficulty, they don't address the fundamental problem: digital exclusion. Those unaware that they can apply for an exemption, or who are simply unable to engage, risk accumulating tax debts unknowingly, creating future crises that we will inevitably need to resolve.

Secondary impacts compound the pressure

The increased property tax rates – rising to 22% basic rate, 42% higher rate and 47% additional rate from April 2027 – may trigger rent increases as landlords pass costs to tenants. For those already struggling with frozen allowances and cost-of-living pressures, this could prove catastrophic. We regularly assist people whose tax problems originated from unexpected expenses preventing them from setting aside tax payments.

The government's decision not to regulate the tax advice market during this Parliament could leave vulnerable taxpayers exposed to poor advice from unscrupulous operators. Without regulation, people desperate for help may pay for services that worsen their situation, adding to the debt burden they already cannot manage.

Some welcome measures

The loan charge resolution proposals, based on recommendations we contributed to through the Independent Loan Charge Review, could significantly reduce debts for thousands caught in schemes they didn't understand. Similarly, measures targeting promoters of tax avoidance schemes are overdue and welcome.

These changes recognise that vulnerable people are often victims, not perpetrators, of complex schemes beyond their comprehension, and take significant steps towards protecting them from bad actors.

The critical role of specialist support

Our recent merger with Tax Help for Older People positions us as the UK's single strongest provider of free direct support and personalised advice to vulnerable taxpayers. Our 320+ volunteer advisers – including former HMRC directors, tax professionals and specialist barristers – provide expertise typically reserved for those who can afford it.

Our digital transformation project aims to revolutionise service delivery through smart triage systems, multi-channel support and partner organisation training. We're developing solutions that maintain accessibility for digitally excluded clients while leveraging technology to extend our reach.

The Budget creates a perfect storm for vulnerable taxpayers: more people paying tax, digital barriers, increased complexity and potential secondary impacts through rent increases. With demand for our services set to rise dramatically, we're scaling our response to meet unprecedented need, ensuring that no one faces these challenges alone.

The challenges are clear. The need is urgent. No one should navigate a tax crisis without expert support.

Image

Sonya Quigg is Director of Tax at TaxAid. To support TaxAid's work, visit taxaid.org.uk